2010 ANNUAL REPORT

NEW REALITIES, NEW CHALLENGES, NEW OPPORTUNITIES

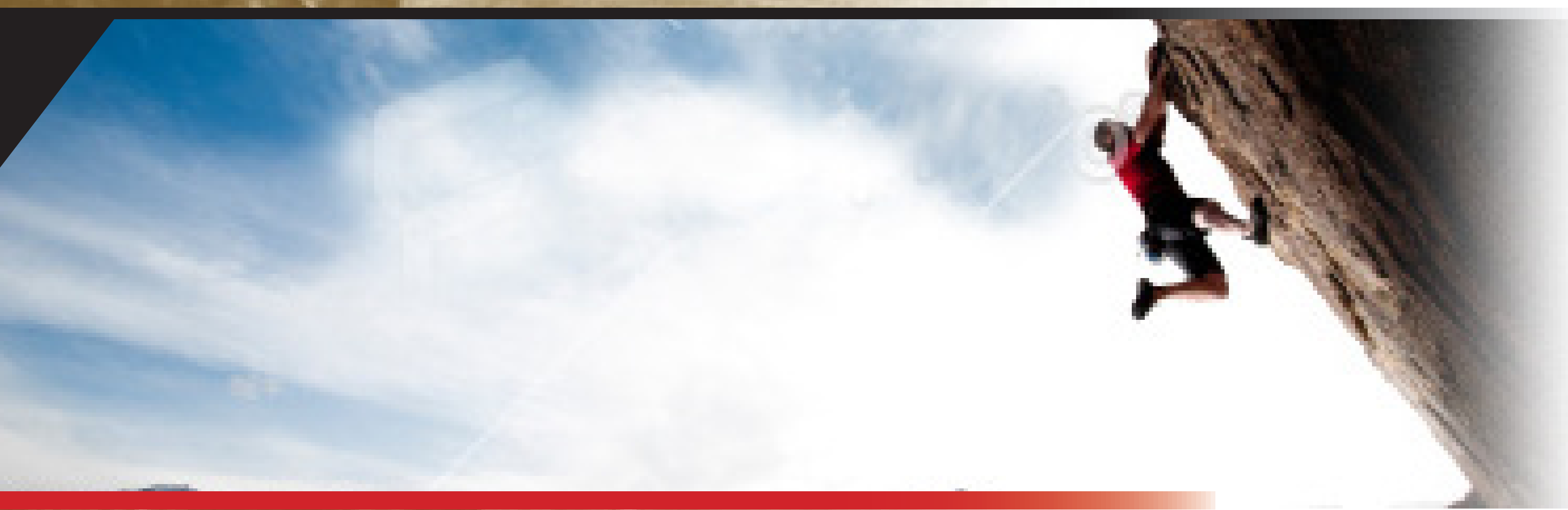
DIC
DEPOSIT
INSURANCE
CORPORATION

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 $75,000. 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.

The Deposit Insurance System has contributed to the building of confidence in Trinidad and Tobago's financial institutions and the financial system as a whole. 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.

DEPOSIT INSURANCE CORPORATION

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

MR. EWART S. WILLIAMS

In 2010, the global economy continued along its path of recovery registering growth of 5.1 per cent compared with a contraction of 0.5 per cent in 2009. Economic activity in most of the developed countries was weaker than anticipated as a result of persistently high unemployment and a delayed recovery of manufacturing output and exports. A strong global economic resurgence has also been weighed down by concerns about a sovereign debt crisis that first hit the periphery countries of the Euro area and which threatened to spread to the larger economies of the Union. In many respects, the recovery could be classified as two-speed, with growth being propelled by the emerging market economies. Robust economic activity in the emerging market economies such as Brazil and China was accompanied by rising inflationary pressures and concerns about international competitiveness as strong capital inflows led to unfavourable currency movements in some of these economies. Several central banks in developing countries resorted to the implementation of measures to stem the pace of capital inflows in order to foster some sense of exchange rate stability.

In Latin America and the Caribbean (LAC), economic growth measured 6.6 per cent in 2010. The robust economic performance was in large measure due to the countercyclical policies that were implemented by several countries in the region as well as an upswing in the international commodity markets. However, growth was uneven in the LAC region, as South American countries such as Brazil and Peru outperformed their Central American and Caribbean counterparts.

The Caribbean's economic recovery appeared to be gaining momentum, led by a resurgence in tourism. Output in the Caribbean expanded by 0.5 per cent in 2010 and there was evidence which pointed to an uptick in remittance inflows.

In Trinidad and Tobago, economic activity remained subdued. After declining by 3.5 per cent in 2009, real GDP fell by an estimated 0.6 per cent in 2010. Although there was marginal growth in the energy sector (1.7 per cent), the non-energy sector continued to contract (-2.3 per cent). The fiscal stimulus envisaged for fiscal 2010 was lower than expected, as the central government accounts recorded a deficit of just 0.2 per cent of GDP compared with a budgeted deficit of 5.3 per cent of GDP. Although reigniting economic growth was the main focus of 2010, a major challenge was building in the form of inflationary pressures. Sparked by rising food prices, headline inflation reached a high of 16.2 per cent (year-on-year) in August 2010 and remained in double-digits for the remainder of the year. Nevertheless, strong

Chairman's Remarks
(continued)

... keeping abreast of the latest developments in the industry remained a high priority.

international prices for our energy exports contributed to the overall balance on the external accounts returning to positive territory and the resumption of foreign exchange reserve accumulation. Gross official reserves closed 2010 at US$9.1 billion after declining to around $8.6 billion in 2009. Also, during the last quarter of 2010, there was evidence to suggest consumer demand was returning following an uptick in credit granted to consumers from the banking system after more than a year of decline.

Despite weaker economic conditions, the domestic financial system remained resilient. The general economic malaise combined with the fallout from the CL Financial crisis, contributed to a rise in non-performing loans. After averaging less than 1 per cent for some time, non-performing loans of the commercial banks rose to 5.3 per cent of total loans at the end of 2010. The situation was even more acute among non-banks where non-performing loans reached a high of 11.7 per cent of total loans in September 2010. To cater for the rise in loan delinquency, financial institutions increased their provisions. Despite higher provisioning, the banking system continued to be well capitalized. The capital adequacy ratio was 23.3 per cent at the end of 2010, well in excess of the statutory minimum of 8 per cent.

In 2010, the DIC continued to build capacity in order to meet emergent challenges in the financial sector and to address outstanding issues related to the CL Financial debacle. During the year, the DIC completed the implementation of an automated Insurance Payout System. This was designed to increase the capability of the DIC to facilitate payments to customers within a shorter time frame (less than the 90 days stipulated in the DIC regulations) should a financial institution fail. The payout to depositors of Clico Investment Bank (CIB), who elected to collect deposit claims, was settled and totalled $4.3 million. In addition, consistent with an agreement to share experiences among deposit insurance corporations within the region, the DIC of Trinidad and Tobago invited three staff members of the Jamaican DIC to observe the CIB payout process.

Financial sector regulators and deposit insurers alike have responded to deficiencies in their regulatory frameworks and systems by embarking upon a process of reform in their respective countries. As such, keeping abreast of the latest developments in the industry remained a high priority. In this regard, staff of the DIC participated in a conference hosted by the Jamaica DIC entitled, *"Bank Insolvency in the Caribbean: Law and Best Practice"*. Members of staff also attended IADI conferences where they were exposed to new developments in the international deposit insurance industry. Also, as part of initiatives undertaken by the DIC to increase public education, the Corporation partnered with the National Financial Literacy Programme (NFLP) in outreach programmes which targeted several communities, financial institutions and educational establishments throughout Trinidad and Tobago.

