DIC Deposit Insurance Corporation

Strengthening through Co-operation

Annual Report 2012

ABOUT THE DIC

The Deposit Insurance Corporation (DIC) was established by the Central Bank and Financial Institutions (Non-Banking) (Amendment) Act, 1986 which amended the Central Bank Act Chapter 79:02.

The DIC insures depositors in all institutions licensed to operate under the Financial Institutions Act, 2008. Deposit insurance is payable only when an institution has been closed as a result of action taken by the Central Bank of Trinidad and Tobago.

Depositors in all licensed financial institutions are insured up to a maximum of TT $125,000. Only deposits held in Trinidad and Tobago and payable in Trinidad and Tobago dollars are insured.

The DIC is financed mainly by contributions and annual premiums levied on licensed member institutions. While the Corporation is empowered to borrow, special premiums can also be levied on all member institutions should the demand on the Fund exceed its resources.

As a member of the financial safety net, the Deposit Insurance Corporation has contributed to rebuilding confidence in Trinidad and Tobago's financial institutions and the financial system since the difficulties of 1986. The Financial Institutions Act, 2008, and other improvements in the system of inspection and supervision of licensed financial institutions have also contributed to the reduction in the risk of failure.

Our Vision

"TO BECOME A PRO-ACTIVE AND EFFICIENT DEPOSIT INSURANCE SYSTEM, EVOLVING TO MEET THE EVER CHANGING NEEDS OF A MODERN SOCIETY."

Our Mission

"TO CONTRIBUTE TO THE STABILITY, SAFETY AND INTEGRITY OF AND PUBLIC CONFIDENCE IN THE FINANCIAL SYSTEM OF TRINIDAD AND TOBAGO BY PROVIDING PROTECTION AND SUPPORT FOR ELIGIBLE DEPOSITORS AND MEMBER INSTITUTIONS AND BY THE PRUDENT AND PROFITABLE MANAGEMENT OF THE DEPOSIT INSURANCE FUND."

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CHAIRMAN'S REMARKS

In Trinidad and Tobago, economic activity was sluggish for most of 2012. Significant maintenance operations by energy companies affected the supply of natural gas and spilled over to petrochemical companies. An extended labour strike at the main cement producer slowed the pace of recovery in the non-energy sector. Core inflation remained relatively stable, although food prices were volatile and led to an acceleration of headline inflation in early 2012. The Central Bank maintained its accommodative monetary stance, lowering the repo rate to 2.75 percent in September 2012, to help support the economic recovery.

Throughout 2012, the banking system remained robust. With high liquidity levels and low interest rates, commercial banks lowered deposit rates in an attempt to contain operating costs. The rationalization of past due loans and improvements in provisioning helped to strengthen credit quality. Stress tests showed that the banking system remained resilient to a variety of shocks, although credit concentration required careful monitoring.

In 2012, the DIC continued to meet emerging challenges in the financial system and to address the large and highly complex liquidation of CLICO Investment Bank (CIB). In addition, consistent with international best practice to share experiences with other deposit insurance schemes, the DIC signed a Confidentiality Agreement for the Compendium of Policies with Malaysia. Additionally, a Memorandum of Co-operation is being pursued by the Caribbean Regional Committee (CRC) members including Jamaica, Barbados, Bahamas, the British Virgin Islands and Trinidad and Tobago. From the Corporation's perspective, collaborative initiatives are being developed on several fronts. The Corporation will leverage its membership in IADI to further develop and strengthen its operating capability.

From a country perspective, the establishment of a resolution system is now under review by the Central Bank and the DIC. The Financial Stability Board (FSB) has produced Key Attributes for Effective Resolution Systems to guide in the development of resolution mechanisms particularly those that are triggered by systemic crisis events like the 2007/2008 global financial crisis. IADI has partnered with the FSB and access to assistance would be forthcoming. Additionally, the Corporation would be moving to strengthen its compliance with the IADI / Basel Committee for Banking Supervision Core Principles for Effective Deposit Insurance Systems which the International Monetary Fund would be incorporating in its Financial Sector Assessment Programs with member countries.

In closing, I take this opportunity to recognize the contribution of the former Chairman Ewart Williams, whose term ended in July 2012, to the DIC's many achievements during his decade long leadership of the Corporation. I would also like to pay tribute to the Board, Management and Staff of the DIC for their continued dedication towards fulfilment of the Corporation's mission. I look forward to their continued support and collaboration as we further strengthen the national financial safety net in the service of the people of Trinidad and Tobago.

Mr. Ewart S. Williams

CHAIRMAN (DIRECTORSHIP ENDED JULY 16, 2012)

Mr. Ewart S. Williams was appointed Governor of the Central Bank of Trinidad and Tobago in July 2002 following a thirty-year career with the International Monetary Fund (IMF). In his various positions at the IMF he has provided economic policy advice and hands-on policy support to many Governments and Central Banks in Africa, Latin America and the Caribbean.

During his Fund career he was the International Monetary Fund's (IMF) Resident Representative to Jamaica; Assistant Director in charge of Central America and Mexico; and Deputy Director in the Western Hemisphere Department. In 1988-89, he returned to this country for eighteen (18) months, as the Advisor to Central Bank Governor, Mr. Williams Demas, under a UNDP sponsored technical assistance project.

He holds a Bachelor of Science Degree in Economics and a Masters in Economics from the University of the West Indies, and has a wealth of experience in monetary and fiscal affairs.

BOARD MEMBERS

for the financial year October 1, 2011
to September 30, 2012

Mr. Jwala Rambarran

CHAIRMAN (APPOINTMENT AS A DIRECTOR EFFECTIVE AUGUST 16, 2012)

Mr. Rambarran was appointed to the position of Governor of the Central Bank of Trinidad and Tobago on July 17, 2012.

Mr. Rambarran is no stranger to the Central Bank having worked with the Bank for approximately fourteen (14) years. During his tenure at the Bank, he represented Trinidad and Tobago as Technical Assistant in the Office of the Executive Director of the International Monetary Fund (IMF) from April 1, 2001 to March 31, 2003. In the IMF, Trinidad and Tobago is part of a constituency that includes Brazil, Colombia, Dominican Republic, Ecuador, Guyana, Haiti, Panama and Suriname.

Mr. Rambarran left the Bank in March 2004 to assume the position of Chief Economist at Caribbean Money Market Brokers (CMMB) before he embarked on his own business, CAP-M Research. He was the Chairman of the Board of Governors of The National Institute of Higher Education, Research, Science and Technology (NIHERST) and a member of the National Commission for Higher Education. Mr. Rambarran is a former Fatima College student and a past Government Scholar having attained a scholarship in 1987.

He holds a Bachelor of Science (Upper Second Class Honours) Degree in Economics and Mathematics from the University of the West Indies, St. Augustine Campus and a Masters of Science (Honours) Degree in Financial Economics from the University of London. Mr. Rambarran is also a Graduate of executive economic and financial training programmes from Harvard Kennedy School of Government, the IMF Institute and the Federal Reserve Bank of New York.

Most recently, Mr. Rambarran was recognized by the University of the West Indies, St. Augustine Campus, as one of the 50 Distinguished Alumnus in celebration of the Campus' 50th anniversary celebrations.

Mr. Michael S. Mendez

DIRECTOR (DIRECTORSHIP ENDED AUGUST 16, 2012)

Mr. Mendez aspires to bring his unique blend of training and experience to a team working collectively to impact positively on the socio-economic development in Trinidad and Tobago. He possesses extensive experience in social-economic policy analysis and formulation. Mr. Mendez was appointed Acting Deputy Permanent Secretary in the Ministry of Finance in 2007 following a thirty (30) year career with the Ministry.

Mr. Mendez joined the Ministry of Finance in 1978 as a Senior Research Officer. During his career at the Ministry, he was the Advisor to the Executive Director of the World Bank Group in Washington 2005 - 2006. Mr. Mendez holds an Executive Masters in Business Administration from the Institute of Business, University of the West Indies and a Bachelor of Science, Economics from McMaster University, Hamilton, Ontario, Canada.

Michelle Durham-Kissoon

DIRECTOR (APPOINTMENT AS A DIRECTOR EFFECTIVE AUGUST 16, 2012)

Ms. Durham-Kissoon is an Assistant Director in the Economic Management Division in the Ministry of Finance and the Economy. She heads a team of economists involved in preparation of periodic Medium Term Economic Frameworks and continuous surveillance of the domestic economy. In overseeing this surveillance, Ms. Durham-Kissoon, works closely with the Central Bank and the Central Statistical Office and engages in frequent dialogue with the International Monetary Fund, World Bank and the major Credit Rating Agencies, Moodys, Standard & Poors and CariCRIS.

After graduating in 1989 with a degree in Social Sciences and History from the St. Augustine Campus of the University of the West Indies, Ms. Durham-Kissoon launched her professional career in the then Ministry of Planning and Mobilization. As a project analyst in that Ministry, she navigated Ministries and Departments for fifteen (15) years in securing financing from multilateral financing agencies, for their respective development programmes and the application of the relevant procurement guidelines. In that capacity, Ms. Durham-Kissoon developed a close relationship with the Inter - American Development Bank and the European Commission.

She spent three (3) years in the Ministry of Public Utilities in which she was part of a team of professionals that steered the Postal Sector Reform Programme, Determination of the Rating Structure for the Electricity Transmission and Distribution sector and preparation of an overall strategy for the management and operations of the Water and Sewerage sector.

Ms. Durham-Kissoon is currently pursuing a Post Graduate Diploma in Public Financial Management under the Centre for Financial and Management Studies (CeFIMS) of the University of London.

Ms. Wendy Ho Sing

DIRECTOR

Ms. Wendy Ho Sing, Deputy Inspector of Financial Institutions, joined the Central Bank of Trinidad and Tobago in November 2004 as Industry Advisor and was appointed Deputy Inspector on February 1, 2005. During the period June 2006 to December 2006, Ms. Ho Sing held the positions of Acting Inspector and Inspector of Financial Institutions.

Ms. Ho Sing is the holder of a Bachelor of Arts Degree in Psychology and a Masters in Business Administration from York University, Ontario.

Ms. Ho Sing is a Trinidad and Tobago citizen who has spent over 25 years in Canada. Her previous appointments were Director, Supervision, in the Office of the Superintendent for Financial Institutions (OSFI), Canada and Assistant Vice President, Manulife Financial of Ontario.

Ms. Saleema Nazia Hosein

DIRECTOR

Ms. Saleema Nazia Hosein, though coming from a business background at Holy Faith Convent, Couva, went on to obtain a Bachelors of Law (LL.B) graduating with Honours from the University of the West Indies in 2006.