As the DIC approaches its 25th anniversary amidst an increasingly uncertain global economic environment, the Corporation will seek to remain a symbol that fosters confidence among local depositors. The Board of Management and the staff of DIC reaffirm their commitment to support the stability of the domestic financial sector by remaining vigilant to emergent trends in the international financial arena. In the coming year, we look forward to the advancement of plans to expand deposit insurance coverage to a broader spectrum of financial institutions. In so doing, the DIC will play a central role in mitigating the risks to consumers through the expansion of this vital safety net mechanism. ■

BOARD MEMBERS AS AT SEPTEMBER 30, 2010

MR. EWART S. WILLIAMS - CHAIRMAN

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 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.

MR. MICHALE ALEXANDER - DIRECTOR

MR. MICHAEL ALEXANDER was appointed as a Director on the Board of the Deposit Insurance Corporation in February 2009.

He began his career with Barclays Bank– New York in 1976 and on his return home worked at the National Commercial Bank for three (3) years.

Mr. Alexander had been with the Trinidad and Tobago Unit Trust Corporation since its inception in 1982 and retired as the Executive Director in 2006. During this time he served as the Executive Manager, Investments and Trust Accounting and was the President of the Chaconia Fund Services. He also served on the Board of the Trinidad Cement Limited.

Educated at Queen's Royal College, he earned his Masters in Business Administration in Finance & Investments from the Baruch College of the City University of New York and has been in the financial industry for the last 31 years.

Presently, Mr. Alexander volunteers his time teaching and is a member of the Queen's Royal College Old Boys Association and the Harvard Club.

MRS. NICOLE CROOKS - DIRECTOR

MRS. NICOLE CROOKS currently holds the position of Senior Manager Human Resource & Communications at the Central Bank of Trinidad and Tobago. She is an experienced Human Resource practitioner with over 16 years in the field. She is responsible for providing the senior leadership in the development and execution of creative human resource strategies. This involves planning, organizing and directing the full range of human resource functions including recruitment, staffing and retention; compensation and benefits administration; performance and career management; competency development, training and succession planning; employee and industrial relations and change management.

Ms. Crooks has led the human resource function in diverse organizations having worked in unionized and non-unionized environments; medium and large sized companies in the financial services, manufacturing energy sectors.

Ms. Crooks has also provided leadership of the Corporate Communications function with responsibility for developing and executing a strategy of open and direct communications with employees and key external stakeholders.

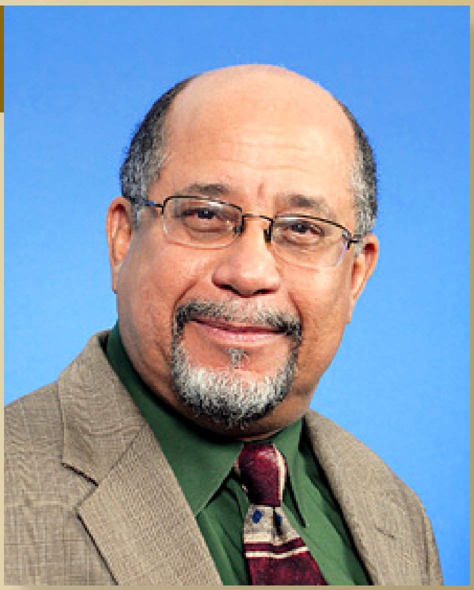
Ms. Crooks has several years experience as a senior management team member and a key contributor to policy formulation, strategic planning and budget development.

Mrs. Crooks is a graduate of the University of the West Indies with a BSc. Management Studies (Upper Second Class Honours). She is also the holder of the Post Graduate Advanced Diploma in Human Resource Management from the UWI Institute of Business graduating with Distinction and as the Top Student. She possesses several insurance related qualifications from the Life Office Management Association including the FLMI (Fellow Life Management Institute) Distinction; ACS (Associate Customer Service) Honours and AIAA (Associate Insurance Agency Administration) Honours & Top Student in the world.

Ms. Crooks is passionate about the creation, maintenance and development of an employer of choice work environment characterized by a skilled, diverse and committed workforce with high employee retention and leadership potential. She adopts a hands-on approach and enjoys the day to day challenges of managing people.

BOARD MEMBERS AS AT SEPTEMBER 30, 2010

MR. MICHAEL S. MENDEZ - DIRECTOR



MR. MICHAEL S. 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.

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.

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
FirstCaribbean 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
RBTT Asset Management Limited
RBTT Bank Limited
RBTT Merchant Bank Limited
RBTT Trust Limited
Republic Bank Limited
Republic Finance and Merchant Bank Limited
Scotiabank Trinidad and Tobago Limited
Scotiatrust and Merchant Bank Trinidad and Tobago Limited

DIC TEAM

Dr. Earl Boodoo
General Manager

Ms. Jacqueline Fermin
Head, Corporate Services and Finance

Ms. Gemma Henry
Executive Secretary

Mr. Maurice Duprey
Courier/Office Assistant

Ms. Onifa Olusegun-Murray
Hospitality Attendant

Ms. Allison Field
Assistant Accountant

Ms. Jacqueline Davis-McKree
Accounting Assistant

Ms. Yolande de Silva
Administrative Assistant

DIC Team

Mr. Eon Crichlow
Technical Analyst

Mr. Anil Ramlochan
Business Analyst

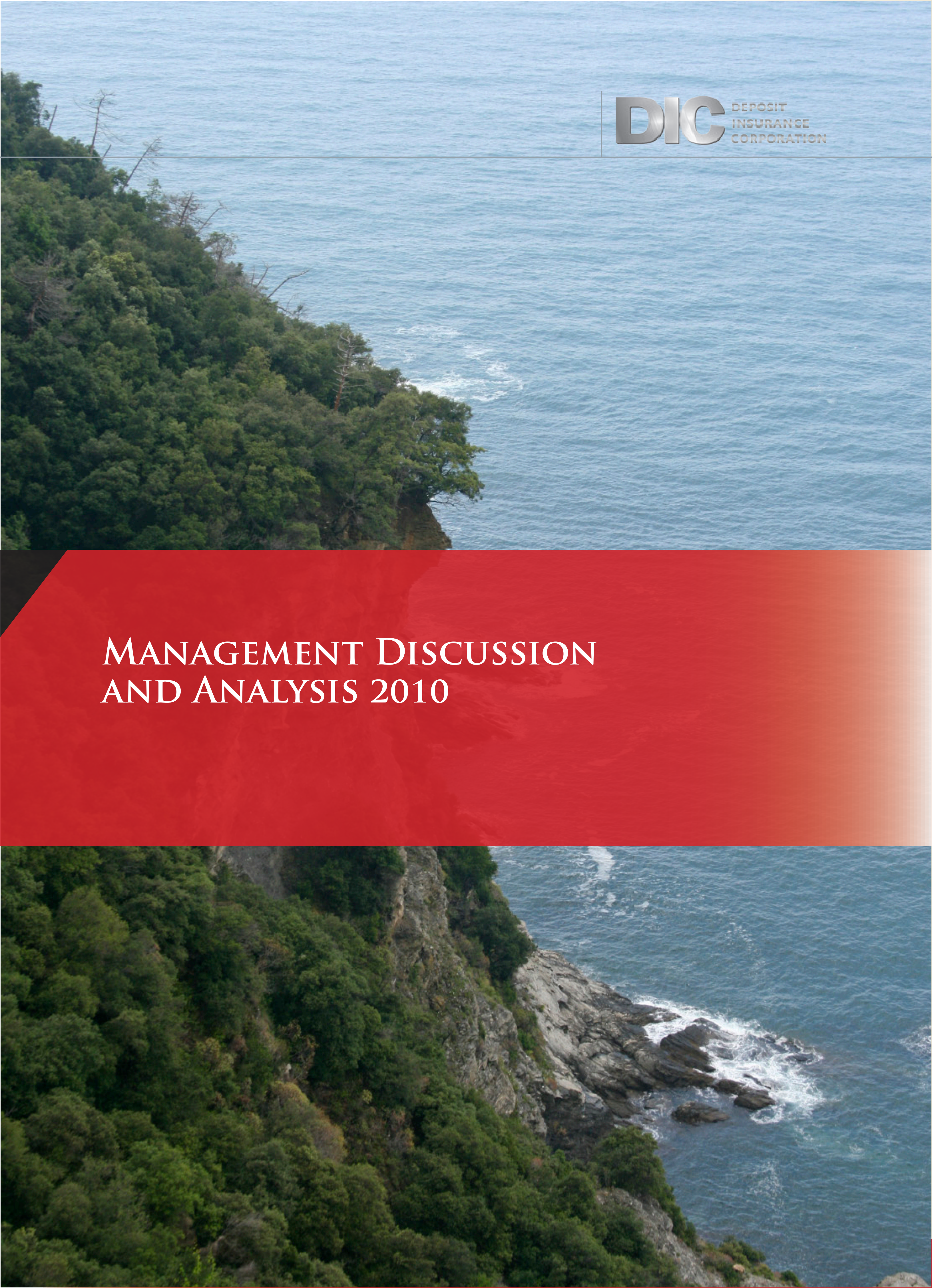
Mr. Noel Nunes
Senior Insurance and Planning Officer