As part of her training at the Hugh Wooding Law School, she worked at the Office of the Director of Public Prosecution (South) under the esteemed Mr. Roger Gaspard, DPP of Trinidad and Tobago. She also worked as a trainee at the Trinidad and Tobago Securities and Exchange Commission and was thereafter enrolled on the list of Attorneys at Law in 2008.

Ms. Hosein has been in private practice since becoming an Attorney at Law and has been managing her own practice for over a year. Her main areas of practice are Civil, Conveyancing, Family and Criminal Law.

Mr. Vickram Joadsingh

DIRECTOR (APPOINTMENT AS A DIRECTOR EFFECTIVE NOVEMBER 3, 2011)

Mr. Vickram Joadsingh is a Fellow member of the Association of Chartered Certified Accountants (FCCA), a Certified Internal Auditor (CIA), a Certified Fraud Examiner (CFE), a member of the Institute of Internal Auditors, a member of the Association of Certified Fraud Examiners and also a member of the Institute of Chartered Accountants of Trinidad and Tobago.

Mr. Joadsingh has over a decade of internal audit service experience at a Big 4 Audit firm, was a former Chief Financial Officer of a local bank, was a former Chief Audit Executive at a special purpose state entity and at present is the Head Internal Auditor at a leading $20 Billion dollar financial institution.

At the DIC, Mr. Joadsingh was appointed to the Board of Management in November 2011 and at present he is also a member of its Audit Committee.

CORPORATE PROFILE

OFFICE

Level 11

Central Bank Building

Eric Williams Plaza

Independence Square

Port of Spain

Tel: 868 625-5020/1

Hotline: 800-4DIC

Fax: 868 623-5311

E-Mail: info@dictt.org

Website: www.dictt.org

BANKER

Central Bank of Trinidad and Tobago

Eric Williams Plaza

Independence Square

Port of Spain

AUDITOR

PKF

Pannell Kerr Forster

Chartered Accountants &

Business Advisors

245 Belmont Circular Road

Belmont

Port of Spain

MEMBER INSTITUTIONS

AIC Finance Limited

ANSA Merchant Bank Limited

Bank of Baroda (Trinidad and Tobago) Limited

Caribbean Finance Company Limited

Citibank (Trinidad and Tobago) Limited

Citicorp Merchant Bank Limited

Development Finance Limited

Fidelity Finance and Leasing Company Limited

First Caribbean International Bank (Trinidad and Tobago) Limited

First Citizens Bank Limited

First Citizens Asset Management Limited

First Citizens Trustee Services Limited

General Finance Corporation Limited

Guardian Asset Management Limited

Intercommercial Bank Limited

Intercommercial Trust and Merchant Bank Limited

Island Finance Trinidad and Tobago Limited

RBC Royal Bank (Trinidad and Tobago) Limited

RBC Investment Management (Caribbean) Limited

RBC Merchant Bank (Caribbean) Limited

RBC Trust (Trinidad and Tobago) Limited

Republic Bank Limited

Republic Finance and Merchant Bank Limited

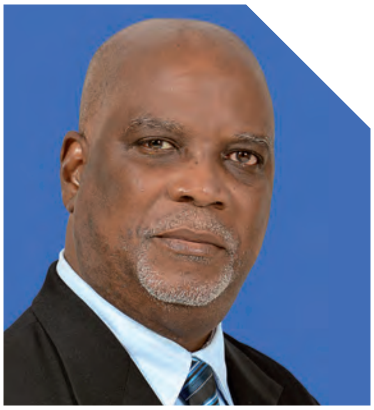
Scotiabank Trinidad and Tobago Limited

Scotiatrust and Merchant Bank Trinidad and Tobago Limited

THE DIC TEAM

Earl Boodoo
General Manager

Jacqueline Fermin
Head, Corporate Services and Finance



Roland Yorke
Assistant Manager, Surveillance & Early Intervention

Gemma Henry
Executive Secretary

Maurice Duprey
Office Assistant/Courier

Onifa Olusegun-Murray
Hospitality Attendant

Noel Nunes
Senior Insurance & Planning Officer

Raisa Gomez
Research Officer

Nisha Mohit
Research/Database Assistant

Ingrid White-Wilson
Legal Counsel/Corporate Secretary

Dixie-Ann Thom
Communications Technician

Crystal-Ann Graham
Liquidations Assistant

Chantal Garcia-Singh
Finance, Research & Market Analyst

Allison Field
Assistant Accountant

Jacqueline Davis-McKree
Accounting Assistant

Eon Crichlow
Technical Analyst

Nicholas Ramsey
Business Analyst

Yolande de Silva
Administrative Assistant

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

Balance Sheet As At	SEPT 30, 2012 $M	SEPT 30, 2011 $M	SEPT 30, 2010 $M	SEPT 30, 2009 $M	SEPT 30, 2008 $M
Total Assets At The End Of The Year	1,973.7 (11%)	1,784.1 (12%)	1,595.2 (13%)	1,414.2 (14%)	1,244.4 (14%)
Fund Balance At The End Of The Year	1,972.0 (11%)	1,782.3 (12%)	1,593.3 (13%)	1,412.3 (14%)	1,242.2 (14%)
Investment Portfolio	1,934.1 (11%)	1,750.3 (12%)	1,566.3 (13%)	1,380.0 (14%)	1,207.7 (14%)
Statement Of Net Income And Deposit Insurance Fund For The Year Ended	**SEPT 30, 2012 $M**	**SEPT 30, 2011 $M**	**SEPT 30, 2010 $M**	**SEPT 30, 2009 $M**	**SEPT 30, 2008 $M**
Net Income For The Year	188.8 (-0.05%)	188.9 (4%)	181.0 (6%)	170.0 (11%)	153.8 (14%)
Interest Earned	89.6 (-8.76%)	98.2 (-5%)	103.0 (0.20%)	102.8 (14%)	90.5 (19%)
Premium Income	114.2 (10%)	103.6 (16%)	89.0 (16%)	77.0 (13%)	68.3 (14%)
Expenses	15.6 (18%)	13.2 (23%)	10.7 (55%)	6.9 (35%)	5.1 (4%)

Note: *All values are denominated in Trinidad and Tobago dollars.*

The figures in parenthesis represent percentage changes from the previous year.
All are increases except where shown with (-).

Deposit Insurance Fund

Section 44K of the Central Bank Act Chapter 79:02 as amended by the Central Bank and Financial Institutions (Non-Banking) (Amendment) Act, 1986 provides for the establishment of the Deposit Insurance Fund. The Deposit Insurance Corporation is responsible for the management of the Fund which is to be used for the payment of deposit insurance claims if a member institution fails. Membership in the Fund is compulsory for all institutions that are licensed by the Central Bank of Trinidad and Tobago, under the Financial Institutions Act, 2008.

The balance on the ***Deposit Insurance Fund*** as at the September 30, 2012 was $1,972.0 million, an increase of 11 per cent when compared to the balance one year earlier. The main sources of growth in the Fund were premiums and interest income (after expenses). The growth of the Fund over the past five years is illustrated in Chart I.

Net Income which represents total income less operating expenses, for the financial year ended September 30, 2012 amounted to $188.8 million, 0.05 per cent less than that recorded for the previous financial year.

Total Income realized over the period amounted to $204.3 million, $2.1 million more than the figure recorded in the financial year ended September 30, 2011. The ***Total Expenses*** used to manage the Fund amounted to $15.6 million; representing an increase of $2.4 million when compared to the 2011 figure.

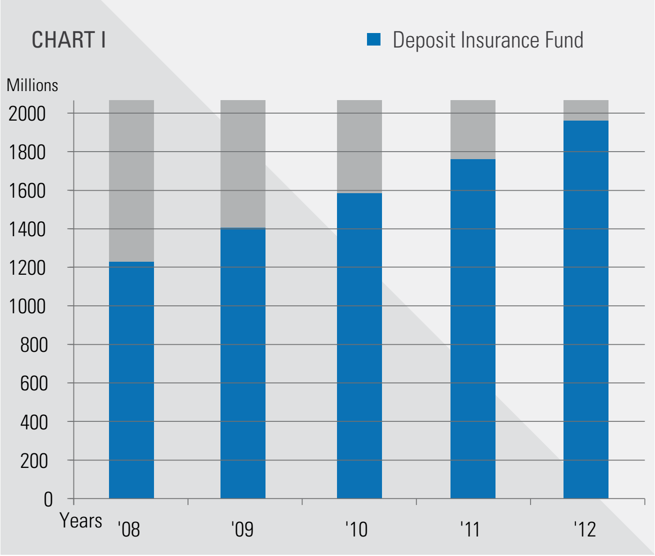
The two main contributors to income are ***Interest Earned*** and ***Annual Premiums***. The annual increases in these items provide the impetus to the growth of the Fund. These two areas are examined below in greater detail.

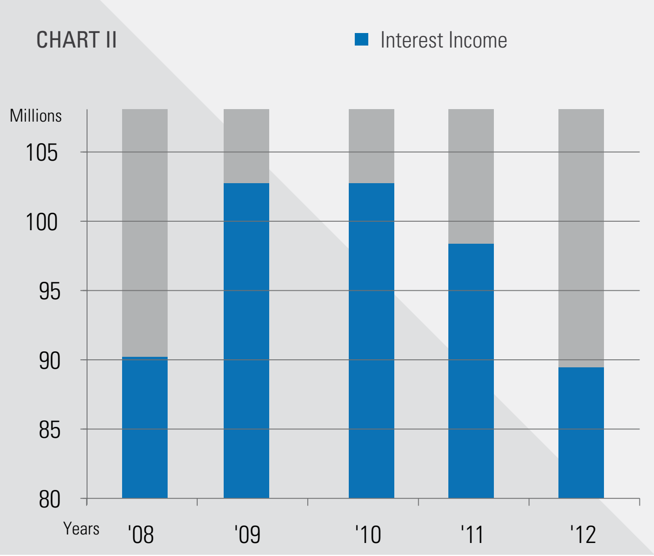
Interest Income

Interest or investment income is generated by the Corporation's investment portfolio. During the fiscal year which ended September 30, 2012, the portfolio earned $89.6 million compared with $98.2 million for the previous fiscal year; representing a year-on-year reduction of 8.76 per cent in interest income. The continuation of the downward trend in market interest rates resulted in the further reduction in interest income when compared with previous years. The average yield on short-term securities stood at 1.43 per cent at the end of the fiscal period. On long-term securities, the average yield fell from 6.44 per cent to 5.68 per cent, year-on-year. Overall, the average yield on the investment portfolio for the financial year ended September 30, 2012 was 4.74 per cent compared with 5.15 per cent as at the previous financial year end. Chart II below illustrates the interest earned over the past five years.