Ms. Nisha Mohit
Research/Database Assistant

Ms. Ingrid White-Wilson
Legal Counsel,
Corporate Secretary

Ms. Dixie-Ann Thom
Communications Technician

Ms. Crystal-Ann Graham
Liquidations Assistant



Management Discussion and Analysis 2010

Financial Highlights

Balance Sheet as at

	SEPT 30, 2010 TT$M	SEPT 30, 2009 TT$M	SEPT 30, 2008 TT$M	SEPT 30, 2007 TT$M	SEPT 30, 2006 TT$M
TOTAL ASSETS AT THE END OF THE YEAR	1,595.2 (13%)	1,414.2 (14%)	1,244.4 (14%)	1,090.5 (14%)	956.5 (14%)
FUND BALANCE AT THE END OF THE YEAR	1,593.3 (13%)	1,412.3 (14%)	1,242.2 (14%)	1,088.4 (14%)	954.3 (14%)
INVESTMENT PORTFOLIO	1,566.3 (13%)	1,380.0 (14%)	1,207.7 (14%)	1,060.8 (15%)	924.8 (13%)

Notes: 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 (-).

Statement of Net Income and Deposit Insurance Fund for the year ended

	SEPT 30, 2010 TT$M	SEPT 30, 2009 TT$M	SEPT 30, 2008 TT$M	SEPT 30, 2007 TT$M	SEPT 30, 2006 TT$M
NET INCOME FOR THE YEAR	181.0 (6%)	170.0 (11%)	153.8 (14%)	134.2 (17%)	114.4 (16%)
INTEREST EARNED	130.0 (0.20%)	102.8 (14%)	90.5 (19%)	76.3 (21%)	62.9 (12%)
PREMIUM INCOME	89.0 (16%)	77.0 (13%)	68.3 (14%)	59.7 (20%)	49.7 (17%)
EXPENSES	10.7 (55%)	6.9 (35%)	5.1 (4%)	4.9 (-4%)	5.1 (1%)

Notes: 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 30th September, 2010 was $1,593.34 million, an increase of 13 per cent when compared to the corresponding date in 2009. The main sources of growth in the Fund were premiums and interest income (after expenses). The *Net Income*, which is the amount that is left after operating expenses are accounted for, is a central item on the *Statement of Net Income* and *Deposit Insurance Fund*. In addition the *Statement* also shows the income earned and expenses incurred for the current and previous fiscal years as well as changes in the *Deposit Insurance Fund* during the same periods. The growth of the Fund over the past five years is illustrated in Chart I.

Net Income for the financial year which ended 30th September, 2010 amounted to $181.0 million compared to $170.0 million year-on-year. This represented an increase of $11 million or 6 per cent higher than that recorded for the previous financial year.

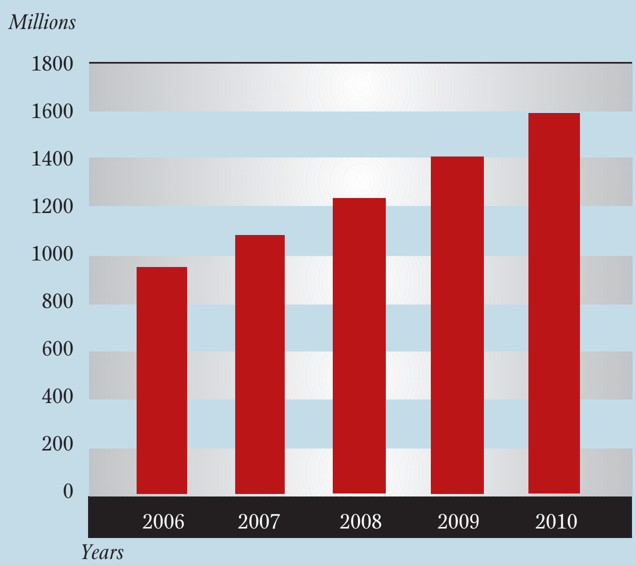
The *Total Income* that accrued to the Fund amounted to $192.3 million, which represented an increase of $11.6 million in 2010 over 2009. The *Total Expenses* used to manage the Fund amounted to $10.7 million; this was an increase of $3.8 million when compared to the 2009 figure. Within fiscal 2010, $570,000 was paid out to depositors of Clico Investment Bank to settle claims. This amount was charged against net income and as a result, reported Net Income for the year stood at $181.0 million.

The two main contributors to income on the *Statement of Net Income* and *Deposit Insurance Fund* 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 closer detail.

Interest Income

Interest or investment income is generated by the Corporation's investment portfolio. During the fiscal year which ended 30th September 2010, the portfolio earned $103.0

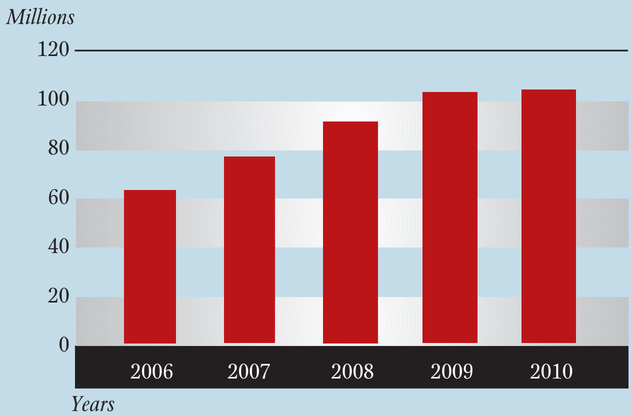
Chart I: Deposit Insurance Fund



All dollar values found in this section are in Trinidad and Tobago dollars.

million compared with $102.8 million for the previous fiscal year; which is a rise of 0.20 per cent. This increase could be traced primarily to the returns received on new investments funded from annual premiums and the re-investment of income received from previously established investments. Over fiscal 2010, market rates continued to trend downwards. The average yield on short-term securities fell from 1.8 per cent at the start of fiscal 2010 to 0.34 per cent at the end of the fiscal period. On long-term securities, the average yield fell from 7.98 per cent to 6.76 per cent. Overall, the average yield on the investment portfolio for the financial year ended 30th September, 2010 was 6.54 per cent compared with 7.29 per cent as at the previous financial year end. Chart II below illustrates the interest earned over the past five years.