Annual Premiums

The Corporation is mandated by law to levy contributions to the Deposit Insurance Fund from each member institution; the first contribution is made six months after the institution acquires membership status ***(initial contribution)***. Another levy follows





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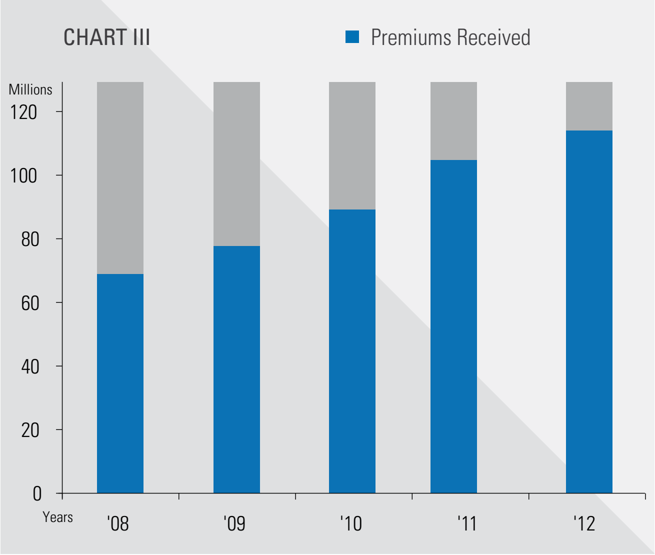
twelve months after admittance ***(first annual premium)*** and thereafter levies are made on institutions once annually at the beginning of every calendar year ***(annual premium)***. Two Bye-Laws provide the basis for which the levy is to be made. The rate for the initial contribution which must be matched equally by a contribution from the Central Bank is fixed at 0.4 per cent of the aggregate of the deposit liabilities. However, for the first and subsequent annual premiums, a fixed rate of 0.2 per cent of the aggregate of the deposit liabilities applies. The dates used in the computation are specified in the Bye-Laws.

Annual Premiums that were levied and collected from the twenty-five (25) member institutions in fiscal 2012 amounted to $114.2 million, an increase of 10 per cent over the amount collected in fiscal 2011. Chart III below illustrates the growth of annual premiums over the past five years.

Annual premiums increased between 2011 and 2012 mainly due to the growth in deposit liabilities of member institutions between the calendar years 2010 and 2011. (Annual Premiums are computed for a calendar year by applying a fixed rate to the quarterly average of the prior calendar year's aggregate deposit liabilities of each member institution). In relation to the membership of the



Fund, there were no changes over the reporting period and the membership stood at twenty-five (25) member institutions as at September 30, 2012.

Investments

a. Primary Investment Objectives and Approved Investment Categories

The Corporation has been given the power in the legislation under which it is governed, to "…accumulate, manage and invest funds collected". Under this provision, the Corporation's Board of Management has approved an Investment Policy which guides the Corporation's investment activities through specified investment objectives and approved investment categories.

The ***primary investment objectives*** for managing the portfolio of the Fund are as follows:-

(i). Maintenance of Capital Value

This requires that all investments be of a very high quality, in terms of the ability of the investee to meet its obligations to the Corporation and the legal arrangements which are in place to protect the Corporation as investor.

(ii). Provision of an Adequate Liquidity Profile

Investment choices and the periods for which the investments are placed should be informed by potential, anticipated or contingent deposit insurance payouts, as well as, conditions operating in the banking and financial sectors. At present all investments held by the Corporation are readily realisable and convertible into cash.

(iii). Reasonable Growth of the Fund

Although the best efforts should be made to grow the Fund, this should only be undertaken subject to the other two (2) objectives described at (i) and (ii) above, being satisfied. A standard of what would be considered reasonable is based on a margin above the risk-free interest rate. The growth rate of the Fund is significantly guided by the two objectives at (i) and (ii) above.

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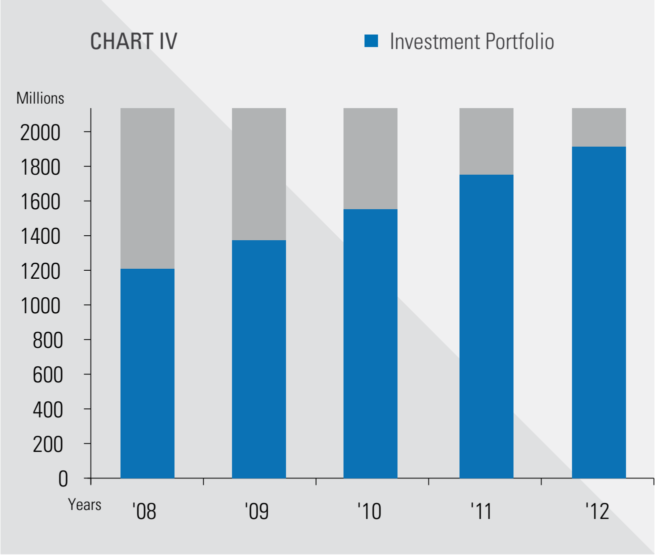
The *approved investment categories* are as follows:-

- Deposits in Member Institutions and fixed income mutual funds (0-20 per cent of the portfolio).
- Corporate Securities (0-20 per cent of the portfolio).
- Trinidad and Tobago Government Securities (20-100 per cent of the portfolio).
- Foreign Investments (0-30 per cent of the portfolio).

b. Status of the Investment Portfolio

The size of the investment portfolio as at September 30, 2012 was $1,934.1 million which represented an increase of $184 million or 11 per cent when compared with the figure one year prior. Chart IV below illustrates the growth of the investment portfolio over the past five years.



As at September 30, 2012 the investment mix of the portfolio comprised 88 per cent in Trinidad and Tobago Government Securities, 7 per cent deposits in Members Institutions and money market investments in the Trinidad and Tobago Unit Trust Corporation and the Home Mortgage Bank and 5 per cent in corporate securities. The composition was the same as at September 30, 2011. As mentioned previously, the average yield on the portfolio fell during fiscal 2012; 4.74 per cent as at September 30, 2012 compared to 5.15 per cent one year prior. This fall in yield was experienced across all categories of investments and was a reflection of the depressed market conditions which persisted into fiscal 2012.

Deposits

Within fiscal 2012, investment activity remained unchanged with deposit balances reported at $12.8 million as at September 30, 2012. On the other hand, holdings of fixed income mutual funds increased slightly from $112.9 million as at September 30, 2011 to $115.1 million by fiscal 2012 year-end; an increase of $2.2 million. Deposits represented 7 per cent of the investment portfolio as at September 30, 2012 and 2011 respectively.

Corporate Securities

As at the end of fiscal 2012, corporate securities stood at $96.8 million compared to $92.6 million one year prior; representing an increase of $4.2 million. Corporate securities remained at 5 per cent of the investment portfolio as at September 30, 2012 and 2011 respectively.

Government Securities

Approved instruments with respect to Trinidad and Tobago Government Securities, include Treasury Bills, Treasury Notes and Government Bonds.

Treasury Bills

At the start of fiscal 2012, holdings of Treasury Bills stood at $115.6 million compared with $93.6 million by the end of the financial year. This represented a decrease of $22 million. Treasury Bills represented 5 per cent of government securities as at September 30, 2012 compared to 7 per cent one year prior. The average yield as at September 30, 2012 was 0.45 per cent compared with 1.70 per cent as at September 30, 2011.

Treasury Notes

Holdings of Treasury Notes increased slightly by $2.6 million, from $367.7 million as at September 30, 2011 to $370.3 million as at September 30, 2012. Treasury Notes represented 19 per cent of the portfolio as at the end of fiscal 2012 compared to 21 per cent

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one year earlier. The average yield on Treasury Notes fell slightly to 3.87 per cent from 3.88 per cent at the start of fiscal 2012.

Government Bonds

Holdings of Government Bonds increased over the period from $1,048.6 million at the start of fiscal 2012 to $1,245.6 million as at September 30, 2012; an increase of $197 million. As at the end of fiscal 2012, Government Bonds represented 64 per cent of the portfolio compared to 60 per cent as at the end of fiscal 2011. Consistent with the downward trend on yields experienced in the other investment categories, the average yield on Government Bonds also decreased to 5.68 per cent from 6.44 per cent year-on-year.

Liquidation

Since its establishment, the Corporation has paid insurance claims to the depositors of nine (9) institutions which were closed by the Central Bank and classified as failed institutions. For each of these failures, the Corporation was appointed the liquidator by the High Court of Trinidad and Tobago. The most recent appointment has been the Corporation's appointment as Liquidator of Clico Investment Bank Limited. This came into effect on October 17, 2011 when the High Court ruled that Clico Investment Bank Limited be wound up under the provisions of the Companies Act, Chapter 18:01 and the Deposit Insurance Corporation be appointed Liquidator of the company.

To date, three (3) of the liquidations have been completed, while six (6) institutions remain under the Corporation's purview. The Corporation is still in the process of liquidating the assets of Clico Investment Bank Limited. The other five (5) companies in liquidation are all awaiting resolution of legal matters before official winding up can be completed.

Risk Assessment

During the 2012 financial year, risk assessment focused on the following critical areas:

- The execution of a workshop on the Methodology for Assessment of Compliance with the IADI/BCBS Core Principles for an Effective Deposit Insurance System

- Examination of the adoption of an Integrated Protection Scheme model to incorporate an expansion of the Corporation's mandate to cater for a similar protection system for members of credit unions to that which currently exists for depositors of financial institutions licensed under the FIA 2008

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International Outreach

The Corporation's staff participated in the International Association of Deposit Insurers (IADI) conferences and meetings as shown below.

Meetings/Conferences

Meetings/Conferences	Date	Place
IADI - 10th Annual Conference & Annual General Meeting, Standing Committees and Executive Council Meeting	October, 2011	Warsaw, Poland
IADI – Research Conference and 35th Executive Council Meeting	February, 2012	Istanbul, Turkey
IADI – Research Conference and 36th Executive Council Meeting	June, 2012	Washington DC, USA
Workshop on Integrated Deposit Insurance Systems	September, 2012	Langkawi, Malaysia

Changes in the Board of Management

Within fiscal 2012, there were a number of appointments to the Board of Management. On 3rd November 2011, the following appointments took place:

- **Mr. Vickram Joadsingh**
  Director for a period of three (3) years.