Chart II: Interest Income



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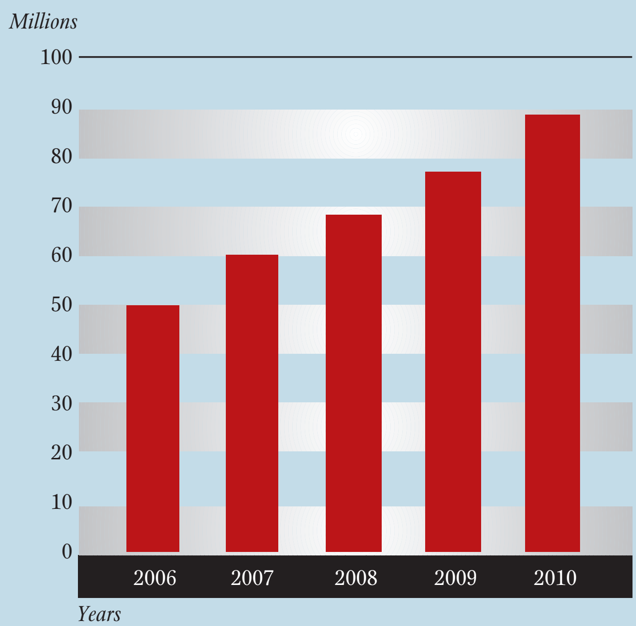
Annual Premiums

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 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 centum of the aggregate of the deposit liabilities. However, for the first and subsequent annual premiums, a fixed rate of 0.2 per centum 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 member institutions in fiscal 2010 amounted to $89.0 million an increase of 16 per cent compared with what was collected in fiscal 2009. Chart III illustrates the growth of annual premiums over the past five years.

Annual premiums increased between 2009 and 2010 mainly due to the growth in deposit liabilities of member institutions between the calendar years 2008 and 2009. (Annual Premiums are computed for a calendar year by

Chart III: Premiums Received



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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, effective the 2nd November, 2009 RBTT Asset Management Limited received membership status, resulting in twenty five member institutions comprising the Fund as at the 30th September, 2010.

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.

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 per cent-100 per cent of the portfolio).
- **Foreign Investments** (0-30 per cent of the portfolio).

Deposit Insurance Fund
(continued)

(b) Status of the Investment Portfolio

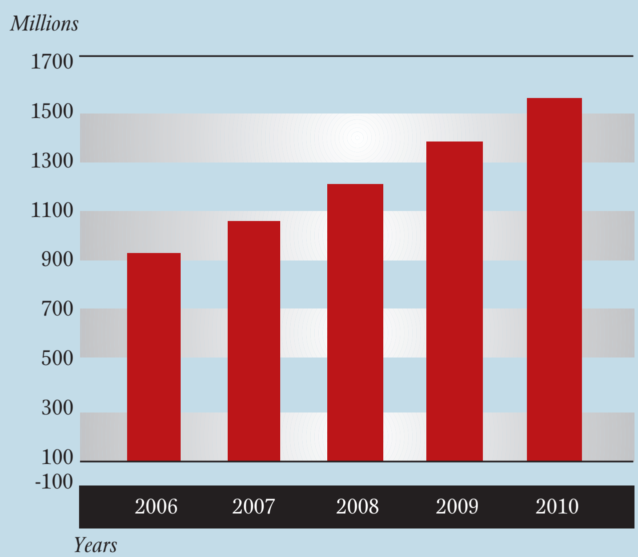
The size of the investment portfolio as at 30th September, 2010 was $1,566.3 million which was an increase of $186.3 million or 13 per cent when compared with the figure one year earlier. Chart IV below illustrates the growth of the investment portfolio over the past five years.

The investment mix changed slightly year-on-year. At the end of fiscal 2010, 88 per cent of the portfolio was represented by Trinidad and Tobago Government Securities while 12 per cent of the portfolio comprised deposits in member institutions and money market investments in the Trinidad and Tobago Unit Trust Corporation and the Home Mortgage Bank. As at the end of fiscal 2009, the percentage holdings in these categories were 89 per cent in Government Securities and 11 per cent in deposits and money market investments. As mentioned previously, the average yield on the portfolio fell during fiscal 2010; 6.54 per cent as at the 30th September, 2010 compared to 7.29 per cent one year prior. This fall in yield was experienced across all categories of investments and was a reflection of the prevailing market conditions during fiscal 2010.

Deposits

Due to the downward trend on deposit rates over fiscal 2010, investment activity in fixed deposit type instruments decreased substantially. As at the 30th

Chart IV: Investment Portfolio



All dollar values found in this section are in Trinidad and Tobago dollars.

September, 2010 deposit balances fell to $9.35 million compared to $60.18 million, one year prior; a decrease by $50.8 million. On the other hand, returns on fixed income mutual funds were better when compared to other short-term instruments and as a result, fixed income mutual funds balances were $176.91 million as at the 30th September, 2010 compared to $87.3 million the previous year; an increase by $89.6 million.

Government Securities

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

The value of Treasury Bills at the start of the fiscal 2010 was $201.2 million with an average yield of 5.40 per cent. By the 30th September, 2010 these holdings were completely depleted as all the instruments matured and monies were not re-invested within this investment category.

Holdings of Treasury Notes decreased by $65.2 million, from $485.5 million as at 30th September, 2009 to $393.3 million as at 30th September, 2010. Treasury Notes represented 25 per cent of the portfolio as at the end of fiscal 2010 compared to 33 per cent as at the end of fiscal 2009. The average yield on Treasury Notes remained constant at 8.05 per cent over the fiscal years 2009 and 2010.

Holdings of Government Bonds increased over the period from $572.9 million as at the end of fiscal 2009 to $986.7 million as at the end of fiscal 2010; an increase by $413.8 million. As at the end of fiscal 2010, Government Bonds represented 63 per cent of the portfolio compared to 42 per cent as at the end of fiscal 2009. Consistent with the downward trend on yields experienced in other investment categories, the average yield on Government Bonds also decreased from 7.98 per cent to 6.76 per cent year-on-year.

Liquidation

Since its establishment, the Corporation has paid insurance claims to the depositors of eight institutions which were closed by the Central Bank and classified as failed institutions. For each of these failures, the Corporation was appointed liquidator. To date, three of the liquidations have been completed, while five institutions remain under the Corporation's purview. These five companies in liquidation are all awaiting resolution of legal matters before official winding up can be completed.

Risk Assessment

As indicated in our 2009 Annual Report, risk assessment will focus on research to upgrade key activities within the scope of the Corporation's existing legislation, pending the passage of legislative amendments necessary to enable the Corporation to minimize exposure of loss to the Fund.

International Outreach

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

30th IADI Executive Council Meeting and Standing Committees Meetings
June, 2010
Mexico City, Mexico

Changes in the Board of Management

Effective February 25, 2010 Ms. Wendy Ho Sing was re-appointed as a director for a three-year term. Ms. Ho Sing's appointment brought the Board up to its full complement of five directors. Ms. Ho Sing's appointment was in accordance with Section 44Q (c) of the legislation governing the appointment of members to the Board of Management of the Deposit Insurance Corporation under the Central Bank Act. She brings to the Board of Management a wealth of experience in banking and finance. ■

New Realities
New Challenges
New Opportunities

New Realities, New Challenges, New Opportunities

Over 2009/2010 period, countries continued to face challenges in the aftermath of the Global Financial Crisis. The strength of deposit insurance systems was tested as they confronted these challenges and faced new realities. In order to develop solutions many deposit insurers co-ordinated their responses. These ranged from intervention to taking no action at all.

Where financial systems were directly and severely affected by the crisis, deposit insurers attempted to address potential loss of confidence in the financial system brought on by the failures of financial institutions by temporarily changing coverage limits on deposits to full coverage.

Central Banks, commercial bank regulators and deposit insurers have responded to deficiencies in their regulatory frameworks by overhauling these systems in their countries. There has been a trend toward collaboration (both among domestic stakeholders as well as across borders) through policy revaluation and financial sector reform, as well as, increased supervision and stress tests. Even though some deposit insurers have begun to explore exit strategies from full coverage limits as the markets have calmed, many countries remain in nascent stages of recovery. As such deposit insurance institutions have supported additional crisis resolution measures and have collaborated to fortify financial system risk management. These measures are designed to strengthen the international system and would reduce the severity of future crises and protect long-term stability.

The International Monetary Fund (IMF) has strongly advised all member countries to consider collaborative recovery efforts because of complex linkages in the international financial system. Additionally, some deposit insurance institutions have called for increased regulatory and deposit insurance reform across countries to address any gaps or inadequacies which created vulnerability in their financial institutions.

Trinidad has maneuvered through several economic challenges during the year. Data for 2010 indicates the country experienced -0.6 per cent growth, following a 3.5 per cent contraction in 2009[1]. The energy sector remains sensitive to the slow recovery of the Global Economy. Correspondingly, unemployment has experienced a slight increase to 5.8% from 5.1% at the end of 2009. Year on year headline inflation peaked at the end of 2010 to 13.9%. It is noteworthy that the local banking sector remains well capitalized despite international and domestic shocks.

During the first half of 2010, the banking system experienced excess liquidity as a result of falling credit demand and a flight to quality prompted by the CL collapse. Bank deposits rose sharply by 10 per cent in the twelve months to June 2010 compared to the 2009 period. This sharp increase in deposits indicates that there is growing uncertainty about economic prospects for the country. Non-performing loans to Total Loans (NPL) Ratio increased to 3.9 per cent but this has been confined to a few institutions which were heavily exposed to high end real estate development.

The Central Bank conducted several stress tests in 2010 to ensure that Trinidad can withstand adverse shocks to the banking system. The results of these tests indicated that the local banking system remained well capitalized after several of the shocks (credit, interest rate, large exposure, foreign currency) were applied independently and there was no evidence of systemic risk.

The banking system continues to maintain a high level of capital adequacy at 23.3 per cent, far beyond the 8 per cent minimum. However the regulators maintained that as new financial instruments emerge and global markets change, shocks may

1 Central Bank of Trinidad & Tobago. Address by Governor Ewart Williams. Jan 2011.

New Realities, New Challenges, New Opportunities (continued)

arise unexpectedly and frequent stress tests equip the financial system to mitigate risks. Trinidad maintains a Standard & Poor's (S&P) credit rating of A and outlook is stable.

As the IADI Sub Committee chair for the region, the DICTT continues to explore deposit insurer collaboration following the Global Financial Crisis as well as to encourage resource and experience sharing. Among the initiatives used to develop these relations include sharing practical payout experiences with each other. The regional Deposit Insurers have created a framework to facilitate information sharing by means of a draft Memorandum of Cooperation Agreement.

Jamaica's experiences after the major banking crisis in 1996/7 strengthened their financial sector and largely absorbed the impact of the Global Financial Crisis. However, financial institutions in Jamaica were still not completely insulated from the crisis. At end of 2009, commercial banks had 70 per cent of their total assets exposed to Jamaica's sovereign debt[2] which carried an increased risk of default. Institutions attempted to reduce this risk by increasing capitalization from proprietary or equity funds. The Jamaican Deposit Insurance Corporation (JDIC) reinforced their role as a financial safety net to maintain confidence amidst these challenges. Other initiatives included increased public education and awareness programs as well as collaboration among regulatory agencies via the Financial Regulatory Council (FRC). The FRC undertook efforts to reduce legislative inconsistencies governing the financial system and attempted to consolidate the Banking Act, Financial Institutions Act and Bank of Jamaica (Building Societies) Regulations. There have been continued efforts to expand the regulatory regime to include the credit unions under the Deposit Insurance Scheme.

In October 2010, Standard and Poor's (S&P) downgraded Barbados' foreign currency sovereign rating to BBB- one notch above junk/ speculative grade. It is expected that this deterioration in credit quality will result in increased difficulty for the financial sector to raise capital as funding costs will more than likely increase sharply. The Central Bank of Barbados (CBB) in an attempt to address the increased risk to the financial system, advised member institutions that Capital Adequacy Ratios (CARs) be raised to 8 per cent Tier I. It is anticipated that Tier I and Tier II combined levels will increase to 10 per cent.

Over 2010 The Barbados Deposit Insurance Corporation (BDIC) identified a number of objectives which included assessing the adequacy of the Fund under management, in the event of a payout. The BDIC prepared a payout plan, and tested it through

2 Bank of Jamaica. Financial Stability Report 2009. Dec 2009.

various simulation exercises designed to assess efficiency.

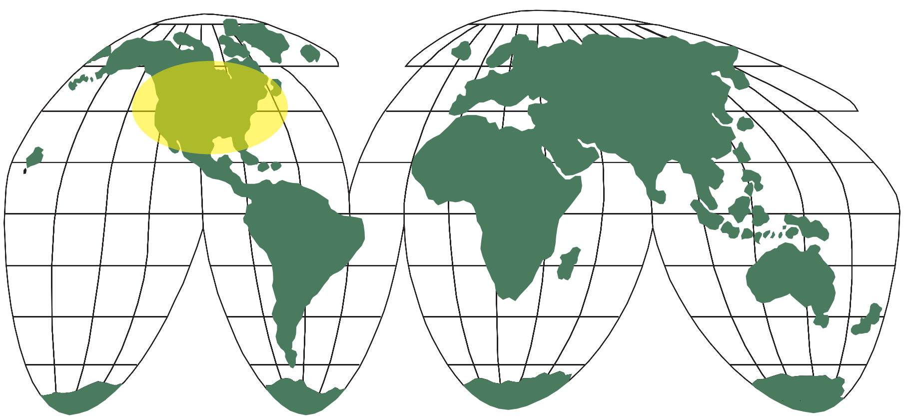
NORTH AMERICA

Although it is accepted that the United States has emerged from recession, over the period of September 2009 to October 2010, there were one hundred and ninety-five (195) bank failures totalling US$172 million in assets. This represents an increase of 82 per cent when compared to the previous period. However, the actual asset value of the failed institutions declined by 56 per cent. This means that the smaller financial institutions continue to experience difficulties during the recovery period.

There has been growth in the number of problem institutions by 56 per cent (552 on September 30, 2009 to 860 in 2010) over the period suggesting continued difficulties being experienced in the US financial sector. Credit and liquidity issues continue to present a significant risk to long-term solvency and contribute to sustained volatility in the system.

In January 2010, the FDIC's coverage limit on accounts returned to US $100,000 for all deposits except IRAs and other specified retirement accounts. In these the FDIC continues to maintain an insurance limit of US $250,000.

The "Dodd-Frank Wall Street Reform and Consumer Protection Act" enacted in July 2010 and the "Restoring American Financial Stability Act" was introduced April 2010. One initiative coming out of the legislation is the creation of the Financial Stability Oversight Council (FSOC) to serve as an early warning system to identify risks, enhance oversight of the financial system and harmonize prudential standards across agencies. The FSOC is empowered to identify "systemically important" nonbank financial companies, thus bringing such companies under regulation by the Federal Reserve, and to recommend heightened prudential standards for the Federal Reserve to impose on these companies. The FDIC published numerous Notices of Proposed Rulemaking (NPRs) throughout the year, seeking comment from the public. They augmented regulatory changes with an increased focus on a strong supervisory program and enhancements to several versions of their public awareness programmes.



In a measure to restore public confidence in the financial system, the U.S. Financial Stability Board published the results of a System Stability Assessment. This report indicated that institutions have a US$7 billion shortfall in capital to maintain a 6 per cent Tier 1 Common Equity Ratio in a baseline risk scenario.

The Canadian Deposit Insurance Corporation (CDIC) has continued to maintain its coverage limit at CAD $100,000 into the 2009/2010 period. The firms and institutions that comprise the Canadian financial system continue to display strong capital and liquidity positions. The government has also taken measures to ensure that there is sufficient monetary and fiscal stimulus to further protect the economy from any contagion effects. The nature of the Canadian financial system has also insulated it from the brunt of the impact, despite geographic proximity to the US. Tight mortgage rules, conservative capital ratios, high quality assets and collaborative monitoring institutions have produced a resilient system.

New Realities, New Challenges, New Opportunities (continued)

The CDIC continues to strengthen deposit insurance and to protect member institutions. Initiatives in the 2009-2010 periods included:

- An increase in CDIC borrowing limit to CAD $15 billion (150 per cent increase) to ensure protection by matching resources to growth in insured deposits.
- Ministerial permission to access a wider range of options to address systemic risk concerns. This will provide greater scope to pre-emptively intervene in situations that may pose a risk to the financial system.
- Greater flexibility to undertake resolution measures when financial stability may be adversely affected.