- **Mr. Haydn Bridgemohansingh**
  Alternate Director to Mr. Joadsingh for a period co-terminus with Mr. Joadsingh's appointment.

- **Mr. Garth Gilbert**
  Alternate Director to Ms. Saleema Nazia Hosein for a period co-terminus with Ms. Hosein's appointment.

- **Ms. Michelle Francis-Pantor**
  Alternate Director to Ms. Wendy Ho Sing for a period co-terminus with Ms. Ho Sing's appointment.

On August 16, 2012, three (3) further appointments to the Board of Management took place:

- **Mr. Jwala Rambarran**
  Director for a period of three (3) years.

- **Ms. Michelle Durham-Kissoon**
  Director for a period of three (3) years.

- **Ms. Suzette Taylor-Lee Chee**
  Alternate Director to Ms. Durham-Kissoon for a period co-terminus with Ms. Durham-Kissoon's appointment.

Mr. Rambarran replaced Mr. Ewart Williams and Ms. Durham-Kissoon replaced Mr. Michael Mendez. Mr. Rambarran represents the Central Bank of Trinidad and Tobago while Ms. Durham-Kissoon represents the Ministry of Finance and the Economy. Mr. Rambarran currently holds the position of Chairman of the Board of Management and Ms. Durham-Kissoon holds the position of Chairman of the Audit Committee.

PERFORMANCE REPORT 2012

STRENGTHENING THROUGH CO-OPERATION

As the fallout from the global financial crisis simmers, the Deposit Insurance Corporation (DIC) like many of its counterparts in the international arena, has acknowledged the increasing need for promoting and participating in international cooperation in the area of deposit insurance as a part of the financial safety net. To this end, the DIC leverages its membership in the International Association of Deposit Insurers (IADI) by tapping into its resource base in a collaborative effort to gain knowledge and at the same time share its experiences with members of the association. The ultimate objective has and always will be to strengthen the Corporation's capability and capacity to deliver its mandate.

In light of the foregoing, fiscal year 2012 started with one major target – in delivering a Caribbean Regional Workshop on the self-assessment of Deposit Insurance Systems using the IADI/BCBS Core Principles for Effective Deposit Insurance Systems. The Workshop incorporated deposit insurance systems' participants from countries of members of the IADI Caribbean Regional Committee (CRC), namely Jamaica, Barbados, Bahamas and British Virgin Islands. This workshop proved to be a classic example of collaboration among deposit insurance systems in the region as all the CRC members had previously done individual self-assessments and came prepared to share and learn from each other's experiences.

While all the core principles were dealt with exhaustively, certain critical issues pertinent to the discussion revolved around areas such as mandates and powers (core principles 3 and 4), relationship with other safety-net participants (core principle 6), public awareness (core principle 12), dealing with parties at fault in a bank failure (core principle 14), early detection and timely intervention and resolution (core principle 15).

Mandates and powers set the tone for the collaborative effort as the different jurisdictions in the Caribbean possessed different levels of authority to deal with bank financial distress and eventual failures or closures. Individual countries in the region such as Trinidad and Tobago and the Bahamas operate under the powers of a pure pay-box modality while variants to this operational functionality are executed by the Barbados and Jamaica deposit insurance systems. The British Virgin Islands currently has associate membership status in IADI and consequently does not have a fully operational DI system at this time. The challenges with each system were highlighted while the short-comings and benefits were exuberantly ventilated.

Relationship with other safety-net participants drew wide-ranging arguments and opinions. To be effective and efficient, it was agreed among the CRC that deposit insurance systems should be provided with timely information, which in a number of jurisdictional instances, was linked to or highly dependent upon the nature of relations maintained with other safety-net players, particularly the bank regulator, a department of their respective Central Banks. It was noted that although data sharing arrangements in the form of Memorandums of Understanding existed between certain deposit insurance systems and the bank regulators in the Caribbean region, data was not forthcoming on a timely basis. It was felt that deposit insurance systems needed to boost its relationship with their bank regulators to make the safety-net more functional and efficient.

Public awareness also proved to be a major topic of energetic discussions. All of the deposit insurance systems throughout the region admitted that they participated in public awareness campaigns but there was one underlying deficiency - the need to do more. It was felt that depositor awareness of the deposit insurance systems and their related products and coverage limits needed stronger emphasis. In simple terms it was felt that the messages were not getting through in a sustained manner. In fact, some members admitted that there were instances of low levels of knowledge and understanding of the deposit insurance systems throughout the region. Members expressed the need to adopt more scientific approaches to reach the various publics.

Dealing with parties at fault was the most contentious topic of the self-assessment workshop and consequently yielded the most arguments for further discussions. The issue of granting both the bank regulator and deposit insurer legal powers to take action against parties at fault in a bank failure ignited the thoughts and views of the delegates. In every jurisdiction, the bank regulators had the powers of "first interventionist" which could be followed by the involvement of the deposit insurer depending on the option pursued by the bank regulator. The following example was cited: a bank regulator, in its role as "first interventionist", takes legal action against parties at fault in a failed bank and the failed institution is subsequently put into liquidation and placed into the hands of the deposit insurance system by the high court. This raised questions surrounding the reservation of legal powers to take action in the hands of the bank regulator and the possible duplication on the part of the deposit insurer to do same. It was agreed that the bank regulator could potentially make mistakes and where action was not taken initially and the failed institution is subsequently passed to the deposit insurer to liquidate, the deposit insurer should be afforded the flexibility/powers to pursue parties so erroneously omitted.

In the case of early detection and timely intervention much work was required among the CRC members. This was deemed to be so particularly when the issue of system financial stability was viewed in the context of the safety-net. Early detection and timely intervention in all the CRC jurisdictions necessitated initial action on the part of the regulatory bodies the success of which depends extensively on communication. In many instances it was noted that the communication between jurisdictional regulators and deposit insurance systems was not sufficiently effective to offer comfort among the deposit insurance system. The Jamaica and Barbados systems never had the opportunity to deal with failures/closures. In this circumstance, the Trinidad and Tobago example of the closure/failure of Clico Investment Bank Limited was utilized and it demonstrated the need for greater collaboration between the safety net players.

As a member of IADI, the DIC also engages technical cooperation with its counterparts in the association outside the Caribbean region. Some of the members that the DIC interact with more extensively include the Federal Deposit Insurance Corporation (U.S.A), Canada Deposit Insurance Corporation, the Financial Services Compensation Scheme (U.K.). For purposes of this analysis, a brief overview of these systems for fiscal year 2012 initiatives would be important.

IADI

The International Association of Deposit Insurers (IADI) was established in May 2002 as a non-profit organization constituted under Swiss law and domiciled at the Bank for International Settlements (BIS) in Basel, Switzerland. IADI contributes to the stability of financial systems by promoting international cooperation in the field of deposit insurance, and encouraging on-going interaction among deposit insurance and other interested parties.[1] In addition to advising on the establishment or enhancement of effective deposit insurance systems, IADI has identified five major goals for the Association. As set out in its statutes, IADI strives to:

- Advance the understanding of common interests and issues related to deposit insurance;
- Provide guidance to enhance the effectiveness of deposit insurance systems and structures;
- Facilitate the sharing and exchange of expertise and information on deposit insurance issues through training, development, and education programs;
- Undertake research and provide guidance on issues relating to deposit insurance; and

1 International Association of Deposit Insurers 2011/2012 Annual Report page 4, paragraph 2.

- Take such other actions as may be necessary or useful for its objectives and activities.

IADI has eight (8) Regional Committees which represent major areas around the globe. Like the Caribbean Regional Committee, other regional committees have undertaken similar joint initiatives on deposit insurance matters to develop their systems. To this end, it would be appropriate to highlight some of their collaborative exercises to strengthen and enhance their deposit insurance systems' effectiveness[2].

Africa Region

- Core principles Assessment workshop for the region was held in Abuja on December 13-15, 2011.
- A Conference bringing together Regional DISs and those Countries still to set up was held in Abuja in July 2012.
- The African Regional Committee (ARC) Regional Conference was held in Sudan in June 2012.
- The Malaysia/Africa Open House was successfully held in Kuala Lumpur, Malaysia on July 2-6, 2012.
- The IADI ARC Committee held a meeting with Non-IADI members from the Africa Region who attended the ARC/MENA Regional Annual Conference held in Khartoum, Sudan on September 25-27, 2012.
- Tanzania hosted an ICT Seminar entitled "Developing Effective IT Systems for Deposit Insurers" in collaboration with Korea Deposit Insurance Corporation on September 17-18, 2012.

Asia-Pacific Region

- Deposit Insurance and Credit Guarantee Corporation (DICGC) [India] hosted an international conference as part of its Golden Jubilee Celebrations, in collaboration with International Association of Deposit Insurers (IADI) on "Role of Deposit Insurance in Bank Resolution Framework – Lessons from the Financial Crisis" from November 13-16, 2011 at Jodhpur, Rajasthan.
- The Malaysia Deposit Insurance Corporation (MDIC) held an International Workshop on Integrated Deposit Insurance System with the theme "Integrating Insurance Protection within Deposit Insurance". The Workshop, held from September 4-8 in Langkawi, Malaysia, was attended by 61 participants and 8 speakers from 20 different countries.
- The Deposit Insurance Corporation of Japan (DICJ) held an international conference, "6th DICJ Round Table" on March 7-8, 2012 at Kyoto Hotel Okura with 24 representatives of deposit insurance institutions from 14 countries/jurisdictions around the world.

Eurasia Region

- The Eurasia Regional Committee (EARC) seminar was dedicated to the self-assessment of DIS on their compliance with the IADI Core Principles for Effective Deposit Insurance Systems.
- On August 2-3, 2012 the Deposit Guarantee Fund of Ukraine conducted a seminar on the practical aspects of the bank liquidation and rehabilitation within the frame of the Memorandum of Understanding and Cooperation with the Deposit Insurance Agency (Russian Federation).

Europe Region

- Delegation of Deposit Protection Agency of Kyrgyz Republic in December 2011 paid a study visit to the Agency. A MOU was signed to strengthen bilateral cooperation between the two (2) parties.

2 IADI Regional Committees' Quarterly Reports http://www.iadi.org

- In March 2012 the Deposit Insurance Agency (Russian Federation) was visited by a high-level delegation of the Korea Deposit Insurance Corporation. The parties extended the existing MOU for the next three (3) years.

- In April 2012 a delegation of the Armenian Deposit Guarantee Fund and the Central Bank of Armenia paid a study visit to the Agency.

- In June 2012 the Deposit Insurance Agency (Russian Federation) hosted an international conference "Bank Resolution and Public Awareness on Deposit Insurance".

- Savings Deposit Insurance Fund (SDIF) of Turkey hosted Bulgarian Deposit Insurance Fund (BDIF) for a working visit on January 16-20, 2012. BDIF shared SDIF's experiences with regard to resolution as well as deposit insurance and risk monitoring techniques. Participants from the BDIF were the managers and analysts of the Risk Assessment and Analysis and Administration Departments.

- SDIF hosted Bank Guarantee Fund (Poland), National Bank of Poland, Polish Financial Supervision Authority and Polish Ministry of Finance Senior Representatives for a working visit on February 8-9, 2012 to share SDIF's resolution techniques and resolution experiences with regard to the new resolution regime to be developed in Poland.

- Conference on Financial Stability in South-Eastern Europe – a joint event with EFDI: Impact of the Core Principles for Effective Deposit Insurance Systems and the new EU Directive on Deposit Guarantee Schemes was held December 8-9, 2011 in Sarajevo.

- On October 11, 2011 the World Bank and the Bank Guarantee Fund (Poland) organized an international workshop on **"New bank crisis resolution frameworks"**. The objective of the workshop was to take stock of the EU and global financial framework used in bank resolution, discuss the newly proposed European bank crisis resolution mechanisms, review best practices in bank resolution, as well as assess the implications of the proposed reforms for the existing bank resolution frameworks in Central European countries.

- Representatives of the Deposit Insurance Agency of Serbia paid a working visit at BDIF invitation in Sofia on November 23 and 24, 2011. Topics discussed in view of expected expanded powers and review of DGS included: alternative methods for bank resolution, pay-out procedure, bankruptcy procedures, risk assessment, application of Core Principles for Effective Deposit Insurance Systems and current issues.

- From January 16-20, 2012 BDIF representatives were on a study visit to the Savings Deposit Insurance Fund of Turkey in Istanbul to study SDIF experience in the following areas: risk-based deposit insurance: risk monitoring applications and premium system, bank resolution experience and asset management and disposition.

- On November 8-9, 2011, the Deposit Guarantee Fund hosted a workshop on "The Assessment of Adherence to the Key Principles of an Effective Deposit Insurance system" in Kyiv, Ukraine.

- During October 23-30, employees of the Deposit Guarantee Fund (Ukraine) participated in the training program organized by the Federal Deposit Insurance Corporation (USA) [FDIC] under the Memorandum of Cooperation between the Fund and FDIC and the Joint Action Plan for 2011 – 2012.

- On October 19, 2011, the Deposit Guarantee Fund (Ukraine) held a bilateral meeting with the Deposit Insurance Agency of the Republic of Serbia, during which the Memorandum of Cooperation was signed.

- During October 3-7, 2011 the Deposit Guarantee Fund (Ukraine) held a bilateral seminar on **"Deposit Insurance System in Ukraine: basic functions, tasks and features"** for the representatives of the Agency for Protection of Deposits of the Kyrgyz Republic, in Kyiv, Ukraine.

- ERC Technical Seminar on "Key Legal Modalities for Assisting Cooperation among DGSs in Europe" on April 19-21, 2012 in Sofia, hosted by the Bulgarian Deposit Insurance Fund. The main panels in the program included: lending/borrowing and mutual claims handling agreements among DGSs, insolvency regimes in different countries, backup funding agreement with the state/central bank, selected legal issues of resolution framework.

- On March 26 -29, 2012 Deputy President of the Management Board of the Bank Guarantee Fund, served on the Team of Assessors/Facilitators for the Core Principles Self-Assessment Workshop in Kuala Lumpur, Malaysia. The purpose of the workshop was an assessment of compliance using Malaysia Deposit Insurance Corporation as a case study.

- On March 26, 2012 the Bank Guarantee Fund (Poland) hosted the delegation consisting of the representatives of the Hungarian financial safety net institutions.

- During April 16-17, 2012 a delegation of the Czech Deposit Insurance Fund (DIF) chaired by Renata Kadlecova, Managing Director visited the Bank Guarantee Fund (Poland). The delegation was familiarized with the tasks performed by BFG, including the payout process, BFG's cooperation with other Polish safety net institutions as well as with BFG's investment policy.

- On May 30-31, 2012 the Bank Guarantee Fund (Poland) hosted two (2) representatives of the Department of Risk Assessment and Analysis of the Bulgarian Deposit Insurance Fund. The delegation was interested in the functioning of the early warning system, deposit guarantee rules and main features of the banking system in Poland.

- A representative of BDIF participated in the EFDI Seminar "Payout: Methods and Tools to Reimburse Depositors" held on April 3, 2012 in Cologne and delivered a presentation on the main features of the Automatic Payout System under development by BDIF.

- BDIF Risk Analysis and Assessment Department attended the bilateral workshop on Early Warning System organized by the Bank Guarantee Fund (Poland) [BGF] on May 30-31, 2012 at BGF premises in Warsaw. BGF experts shared their experience in the setup and implementation of the early warning system in their Fund.

- A representative of BDIF attended the EFDI Seminar "The Role of Governance in DGSs" held in Yerevan on June 7-8, 2012 and delivered a presentation on Governance Aspects in National Legislation: Issues and Possible Solutions.

- Officials from the Deposit Insurance Board of Tanzania (DIB) commenced their one-week training attachment at BDIF on June 5, 2012. The training is intended to assist the DIB in their reform process aimed at making it an independent and autonomous organization from the Bank of Tanzania.

- On May 1-4, 2012 the Deposit Guarantee Fund (Ukraine) participated in the training program "A Well Developed Legal Framework and Selected Legal Issues" of the US Federal Deposit Insurance Corporation (FDIC) at the International Deposit Insurance Association, Arlington, Virginia, USA. The participants discussed the major components of a well-developed legal framework for deposit insurance systems, including a legal framework regulating deposit insurance and the decision-making process to identify bank insolvency.

- In March 2012, DIA and German Development Bank KfW held a joint press conference to present the results of two (2) successful projects aimed at developing Serbian deposit guarantee system and structuring the new investor protection scheme. Speakers included representatives of Serbian Ministry of Finance, KfW, Serbian Securities Commission, German Embassy and DIA.

Latin America

- Fondo de Garantías de Instituciones Financieras, Colombia (FOGAFIN) hosted a Workshop on Self-assessment of

Compliance with the IADI/BCBS Core Principles for Effective Deposit Insurance Systems on May 15-17, 2012 in Bogotá, Colombia.

- Argentina's SEDESA invited Vijay Deshpande, of the FDIC's Office of International Affairs, to deliver a presentation on the IADI/BCBS Core Principles to an audience of over a 100 people; which included personnel from SEDESA, the Argentinean Central Bank and Uruguay's COPAB. The event took place at the headquarters of Argentina's Central Bank on May 21, 2012.

Middle East and North Africa Region (MENA)

- On November 17, 2011, Dr. Abdel Gadir, the General Manager of the Bank Deposit Security Fund (Sudan) [BDSF], and the Chairperson of the MENA Committee presented a paper on Islamic Deposit Insurance and the experience of the SDSF to Central Bank Governors and their delegates based on an invitation received from Islamic Financial Services Board (IFSB), Kuala Lumpur, Malaysia.

- On November 2, 2011, the Chairperson visited the Institut National de Garantie des Dépôts (Lebanon) [INGD] to encourage them to participate actively in the IADI activities. Dr. Khater Abi Habib the General Director of INGD expressed his interest to attend the upcoming MENA and IADI events.

- Representatives from BDSF, Mr. Salah Hassan and Mr. Mohamed Al Fatih, participated in the Second IADI's Regional Workshop on: "Methodology for Assessment of Compliance with the Core Principles for Effective Deposit Insurance Systems" hosted by Nigeria Deposit Insurance Corporation (NDIC), Transcorp Hilton, Abuja, Nigeria, during the period December 13-15, 2011.

- A representative from JODIC, Mr. Usama Fendi, participated in the training seminar on the Deposit Insurance Assessments and Fund Management, sponsored by the IADI and hosted by the Central Deposit Insurance Corporation (CDIC), Taiwan during the period November 15-18, 2011. The seminar aimed at co-sharing the experiences of running a differential premium system, and assessing the sufficient target reserve ratio.

North America (RCNA)

- While there were no specific joint efforts identified for this group, the Regional Committee of North America (RCNA) played a substantial role of hosting a number of training events for several deposit insurance systems around the globe as shown above.

Overall, there is sufficient evidence of collaboration among the deposit insurance systems that were spearheaded to enhance their operational capabilities and capacities. Clearly, these efforts would go a long way in preserving financial system stability throughout the global system in the years ahead.

FINANCIAL STATEMENTS 2012

Chartered Accounts
& Business Advisors

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DEPOSIT INSURANCE CORPORATION

Level 11, Central Bank Building, Eric Williams Plaza, Independence Square, Port of Spain, Trinidad, West Indies
Tel: 625-5020/1, Fax No: 623-5311, E-mail: info@dictt.org

STATEMENT OF MANAGEMENT RESPONSIBILITIES

It is the responsibility of management to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Deposit Insurance Corporation as at the end of the financial year and of the operating results of the Deposit Insurance Corporation for the year. It is also management's responsibility to ensure that the Deposit Insurance Corporation keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Deposit Insurance Corporation. They are also responsible for safeguarding the assets of the Deposit Insurance Corporation.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Management accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards. Management is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Deposit Insurance Corporation and of its operating results. Management further accepts responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of Management to indicate that the Deposit Insurance Corporation will not remain a going concern for at least the next twelve months from the date of this statement.

Arjoon Harripaul

Arjoon Harripaul
General Manager

Jacqueline Fermin
Head – Corporate Services & Finance

Date: June 28, 2013

Date: June 28, 2013

PKF

Chartered Accountants
& Business Advisors

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of Deposit Insurance Corporation, which comprise the statement of financial position as at 30 September 2012, the statements of net comprehensive income and Deposit Insurance Fund, 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.