LATIN AMERICA

The Latin American region's (LATAM) pace of recovery is diverse across countries in main because of varied policy frameworks, levels of domestic demand and the degree of vulnerability to global crisis spillover effects. Countries with previous experience in financial crises have achieved impressive developments in macroeconomic policy. Most notably Brazil, Chile, Columbia and Peru have maintained proactive responses to the crisis. This has contributed to robust recovery and a stable financial environment for these countries. Despite this robust growth, policy challenges and financial system stability issues can arise from strong and persistent capital flows into these economies.

Countries such as Mexico and Venezuela have not experienced the same rate of financial recovery. Mexico is only just recovering from a difficult 2009 because the majority of the domestic financial system is owned by international banks. Higher capital charges and increased regulatory costs are a concern for possible drags on the Mexican financial system. In Venezuela thirteen (13) banks were seized and nationalized based on bank insolvency. In response, Fogade Deposit Insurance increased its coverage to Bs. 25,000 (150 per cent increase) representing increased depositor protection of the failed banks.

The Latin American Deposit Insurers have continued to develop collaborative frameworks and provide comparative study on deposit insurance. They have continued to share experiences to explore their roles beyond the pay-box system and cross-border issue training through the annual Latin American Regional Committee Meeting. No Latin American countries adopted a full coverage stance during the crisis but Brazil adopted a temporary increase during 2009. Brazil is still monitoring liquidity in the system to determine when they can transition from the guarantee to smooth any impact to the financial system.

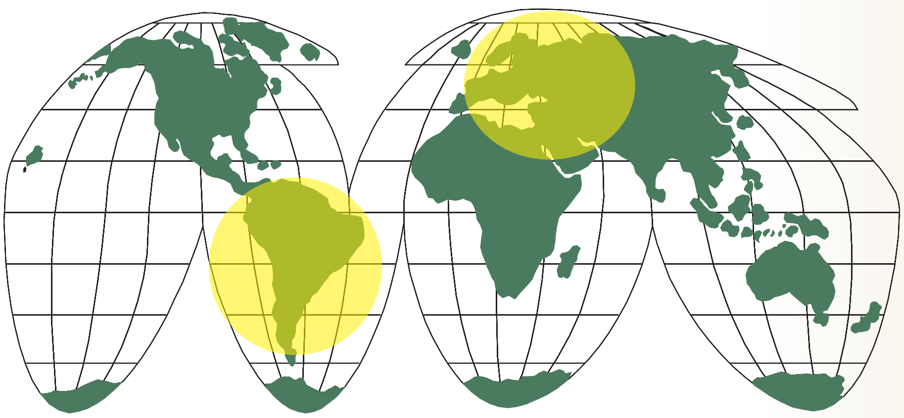
EUROPEAN (EU COUNTRIES) REGION

In 2010 the European banking system remained heavily dependent on Government support as well as displaying vulnerability to the decline in the real economy, sovereign debt shocks and sustained funding strains. Economic weaknesses filtered from the peripheral countries through the EU system and posed difficulties for the entire Euro zone. Nevertheless, most European countries are at present considering regional co-ordination efforts aimed at disengaging from extraordinary depositor protection measures that were in place to maintain financial stability and depositor confidence. European jurisdictions are implementing deposit insurance arrangements consistent with the EU Directive 2009/14/EC, which requested a harmonized EU coverage level. The directive requested that the minimum coverage level should be at EUR 50,000 and moved to EUR 100,000 as at December 31, 2010.

Poland seems to have been the only country in the EU that did not undergo the financial system instability that was experienced by the rest of the region. The stable system was attributed to low levels of bank lending, healthy bank and consumer balance sheets. However, many countries were greatly affected as unsustainable domestic booms (Portugal, Bulgaria, Latvia, Ireland and Spain) and vulnerable balance sheets (Italy, Greece, Hungary and Romania) posed a threat to sustainability for many financial institutions.

Bank failures continued sporadically across the Euro zone such as Spain's Cajasur Savings Bank or Denmark's Amagerbanken. Stress Test Results coordinated by the Committee of European Banking Supervisors (CEBS) and the European Central Bank (ECB) was published during July 2010. Markets responded positively to these results with the majority of banks passing the requisite financial health tests. The seven (7) banks that failed the test would need a total of € 3.50 billion in new capital to meet minimum standards. Developed Eurozone countries such as Germany, Denmark and Austria who adopted a blanket guarantee during the crisis to stabilize the markets are unwinding these measures on a phased basis to co-ordinate with the EU directive. The Germany Federal Act on Deposit Insurance and Investor Compensation effective June 2009 has also eliminated co-insurance and reduced payout timelines to align their policy with the European Union.

The European Commission was determined to deliver on the commitments the EU made at the London and Pittsburgh G20 summits in 2009. EU regulators and supervisors have designed and planned several initiatives to strengthen the regional financial system in the areas of transparency, responsibility, supervision and crisis prevention and management. These initiatives are targeted for the spring of 2011. In order to fortify the current framework,



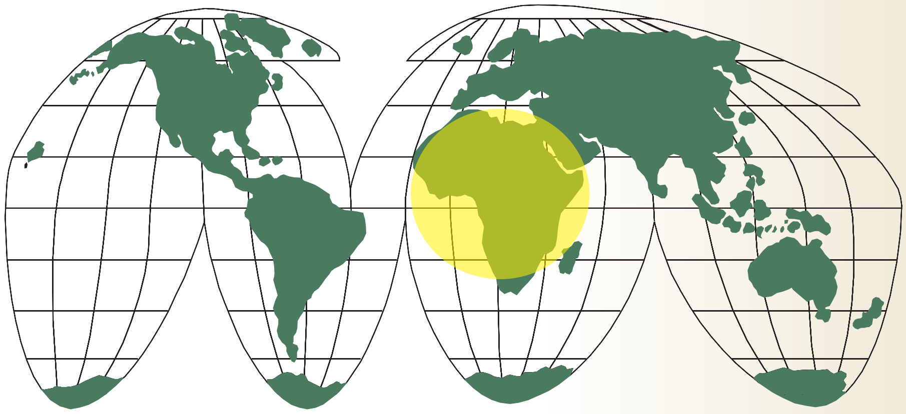
New Realities, New Challenges, New Opportunities (continued)

the EU has proposed a review of the Deposit Guarantee Schemes Directive to improve consumer confidence. In July 2010, the Commission adopted a legislative proposal for a thorough revision of the Directive on Deposit Guarantee Schemes. The EU focus is the harmonization and simplification of protected deposits, a faster payout, and an improved financing of schemes. The EU also plans to overhaul the Investor Compensation Scheme Directive to better protect investors against fraudulent businesses. There is also an initiative to establish a regional network of pre-financed bank resolution funds. This is expected to complement efforts to cover bank failures that are often costly and can possible destabilize the financial system.

ASIA-PACIFIC

Deposit insurers in the Asia-Pacific region have been collaborating to discuss exit strategies for a smooth transition to post crisis limits. Financial systems in the Asia and Pacific region have been generally insulated from the global financial crisis. During the crisis, many countries in the region introduced new or broader deposit insurance coverage limits and included amendments to their deposit regulations as well. Meetings for regional Deposit Insurers centered on pooling their experience to gain insight into current banking conditions and deposit insurance practices post-crisis. Deposit Insurers have shared their experiences on coping with a crisis, revisions to current frameworks and facilitating exit strategies to ensure a smooth return to normal conditions. Assessments of the banking systems in the Asia-Pacific region have indicated that the majority of financial institutions are well capitalized and maintain adequate liquidity. The Eighth APRC meeting in January 2010 provided an information sharing base for funding of deposit systems, fund management and the Core Principles for Effective Deposit Insurance Systems. In April 2010, the Asia-Pacific Regional Committee (APRC) continued activities to promote IADI membership and participation in the region and strengthen deposit insurance frameworks.