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 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Deposit Insurance Corporation as of 30 September 20l2 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

PKF

Port-of-Spain
TRINIDAD AND TOBAGO
28 June 2013

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Partners Ainsley A. Mark | Michael G. Toney | Reneé-Lisa Philip | Mark K. Superville

STATEMENT OF FINANCIAL POSITION

ASSETS:

	Notes	30 September 2012 $'000	30 September 2011 $'000
Current Assets:			
Cash and cash equivalents	6	132,130	127,824
Held-to-maturity investments - Current	7 (a)	343,472	139,922
Accounts receivable	8	30,700	26,722
Liquidation advances recoverable		881	3
Total Current Assets		507,183	294,471
Non-Current Assets:			
Held-to-maturity investments - Non-Current	7 (b)	1,462,784	1,484,656
Security deposit - Central bank	2 (e)	45	40
Intangible assets	9	2,846	1,641
Property, plant and equipment	10	893	3,275
Total Non-Current Assets		1,466,568	1,489,612
Total Assets		**1,973,751**	**1,784,083**

LIABILITIES AND EQUITY:

	Notes	2012 $'000	2011 $'000
Current Liabilities:			
Current balance due to Central Bank	14 (c)	480	109
Accounts payable		1,224	714
Total Liabilities		1,724	823
Equity:			
Capital (authorised and paid up)	14 (a)	1,000	1,000
Deposit Insurance Fund		1,971,027	1,782,260
Total Equity		1,972,027	1,783,260
Total Liabilities and Equity		**1,973,751**	**1,784,083**

These audited financial statements have been approved by the Board of Management on 7 June 2013

Mr. Jwala Rambarran
Chairman

Michelle Durham-Kissoon
Director

(The accompanying notes form part of these financial statements)

STATEMENT OF NET COMPREHENSIVE INCOME AND DEPOSIT INSURANCE FUND

	Notes	30 September 2012 $'000	30 September 2011 $'000
Income:			
Interest earned		89,640	98,249
Initial contributions and annual premia	2 (k)	114,237	103,644
Amortisation of discounts on investments		240	234
Gain on disposal of fixed assets		-	4
Foreign exchange gains		-	1
Liquidation/receivership fees		210	15
Other		13	8
		204,340	202,155
Expenses:			
Personnel	11	5,058	3,961
General and administrative	12	2,566	2,369
Amortisation of premiums on investments		6,570	6,013
Depreciation and amortisation	2(h), 2(i) 9,10	1,379	896
		15,573	13,239
Net income for the year		188,767	188,916
Fund balance at beginning of year		1,782,260	1,593,344
Fund balance at end of year		**1,971,027**	**1,782,260**

(The accompanying notes form part of these financial statements)

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2012

	Stated Capital $'000	Deposit Insurance Fund $'000	Total $'000
Balance as at 1 October 2010	1,000	1,593,344	1,594,344
Net income for the year	-	188,916	188,916
Balance as at 1 October 2011	1,000	1,782,260	1,783,260
Net income for the year	-	188,767	188,767
Balance as at 30 September 2012	**1,000**	**1,971,027**	**1,972,027**

(The accompanying notes form part of these financial statements)

STATEMENT OF CASH FLOWS

	30 September	
	2012 $'000	2011 $'000
Cash Flows from Operating Activities:		
Net income	188,767	188,916
Adjustments for:		
Amortisation of premiums on investments	6,570	6,013
Depreciation and amortisation	1,379	896
Foreign exchange (gains) / losses	-	(1)
Gain on disposal of fixed assets	-	(4)
Amortisation of discounts on investments	(240)	(234)
Operating surplus before working capital changes:	196,476	195,586
Net change in liquidation advances recoverable	(878)	-
Net change in accounts receivable	(3,978)	(851)
Net change in security deposit	(5)	(5)
Net change in current balance due to Central Bank	371	(1)
Net change in accounts payable	530	-
Cash provided by operating activities	192,516	194,729

	30 September	
	2012	2011
	$'000	$'000
Cash Flows from Investing Activities:		
Purchase of Government Treasury Bills – Local	(216,648)	(144,844)
Proceeds from redemption of Government Treasury Bills - Local	238,701	29,207
Purchase of Government Treasury Notes	(2,694)	(277,219)
Proceeds from redemption of Government Treasury Notes	-	302,668
Purchase of Corporate Bonds	(4,183)	(92,580)
Purchase of Government Bonds – Local	(270,714)	(144,331)
Proceeds from redemption of Government Bonds	67,530	76,756
Additions to property, plant and equipment and intangible assets	(202)	(2,948)
Proceeds from sale of property, plant and equipment	-	10
Cash used in investing activities	(188,210)	(253,281)
Net change in cash and cash equivalents	4,306	(58,552)
Cash and cash equivalents, beginning of year	127,824	186,376
Cash and cash equivalents, end of year	**132,130**	**127,824**

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2012

1. Principal Activity:

The Deposit Insurance Corporation was established by the Central Bank and Financial Institutions (Non-Banking) (Amendment) Act, 1986 (Act No. 2 of 1986), which amended the Central Bank Act Chapter 79:02. (All references made to legislation in the ensuing paragraphs unless specifically stated otherwise, relate to the Central Bank Act Chapter 79:02). The Corporation is a statutory body, the authorised capital of which is fixed by the Act in the amount of $1,000,000. However, an increase may be approved by the Minister to whom the responsibility for finance is assigned.

The Corporation's principal objective is to manage a Deposit Insurance Fund established by the Act to provide insurance coverage on deposits held with member institutions to a maximum of $75,000 per depositor in each capacity and right in each institution. Membership of the Fund is compulsory for all institutions licensed under the Financial Institutions Act, 2008. It should be noted that in accordance with Legal Notice No. 10, effective 17 January 2012, the maximum coverage limit was increased to $125,000 per depositor in each capacity and right in each institution.

Section 44W of the Act authorises the Corporation to take such action as it deems necessary to fulfil its mandate including levying premia and contributions from member institutions, hiring of staff, borrowing, lending, arranging for the restructuring of a failed member whether by merger with a financially sound member or otherwise and acquiring the undertaking of any member institution which is in financial difficulty. The Corporation may also act as receiver or liquidator of an insolvent member institution.

2. Summary of Significant Accounting Policies:

(a) Basis of preparation

These financial statements are expressed in Trinidad and Tobago dollars, rounded to the nearest thousand and are prepared under the historical cost convention in accordance with International Financial Reporting Standards (IFRS).

(b) Use of estimates

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Corporation's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenditure during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

(c) New Accounting Standards and Interpretations -

i) The Corporation has not applied the following standards, revised standards and interpretations that have been issued but are not yet effective as they either do not apply to the activities of the Corporation or have no material impact on its financial statements, except for IFRS 9 Financial Instruments:

2. Summary of Significant Accounting Policies (Cont'd)

(c) New Accounting Standards and Interpretations (cont'd)

Effective for annual periods beginning on or after 1 July 2011

IFRS 1	First-time Adoption of International Financial Reporting Standards - Replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs'
IFRS 1	First-time Adoption of International Financial Reporting Standards – Additional exemption for entities ceasing to suffer from severe hyperinflation
IFRS 7	Financial Instruments: Disclosures - Amendments enhancing disclosures about transfers of financial assets

ii) The Corporation has not early applied the following standards, revised standards and interpretations which are in issue but not yet effective:

Effective for annual periods beginning on or after 1 July 2012

IAS 1	Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented.

Effective for annual periods beginning on or after 1 January 2013

IFRS 1	First-time Adoption of International Financial Reporting Standards - Government Loans
IFRS 7	Financial Instruments: Disclosures - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other entities
IFRS 13	Fair Value Measurements
IAS 19	Employee benefits - Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects
IAS 27	Separate Financial Statements
IAS 28	Investments in Associates and Joint Ventures
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine

Effective for annual periods beginning on or after 1 January 2014

IAS 32	Financial Instruments: Presentation - Amendments to application guidance on the offsetting of financial assets and financial liabilities

2. Summary of Significant Accounting Policies (Cont'd)
(c) New Accounting Standards and Interpretations (cont'd)

Effective for annual periods beginning on or after 1 January 2015

IFRS 7	Financial Instruments: Disclosures - Amendments requiring disclosures about the initial application of IFRS 9
IFRS 9	Financial Instruments - Classification and measurement of financial assets
IFRS 9	Financial Instruments - Accounting for financial liabilities and derecognition.

The adoption of IFRS 9 Financial Instruments may result in significant changes in the Corporation's classification and presentation of financial instruments.

(d) Investments -

The Corporation has classified all investments into the following categories:

Available-for-sale

These securities are intended to be held for an indefinite period of time but may be sold in response to the needs for liquidity or changes in interest rates, exchange rates or equity prices. After initial recognition, available-for-sale investments are measured at fair value with unrealised gains or losses recognised in the Investment Re-measurement Reserve.

For actively traded investments, fair value is determined by reference to the Stock Exchange quoted market prices at the Statement of Financial Position date, adjusted for transaction costs necessary to realise the investment. For investments where there is no quoted market price, the carrying value is deemed to approximate fair value.

Held to maturity

These are securities which are held with the positive intention of holding them to maturity and are stated at amortised cost less provisions made for any permanent diminution in value.

(e) Financial instruments -

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are recognised on the Corporation's Statement of Financial Position when the Corporation becomes a party to the contractual provisions of the instrument.

Financial assets

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, that is, the date on which the Corporation commits itself to purchase or sell an asset. A regular way purchase and sale of financial assets is a purchase or sale of an asset under a contract whose terms require delivery of the asset within the timeframe established generally by regulation or convention in the marketplace concerned.

When financial assets are recognised initially, they are measured at fair value of the consideration given plus transaction costs directly attributable to the acquisition of the asset.

2. Summary of Significant Accounting Policies (Cont'd)
(e) Financial instruments (cont'd)

Financial assets are derecognised when the contractual rights to receive the cash flows expire or where the risks and rewards of ownership of the assets have been transferred.

Impairment of financial assets

The Corporation assesses at each Statement of Financial Position date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or group of financial assets is impaired and impairment losses are incurred if and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial assets or group of financial assets is impaired includes observable data that comes to the attention of the Corporation about the following loss events:

i) Significant financial difficulty of the issuer or obligor.

ii) A breach of contract, such as default or delinquency in interest or principal payments.

iii) It becoming probable that the borrower will enter in bankruptcy or other financial reorganization.

iv) The disappearance of an active market for that financial asset because of financial difficulties.

v) Observable data indicating that there is a measurable decrease in the estimated cash-flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with individual financial assets in the group, including adverse changes in the payment status of borrowers in the Corporation or national or economic conditions that correlate with defaults on assets in the Corporation.

The Corporation first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Corporation determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Impairment losses are recorded in an allowance account and are measured and recognised as follows:

i) Financial assets measured at amortised cost

The difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate is recognised in the Statement of Comprehensive Income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improvement in the debtor's credit rating), the previously recognised loss is reversed to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised at the date that the impairment is reversed. The amount of the reversal is recognised in the Statement of Comprehensive Income.

ii) Financial assets measured at cost

The difference between the assets' carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the current market's rate of return for similar financial assets is recognised in the Statement of Comprehensive Income. These losses are not reversed.