During the period, Malaysia, Singapore and Hong Kong (Special Administrative Region) established plans to map out a coordinated strategy for the planned depositor guarantees unwinding by the end of 2010. Malaysia and Singapore



appear to be independently exploring deposit insurance reforms. Malaysia's blanket guarantee that was adopted during the financial crises to maintain financial stability is carded to expire on December 31, 2010. They are at present exploring deposit insurance designed specifically for Islamic banking. Indonesia and Thailand have indicated interest in collaborating on transitioning with other authorities in the region. Countries such as Korea and Russia have engaged the Regulators and Deposit Insurers in a collaborative effort to expand their roles of monitoring and risk mitigation. Indeed in Korea a Memorandum of Agreement has been signed with the Government, Bank of Korea (BOK), Korea Deposit Insurance Corporation and financial supervisors to facilitate this expansion. In Russia a review was undertaken of the 'Rules and Regulations on Unsafe and Unsound Banking Practices' arising out of this a 'Closed Bank Liquidations' Act was approved by the Russian Parliament.

Both Australia and New Zealand have indicated an interest in regional transition planning, given the interdependence between the two financial systems. While there are no formal transition plans at this stage, the two jurisdictions have coordinated announcements regarding exit planning. New Zealand previously has no deposit insurance scheme in place but adopted a NS$1million guarantee in 2008 to protect the financial system. In order to unwind the deposit coverage in an orderly manner, the guarantee was extended from October 2010 to the end of 2011 with a lower coverage limit of NZ$500,000 per depositor per bank and NZ$250,000 per non-bank.

MIDDLE EAST AND AFRICA

Regional cooperation in the Middle East is expanding. The modalities of regional cooperation appear to be structured with periodic meetings of governors of central banks and monetary authorities in the region. The United Arab Emirates has indicated their willingness to consider a regional deposit insurance cooperation on an equal treatment basis. In this region, countries that have adopted full guarantees are also considering appropriate exit strategies in the 2010 period. Jordan and Turkey extended their blanket guarantee to December 2010 and intend to raise future limited coverage after this. The United Arab Emirates have declared a three year full guarantee on deposits in 2008, with the expectation that they will unwind in the later part of 2011. Kuwait's legal full guarantee is still in place but has no plans to unwind based on current market conditions. In the face of the 2008 crisis, countries such as Egypt, which have no explicit deposit insurance, are currently considering applying to the regional committee for IADI membership.

In Africa, the Common Market for Eastern and Southern Africa (COMESA) which includes nineteen African countries, adopted a framework for assessing financial system stability over time and across nations in October 2009. The COMESA Framework for Financial Stability Assessment recommended member Central Banks to establish and chair a Multi-disciplinary Financial Stability Committee comprising

New Realities, New Challenges, New Opportunities (continued)

selected relevant divisions within the Central Bank and other financial sector regulatory authorities and deposit insurers.

The Committee is expected to facilitate early identification of sources of risk and of potential vulnerabilities that could threaten financial stability; as well as to conduct internal and external presentations on evolving financial stability issues and be responsible for publishing formal bi-annual financial stability reports. Within the African region, deposit insurers are working on increased informal arrangements for information sharing to provide shared practical experiences in bank resolution and public awareness campaigns. ■

DEPOSIT INSURANCE CORPORATION

Financial Statements 2010

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 2010, 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 notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. 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.

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 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PKF

Port-of-Spain
TRINIDAD AND TOBAGO
30 December 2010

Statement of Financial Position

	Notes	30 September 2010 $'000	2009 $'000
ASSETS			
Current Assets:			
Cash and cash equivalents	6	186,376	147,627
Held-to-maturity investments - Current	7 (a)	333,585	346,427
Accounts receivable	8	25,871	31,541
Liquidation advances recoverable		3	–
Total Current Assets		545,835	525,595
Non-Current Assets:			
Held-to-maturity investments – Non-current	7 (b)	1,046,429	886,150
Security deposit – Central Bank	2 (e)	35	29
Property, plant and equipment	9	2,869	2,418
Total Non-Current Assets		1,049,333	888,597
Total Assets		**1,595,168**	**1,414,192**
LIABILITIES AND EQUITY			
Current Liabilities:			
Current balance due to Central Bank	13 (c)	110	162
Accounts payable		714	749
Total Liabilities		824	911
Equity:			
Capital (authorised and paid up)	13 (a)	1,000	1,000
Deposit Insurance Fund		1,593,344	1,412,281
Total Equity		1,594,344	1,413,281
Total Liabilities and Equity		**1,595,168**	**1,414,192**

These audited financial statements have been approved by the Board of Management on 27 January 2011 and signed on its behalf by:

Ewart Williams
Chairman

Michael Mendez
Director

(The accompanying notes form part of these financial statements)

Statement of Net Comprehensive Income and Deposit Insurance Fund

	Notes	30 September 2010 $'000	2009 $'000
Income:			
Interest earned		103,056	102,829
Initial contributions and annual premia	2 (i)	89,033	77,038
Amortisation of discounts on investments		220	591
Gains on revaluation of investments		–	269
Gain on disposal of fixed assets		3	–
Foreign exchange gains		–	2
Liquidation/receivership fees		24	28
Other		5	7
		192,341	180,764
Expenses:			
Personnel	10	4,391	2,701
General and administrative	11	1,960	2,434
Foreign exchange losses		4	–
Loss on disposal of fixed assets		2	–
Amortisation of premiums on investments		3,548	1,477
Depreciation on property, plant and equipment	2(h), 9	803	325
		10,708	6,937
Net income		181,633	173,827
Less: Insurance claims (CIB depositors)		(570)	(3,783)
Net income for the year		181,063	170,044
Fund balance at beginning of year		1,412,281	1,242,237
Fund balance at end of year		1,593,344	1,412,281

(The accompanying notes form part of these financial statements)

Statement of Changes in Equity

For the year ended 30 September 2010	Stated Capital $'000	Deposit Insurance Fund $'000	Total $'000
Balance as at 1 October 2008	1,000	1,242,237	1,243,237
Net income for the year	–	170,044	170,044
Balance as at 1 October 2009	1,000	1,412,281	1,413,281
Net income for the year	–	181,063	181,063
Balance as at 30 September 2010	1,000	1,593,344	1,594,344

(The accompanying notes form part of these financial statements)

Statement of Cash Flows

	30 September 2010 $'000	30 September 2009 $'000
Cash Flows from Operating Activities:		
Net income	181,633	173,827
Adjustments for:		
Amortisation of premiums on investments	3,548	1,477
Depreciation	803	325
Foreign exchange gains	4	(2)
Gain on disposal of fixed assets	(3)	–
Loss on disposal of fixed assets	2	–
Gains on revaluation of investments	–	(269)
Amortisation of discounts on investments	(220)	(591)
Operating surplus before working capital changes:	185,767	174,767
Net change in liquidation advances recoverable	(3)	15
Net change in accounts receivable	5,670	3,533
Net change in security deposit	(6)	–
Net change in current balance due to Central Bank	(52)	(415)
Net change in accounts payable	(35)	154
Cash provided by operating activities	191,341	178,054
Cash Flows from Investing Activities:		
Net decrease in Government Treasury Bills – Local	201,220	108,381
Purchase of Government Treasury Notes	–	(143,438)
Proceeds from redemption of Government Treasury Notes	65,000	80,244
Purchase of Government Bonds – Local	(534,713)	(166,829)
Proceeds from redemption of Government Bonds	117,724	60,244
Additions to property, plant and equipment	(1,346)	(1,879)
Proceeds from sale of property, plant and equipment	93	–
Cash used in investing activities	(152,022)	(63,277)
Cash Flows from Financing Activities:		
Reduction in Deposit Insurance Fund	(570)	(3,783)
Cash used in financing activities	(570)	(3,783)
Net change in cash and cash equivalents	38,749	110,994
Cash and cash equivalents, beginning of year	147,627	36,633
Cash and cash equivalents, at end of year	186,376	147,627

(The accompanying notes form part of these financial statements)

NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER, 2010

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, 1993.