Financial liabilities

When financial liabilities are recognised initially, they are measured at fair value of the consideration given plus transaction costs directly attributable to the acquisition of the liability. Financial liabilities are re-measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability extinguished and the consideration paid is recognised in the Statement of Comprehensive Income.

<u>Cash and cash equivalents</u>

Cash and cash equivalents consist of highly liquid investments with original maturities of twelve months or less and are carried at cost, which approximates market value.

<u>Accounts receivable</u>

Accounts receivable are initially measured at cost. Appropriate allowances for estimated irrecoverable amounts are recognised in the Statement of Comprehensive Income when there is objective evidence that the asset is impaired.

<u>Non-current assets</u>

The security deposit attached to the rental agreement with Central Bank of Trinidad and Tobago has been presented as a non-current asset. The security deposit amounts to **$45,000**.

<u>Accounts payable</u>

Accounts payable are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

2. Summary of Significant Accounting Policies (Cont'd)

(f) Provisions

Provisions are recognised when the Corporation has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the Statement of Financial Position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(g) Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rates ruling at the dates of the transactions. Assets and liabilities denominated in foreign currencies are expressed in Trinidad and Tobago dollars at year end average rates. Exchange gains and losses are reflected in the Statement of Net Comprehensive Income and Deposit Insurance Fund.

(h) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Depreciation is provided on a reducing balance basis at rates calculated to write off the cost of the assets over their estimated useful lives for all asset groups except computer equipment and software. The rates used are as follows:

Motor vehicles	-	25%	per annum
Furniture and fixtures	-	10%	per annum
Office equipment	-	15%	per annum
Leasehold improvements	-	33 1/3%	per annum

The method of depreciation on computer equipment and software is the straight-line method, however in fiscal 2011; the estimated useful life on computer equipment was changed from a period of five (5) years to four (4) years.

No depreciation is charged in the year of disposal. However, a full year's charge is made in the year of acquisition.

(i) Intangible Assets -

Computer Software

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Corporation are recognised as intangible assets in accordance with IAS 38 Intangible Assets. Costs associated with maintaining computer software programmes are recognised as expenses when incurred. Computer software costs recognised as assets are amortised over their estimated useful lives of five (5) years.

(j) Comparative figures

Certain comparative figures were restated to facilitate changes in presentation. These changes had no effect on the previously reported net income.

(k) Levy of initial contributions and annual premia

All institutions are required to pay an initial contribution on becoming members, and annual premia in subsequent years. Initial contributions paid by member institutions are matched by the Central Bank (Section 44M).

The payment of initial contributions is based on a rate of 0.4 per centum of the average deposit liabilities existing at the end of the first and second quarters of the first twelve (12) months of operation.

Annual premia in respect of a given year are paid on the basis of a rate of 0.2 per centum of the average deposit liabilities existing at the end of each of the quarters in the preceding calendar year, except that for a new institution the first year's levy is based on its average deposit liabilities existing in the first year of operation.

(l) Exemption from the provisions of taxation and insurance legislation

The Corporation is exempt from the provisions of any Act relating to income taxation or corporation taxation and from payment of stamp duty, and is also exempt from the provisions of the Insurance Act 1980, [Section 55 (1) and (2)].

3. Financial Risk Management:

Financial risk factors

The Corporation is exposed to interest rate risk, credit risk, liquidity risk, currency risk, operational risk, compliance risk and reputation risk arising from the financial instruments that it holds. The risk management policies employed by the Corporation to manage these risks are discussed below:

(a) Interest rate risk -

Interest rate risk is the risk 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 through the effect of fluctuations in the prevailing levels of interest rates on interest bearing financial assets and liabilities, including investments in bonds, loans, customer deposits and other funding instruments. It should be noted that within fiscal 2012, notwithstanding the increase in the investment portfolio, Interest Earned decreased due to the continued fall in market interest rates.

3. Financial Risk Management (Cont'd)
(a) Interest rate risk (Cont'd)

The exposure is managed through the matching of funding products with financial services and monitoring market conditions and yields.

i) Bonds

The Corporation invests mainly in medium to long term bonds consisting of both floating rate and fixed rate instruments.

The market values of the floating rate bonds are not very sensitive to changes in interest rates. The market values of the fixed rate bonds are sensitive to changes in interest rates. The longer the maturity of the bonds, the greater is the sensitivity to changes in interest rates. Because these assets are being held to maturity and are not traded, any changes in market values will not impact profit or loss.

The Corporation actively monitors bonds with maturities greater than ten years, as well as the interest rate policies of the Central Bank of Trinidad and Tobago.

ii) Interest rate sensitivity gap

The Corporation's exposure to interest rate risk is summarized in the table below, which analyses assets and liabilities at their carrying amounts categorized according to their maturity dates.

NOTES TO THE FINANCIAL STATEMENTS

3. Financial Risk Management (Cont'd)
(a) Interest rate risk (Cont'd)

	2012					
	Effective Rate	**Up to 1 year**	**2 to 5 years**	**Over 5 years**	**Non-Interest Bearing**	**Total**
Financial Assets						
Cash and cash equivalent	0% to 2.5%	$ 127,923	$ -	$ -	$ 4,207	$ 132,130
Held-to-maturity investment	0.3% to 12.25%	343,472	802,366	660,418	-	1,806,256
Other financial assets	0% to 12.25%	30,297	106	-	1,223	31,626
Financial Liabilities		501,692	802,472	660,418	5,430	1,970,012
Other financial liabilities		162	-	-	1,562	1,724
Net Gap		**501,530**	**802,472**	**660,418**	**3,868**	**1,968,288**
Cumulative Gap		**501,530**	**1,304,002**	**1,964,420**	**1,968,288**	

3. Financial Risk Management (Cont'd)

(a) Interest rate risk (Cont'd)

	2011					
	Effective Rate	Up to 1 year	2 to 5 years	Over 5 years	Non-Interest Bearing	Total
Financial Assets						
Cash and cash equivalent	0% to 3%	$ 122,968	$ 12,800	$ -	$ 2,056	$ 127,824
Held-to-maturity investment	1.4% to 12.25%	139,923	825,987	658,668	-	1,624,578
Other financial assets	0% to 12.25%	26,072	377	-	316	26,765
Financial Liabilities		288,963	839,164	658,668	2,372	1,779,167
Other financial liabilities		65	-	-	758	823
Net Gap		**288,898**	**839,164**	**658,668**	**1,614**	**1,788,344**
Cumulative Gap		**288,898**	**1,128,062**	**1,786,730**	**1,788,344**	

(b) Credit risk -

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the Statement of Financial Position date. The Corporation relies heavily on its written Accounting Procedures document.

Cash balances are held with high credit quality financial institutions and the Corporation has policies to limit the amount of exposure to any single financial institution.

The Corporation also actively monitors global economic developments and government policies that may affect the growth rate of the local economy.

(c) Liquidity risk -

Liquidity risk is the risk that arises when the maturity dates of assets and liabilities do not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Corporation has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The Corporation is able to make daily calls on its available cash resources to settle financial and other liabilities.

3. Financial Risk Management (Cont'd)
(c) Liquidity risk (Cont'd)

i) Risk management

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities are fundamental to the management of the Corporation. The Corporation employs various asset/liability techniques to manage liquidity gaps. Liquidity gaps are mitigated by the marketable nature of a substantial segment of the Corporation's assets.

To manage and reduce liquidity risk the Corporation's management actively seeks to match cash inflows with liability requirements.

ii) Liquidity gap

The Corporation's exposure to liquidity risk is summarised in the table below which analyses financial assets and liabilities by relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

	2012				
	Up to 1 year	**2 to 5 years**	**Over 5 years**	**Undated**	**Total**
Financial Assets					
Cash and cash equivalent	$ 12,800	$ -	$ -	$ 119,330	$ 132,130
Held-to-maturity investment	343,472	802,366	660,418	-	1,806,256
Other financial assets	30,297	151	-	1,178	31,626
Financial Liabilities	386,569	802,517	660,418	120,508	1,970,012
Other financial liabilities	162	-	-	1,562	1,724
Net Gap	**386,407**	**802,517**	**660,418**	**118,946**	**1,968,288**
Cumulative Gap	**386,407**	**1,188,924**	**1,849,342**	**1,968,288**	

3. Financial Risk Management (Cont'd)

(c) Liquidity risk (Cont'd)

	2011				
	Up to 1 year	2 to 5 years	Over 5 years	Undated	Total
Financial Assets					
Cash and cash equivalent	$ -	$ 12,800	$ -	$ 115,024	$ 127,824
Held-to-maturity investment	139,923	825,987	658,668	-	1,624,578
Other financial assets	26,072	377	-	316	26,765
Financial Liabilities	165,995	839,164	658,668	115,340	1,779,167
Other financial liabilities	65	-	-	758	823
Net Gap	**165,930**	**839,164**	**658,668**	**114,582**	**1,778,344**
Cumulative Gap	**165,930**	**1,005,094**	**1,663,762**	**1,778,344**	

(d) Currency risk -

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Corporation's measurement currency. The Corporation is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the United States Dollar. The Corporation's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The Corporation's net exposure to currency risk is as follows:

	30 September	
	2012	2011
	$'000	$'000
United States Dollars	**23**	**41**

3. Financial Risk Management (Cont'd)

(e) Operational risk -

Operational risk is the risk derived from deficiencies relating to the Corporation's information technology and control systems, as well as the risk of human error and natural disasters. The Corporation's systems are evaluated, maintained and upgraded continuously. Supervisory controls are also installed to minimise human error.

(f) Compliance risk -

Compliance risk is the risk of financial loss, including fines and other penalties, which arise from non-compliance with laws and regulations of the state. The risk is limited to a significant extent due to the supervision applied by the Central Bank of Trinidad and Tobago, as well as by the monitoring controls applied by the Corporation.

(g) Reputation risk -

The risk of loss of reputation arising from the negative publicity relating to the Corporation's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue and legal cases against the Corporation. The Corporation engages in public social endeavours to engender trust and minimize this risk.

4. Critical Accounting Estimates and Judgments:

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make judgements, estimates and assumptions in the process of applying the Corporation's accounting policies. See Note 2 (b).

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events, that are believed to be reasonable under the circumstances. The Corporation makes estimates and assumptions concerning the future. However, actual results could differ from those estimates as the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Changes in accounting estimates are recognised in the Statement of Comprehensive Income in the period in which the estimate is changed, if the change affects that period only, or in the period of the change and future periods if the change affects both current and future periods.

The critical judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements, are as follows:

i) Whether investments are classified as held-to-maturity investments, available-for-sale or loans and receivables.

ii) Whether leases are classified as operating leases or finance leases.

iii) Which depreciation method for property, plant and equipment is used.

The key assumptions concerning the future and other key sources of estimation uncertainty at the Statement of Financial Position date (requiring management's most difficult, subjective or complex judgements) that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

4. Critical Accounting Estimates and Judgments (Cont'd)

i) Impairment of assets

Management assesses at each Statement of Financial Position date whether assets are impaired. An asset is impaired when the carrying value is greater than its recoverable amount and there is objective evidence of impairment. Recoverable amount is the present value of the future cash flows. Provisions are made for the excess of the carrying value over its recoverable amount.

ii) Property, Plant and Equipment

Management exercises judgement in determining whether future economic benefits can be derived from expenditures to be capitalised and in estimating the useful lives and residual values of these assets.

5. Assets Under Administration:

There exist six (6) failed non-banking financial institutions for which the Corporation serves as liquidator. These companies and their year of liquidation are as follows:

- Commercial Finance Company Limited (in liquidation) 1986
- Trade Confirmers Limited (in liquidation) 1986
- Swait Finance Limited (in liquidation) 1986
- Caribbean Mortgage and Funds Limited (in liquidation) 1991
- Principal Finance Company Limited (in liquidation) 1993
- CLICO Investment Bank Limited (in compulsory liquidation) 2011

In its role as liquidator, the Corporation is engaged in liquidating the assets of these failed institutions in an attempt to settle the outstanding liabilities associated with these institutions.

The Corporation submits reports every six (6) months to The Official Receiver (High Court) providing details of receipts and payments for the period being reported. Lastly, these liquidations have not as yet been wound up due to legal matters before the Courts.

The Statement of Financial Position does not include the assets of these closed financial institutions under the administration of the Corporation. However, the table presented hereunder provides in summary, the balances as at 30 September 2012. In relation to the table, the following points should be noted:

- Column (A) – The assets at closure are reported at net realizable value representing a reasonable estimate of the amount for which the assets could have been sold.
- Column (B) – The liabilities at closure represent the total amount owing by the failed institutions, inclusive of deposit liabilities, as at the date of closure.
- Column (C) – Liabilities incurred represent liquidation expenses from the date of closure up to the end of the reporting period.
- Column (D) – Total realisations represent the amount received to date from the sale of liquidated assets.

5. Assets Under Administration (Cont'd)

- Column (E) – Total payments represent liquidation expenses paid and insurance payments recovered as at the reporting date.
- Column (B+C-E) – Remaining liabilities represent the balance due to unsecured creditors as at the reporting date.
- The legislation authorises the DIC to recover insurance paid from the sales proceeds of liquidated assets in priority to unsecured creditors.

Total Value of Assets at Closure	Total Liabilities at Closure	Total Liabilities incurred as at 30 September 2012	Total Realisations as at 30 September 2012	Total Payments as at 30 September 2012	Remaining Liabilities as at 30 September 2012
(A)	(B)	(C)	(D)	(E)	(B+C-E)
$'000	$'000	$'000	$'000	$'000	$'000
6,148,206	12,072,221	19,966	161,696	80,351	12,011,836

By High Court Order No. CV2010-01442 dated 17 October 2011 under the Honourable Justice Ronnie Boodoosingh, the Court ruled that Clico Investment Bank Limited be wound up under the provisions of the Companies Act, Chapter 18:01 and the Deposit Insurance Corporation was appointed Liquidator of the company. This appointment contributed to the significant increase in Liquidation Fees recorded for the financial year **($210: 2012; $15: 2011**).

6. Cash and Cash Equivalents:

	30 September	
	2012	**2011**
	$'000	**$'000**
Cash and bank balances	4,230	2,097
Term deposits	12,800	12,800
Money Market deposits	115,100	112,927
	132,130	**127,824**

7. Held-to-Maturity Investments:

		30 September 2012 $'000	30 September 2011 $'000
a.	Current		
	Corporate Bonds	22,575	-
	Government Treasury Bills	93,584	115,637
	Government Treasury Notes	115,519	-
	Government Bonds	111,794	24,285
		343,472	139,922
b.	Non-Current		
	Corporate Bonds	74,188	92,580
	Government Treasury Notes	254,783	367,757
	Government Bonds	1,133,813	1,024,319
		1,462,784	1,484,656
		1,806,256	**1,624,578**

8. Accounts Receivable:

	30 September 2012 $'000	30 September 2011 $'000
Interest receivable	30,220	26,172
Other receivable	480	550
	30,700	**26,722**

9. Intangible Assets:

	30 September 2012 $'000	2011 $'000
Computer Software		
Cost		
Balance at start of year	3,179	3,065
Additions	-	114
Transfer from Work-in-Progress	2,301	-
Balance at end of year	5,480	3,179
Accumulated Amortisation		
Balance at start of year	1,538	902
Charge for the year	1,096	636
Balance at end of year	2,634	1,538
Balance at end of year	**2,846**	**1,641**

10. Property, Plant and Equipment:

	Leasehold Improvements	Motor Vehicles	Furniture and Fixtures	Office Equipment	Computer Equipment	Work-in-Progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost							
Balance as at 1 October 2011	370	579	627	268	700	2,370	4,914
Additions	-	-	-	65	137	-	202
Transfers	-	-		69	-	(2,370)	(2,301)
Balance as at 30 September 2012	370	579	627	402	837	-	2,815
Accumulated Depreciation							
Balance as at 1 October 2011	365	210	389	167	508	-	1,639
Charge for the year	2	106	24	35	116	-	283
Balance as at 30 September 2012	367	316	413	202	624	-	1,922
Net Book Value							
Balance as at 30 September 2012	**3**	**263**	**214**	**200**	**213**	**-**	**893**
Balance as at 30 September 2011	**5**	**369**	**238**	**101**	**192**	**2,370**	**3,275**

10. Property, Plant and Equipment (Cont'd)

	Leasehold Improve-ments $'000	Motor Vehicles $'000	Furniture and Fixtures $'000	Office Equipment $'000	Computer Equipment $'000	Work-in-Progress $'000	Total $'000
Cost							
Balance as at 1 October 2010	370	474	581	258	521	-	2,204
Additions	-	229	46	12	177	2,370	2,834
Transfers	-	-	-	(2)	2	-	-
Disposals	-	(124)	-	-	-	-	(124)
Balance as at 30 September 2011	370	579	627	268	700	2,370	4,914
Accumulated Depreciation							
Balance as at 1 October 2010	362	206	363	149	418	-	1,498
Charge for the year	3	123	26	18	90	-	260
Disposals	-	(119)	-	-	-	-	(119)
Balance as at 30 September 2011	365	210	389	167	508	-	1,639
Net Book Value							
Balance as at 30 September 2011	**5**	**369**	**238**	**101**	**192**	**2,370**	**3,275**
Balance as at 30 September 2010	**8**	**268**	**218**	**109**	**103**	**-**	**706**

11. Personnel Expenses:

	30 September	
	2012	**2011**
	$'000	**$'000**
Allowances	906	560
Salaries and overtime	3,288	2,345
Staff benefits	208	174
Directors' fees	299	581
Gratuity	-	1
Pension contributions	143	128
National Insurance contributions	144	108
Medical and Workmen Compensation Insurance	70	64
	5,058	**3,961**

In fiscal 2012, a provision for an increase in salaries and allowances was provided for in anticipation of the settlement of the Collective Agreement between the BIGWU and the Corporation for the bargaining period 2009-2011. Additionally, in fiscal 2011, the fee structure applicable to Directors' Fees increased retroactive to June 2008. As a result, directors received payment of arrears for the period 2008 – 2011 based on the revised fees and allowances.

12. General and Administrative Expenses:

	30 September 2012 $'000	2011 $'000
Office rental and related expenses	881	689
Repairs and maintenance	38	15
Equipment rental	51	51
Property services	11	11
Motor vehicle	94	82
Information technology	286	270
Printing and stationery	48	61
Public relations and advertising	318	243
Telecommunications	159	142
Professional fees	108	226
Library services	12	1
Archiving	25	17
Meetings	21	17
Training and education	120	143
Foreign exchange loss	3	-
International Association of Deposit Insurers (IADI) membership fees	90	59
Management contract (Administrative services provided by the Central Bank of Trinidad and Tobago)	50	50
Conferences and official visits	233	274
Miscellaneous	18	18
	2,566	**2,369**

13. Retirement Benefits:

The Corporation does not operate a pension plan but a non-compulsory arrangement exists whereby the Corporation contributes 150% of an employee's contribution to an approved individual annuity or the Individual Retirement Unit Account of the Trinidad and Tobago Unit Trust Corporation up to a maximum of 10% of an employee's base salary. Costs incurred for 2012 were **$143,000.00** (2011: $128,000.00)

14. Related Party Transactions:

Significant aspects of the relationship between the Corporation and the Central Bank of Trinidad and Tobago (the Central Bank) are as follows:

(a) Capital contribution

The paid-up capital has been contributed entirely by the Central Bank of Trinidad and Tobago.

(b) Representation on the Board of Management (Section 44Q (1) (a))

Two (2) members represent the Central Bank of Trinidad and Tobago on the Board of Management of the Corporation.

(c) Current liabilities

	30 September	
	2012	**2011**
	$'000	**$'000**
Personnel and administration expenses reimbursable to the Central Bank	480	109
	480	**109**

In fiscal 2012, the significant increase in Personnel and Administrative Expenses reimbursable to the Central Bank represents personnel expenses applicable to four employees in 2012 compared to one employee in 2011 and rental expenses payable for additional office accommodation.

(d) Operational arrangements between the Central Bank and the Corporation

During the financial year, the Central Bank provided under contract, office accommodation and other administrative services to the Corporation. The costs incurred for the year ended 30 September 2012 under these arrangements were **$931,000.00** (2011: $741,000.00). Limited commercial banking type facilities are also provided by the Central Bank.

(e) Key management personnel compensation

	30 September	
	2012	**2011**
	$'000	**$'000**
Short-term employee benefits	1,689	849
Post-employment benefits	46	34
	1,735	**883**

In fiscal 2012, Key Management Personnel Compensation represents amounts applicable to three employees in 2012 compared with two employees in 2011. The expense recorded in 2012 compared to 2011 also represents increases in salaries and allowances and related arrears payments made in 2012.

15. Employees:

At 30 September 2012 the Corporation had in its employ a staff of 18 persons (2011: 16).

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