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 IFRIC interpretations that became effective during the current year, as they do not apply to the activities of the Corporation:

IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 17	Distributions of Non-cash Assets to Owners
IFRIC 18	Transfer of Assets from Customers
IFRIC 19	Extinguishing Financial Liabilities with Equity Investments

NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER, 2010 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) New Accounting Standards and Interpretations (continued)

ii) 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:

IFRS 1	First-time Adoption of International Financial Reporting Standards – Amendments relating to oil and gas assets and determining whether an arrangement contains a lease (effective for accounting periods beginning on or after 1 January 2010).
IFRS 1	First-time Adoption of International Financial Reporting Standards – Limited exemption from comparative IFRS 7 disclosures for first time adopters (effective for accounting periods beginning on or after 1 July 2010).
IFRS 1	First-time Adoption of International Financial Reporting Standards – Amendments resulting from May 2010 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2011).
IFRS 2	Share-based Payment – Amendment relating to group cash-settled share-based payment transactions (effective for accounting periods beginning on or after 1 January 2010).
IFRS 3	Business Combinations – Amendments resulting from May 2010 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 July 2010).
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations – Amendments resulting from April 2009 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2010).
IFRS 7	Financial Instruments: Disclosure – Amendments resulting from May 2010 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2011).
IFRS 7	Financial Instruments: Disclosure – Amendments enhancing disclosure about transfers of financial assets (effective for accounting periods beginning on or after 1 July 2011).
IFRS 8	Operating Segments – Amendments resulting from April 2009 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2010).
IFRS 9	Financial Instruments: Classification and Measurement (effective for accounting periods beginning on or after 1 January 2013.
IAS 1	Presentation of Financial Statements – Amendments resulting from April 2009 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2010).
IAS 1	Presentation of Financial Statements – Amendments resulting from May 2010 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2011).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) **New Accounting Standards and Interpretations (continued)**

IAS 7	Statement of Cash Flows – Amendments resulting from April 2009 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2010).
IAS 17	Leases – Amendments resulting from April 2009 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2010).
IAS 24	Related Party Disclosure: Revised definition of related parties (effective for accounting periods beginning on or after 1 January 2011).
IAS 27	Consolidated and Separate Financial Statements - Amendments resulting from May 2010 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 July 2010).
IAS 32	Financial Instruments: Presentation - Amendments relating to classification of rights issues (effective for accounting periods beginning on or after 1 February 2010).
IAS 34	Interim Financial Reporting – Amendments resulting from May 2010 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2011).
IAS 36	Financial Instruments: Presentation - Amendments resulting from April 2009 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2010).
IAS 39	Financial Instruments: Recognition and Measurement - Amendments resulting from April 2009 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2010).

(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.

NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER, 2010 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial instruments

The Corporation has classified all investments into the following categories:

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER, 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) **Financial instruments (continued)**

Impairment of financial assets (continued)

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 of financial assets

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 in 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.

Cash and cash equivalents

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.

NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER, 2010 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial instruments (continued)

Accounts receivable

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.

Non-current assets

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 **$34,500.**

Accounts payable

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

(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 over a period of five (5) years, which is being regarded as the estimated useful life of all computer related items.

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

NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER, 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) **Comparative figures**

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

(j) **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.

(k) **Exemption from the provisions of taxation and insurance legislation**

The Corporation is exempt from the provisions of any Act relating to income taxation or company 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.

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

NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER, 2010 (continued)

3. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

(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.

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.

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER, 2010

3. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

(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.

NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER, 2010 (continued)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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:

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 five (5) 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

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 2009. 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.

NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER, 2010

5. ASSETS UNDER ADMINISTRATION (continued)

- Column (D) – Total realisations represent the amount received to date from the sale of liquidated assets.
- 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 (A) $'000	Total Liabilities at Closure (B) $'000	Total Liabilities incurred as at 30 September 2010 (C) $'000	Total Realisations as at 30 September 2010 (D) $'000	Total Payments as at 30 September 2010 (E) $'000	Remaining Liabilities as at 30 September 2010 (B+C+E) $'000
156,765	492,316	15,710	57,881	57,292	450,734

6. CASH AND CASH EQUIVALENTS

	30 September 2010 $'000	30 September 2009 $'000
Cash and bank balances	112	191
Term deposits	9,350	60,176
Money Market deposits	176,914	87,260
	186,376	**147,627**

NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER, 2010 (continued)

7. HELD-TO-MATURITY INVESTMENTS

	30 September 2010 $'000	30 September 2009 $'000
a. **Current**		
Government Treasury Bills	–	201,220
Government Treasury Notes	302,712	65,026
Government Bonds	30,873	80,181
	333,585	346,427
b. **Non-Current**		
Government Treasury Notes	90,619	393,474
Government Bonds	955,810	492,676
	1,046,429	886,150
	1,380,014	**1,232,577**

8. ACCOUNTS RECEIVABLE:

	30 September 2010 $'000	30 September 2009 $'000
Interest receivable	25,520	31,307
Other receivable	351	234
	25,871	**31,541**

9. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements $'000	Motor Vehicles $'000	Furniture and Fixtures $'000	Office Equipment $'000	Computer Equipment $'000	Computer Software $'000	Work-in-Progress $'000	Total $'000
Cost								
Balance as at 1 October 2009	370	407	591	174	616	979	1,222	4,359
Additions	–	350	3	85	44	864	–	1,346
Transfers	–	–	–	–	–	1,222	(1,222)	–
Disposals	–	(283)	(13)	(1)	(139)	–	–	(436)
Balance as at 30 September 2010	370	474	581	258	521	3,065	–	5,269
Accumulated Depreciation								
Balance as at 1 October 2009	358	310	348	130	506	289	–	1,941
Charge for the year	4	89	25	20	52	613	–	803
Disposals	–	(193)	(10)	(1)	(140)	–	–	(344)
Balance as at 30 September 2010	362	206	363	149	418	902	–	2,400
Net Book Value								
Balance as at 30 September 2010	**8**	**268**	**218**	**109**	**103**	**2,163**	**-**	**2,869**
Balance as at 30 September 2009	**12**	**97**	**243**	**44**	**110**	**690**	**1,222**	**2,418**

NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER, 2010 (continued)

10. PERSONNEL EXPENSES

	30 September 2010 $'000	30 September 2009 $'000
Allowances	686	415
Salaries and overtime	3,053	1,794
Staff benefits	185	90
Directors' fees	154	98
Gratuity	45	77
Pension contributions	114	81
National Insurance contributions	102	98
Medical and Workmen Compensation Insurance	52	48
	4,391	**2,701**

11. GENERAL AND ADMINISTRATIVE EXPENSES

	30 September 2010 $'000	30 September 2009 $'000
Office rental and related expenses	594	503
Repairs and maintenance	17	16
Equipment rental	48	46
Property services	11	9
Motor vehicle	76	69
Information technology	246	118
Printing and stationery	38	55
Public relations and advertising	162	772
Telecommunications	120	109
Professional fees	426	385
Library services	1	2
Archiving	14	14
Meetings	13	13
Training and education	2	30
International Association of Deposit Insurers (IADI) membership fees	69	65
Management contract (Administrative services provided by the Central Bank of Trinidad and Tobago)	50	50
Conferences and official visits	55	166
Miscellaneous	18	12
	1,960	**2,434**

NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER, 2010

12. 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 2010 were **$114,000** (2009: $81,000).

13. 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	
	2010 $'000	2009 $'000
Personnel and administration expenses reimbursable to the Central Bank	210	161
	210	**161**

(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 2010 under these arrangements were **$660,000** (2009: $618,000). Limited commercial banking type facilities are also provided by the Central Bank.

NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER, 2010 (continued)

13. RELATED PARTY TRANSACTIONS (continued)

(e) **Key management personnel compensation**

	30 September 2010 $'000	30 September 2009 $'000
Short-term employee benefits	1,069	880
Post-employment benefits	51	87
	1,120	**967**

14. EMPLOYEES

At 30 September 2010 the Corporation had in its employ a staff of 16 persons (2009: 16).

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Inside back cover

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