DEPOSIT INSURANCE CORPORATION

Trinidad & Tobago

ANNUAL REPORT 2008

CONTACT INFORMATION:
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The Deposit Insurance Corporation (DIC)

RAISING THE BAR

DEPOSIT INSURANCE CORPORATION

VISION STATEMENT

"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."

MISSION STATEMENT

"To become a pro-active and efficient deposit insurance system, evolving to meet the ever changing needs of a modern society".

ABOUT US

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 1993. 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. The DIC is empowered to borrow and special premiums may 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, 1993, and other improvements in the system of inspection and supervision of licensed financial institutions have also helped to reduce the risk of failure.

CONTENTS

CHAIRMAN'S REMARKS

MR. EWART WILLIAMS, Chairman

At the same time the Deposit Insurance Corporation (DIC) is in a position to address any likely demands that may be made on the Deposit Fund. Meanwhile the DIC has continued with its internal reforms in order to upgrade its operations and meet the needs of the financial sector.

THE YEAR 2008 witnessed an unprecedented period of global financial distress which had been ushered in by the US sub-prime debacle of August 2007. By September 2008 the full impact of the crisis was clearly evident and confidence in the international financial system was severely shaken. The collapse of the sub-prime mortgage market and the resulting aftermath spread beyond the US to the UK and Europe. On September 15, 2008 Lehman Brothers, a major investment bank collapsed as the US government declined to provide a rescue package, while Bear Stearns and Merrill Lynch were taken over by other financial institutions. One major insurer (AIG) was saved from bankruptcy by the Federal Reserve and the federal government proposed a rescue package for several other failing institutions.

Towards the latter half of 2008, as the financial crisis morphed into a worldwide recession, many industrialized countries had to introduce significant monetary easing and sizable fiscal stimulus packages in an effort to stem the economic downturn and stabilize labour markets. Notwithstanding these extraordinary measures, most industrialized economies registered sharp declines in GDP and significant increases in unemployment, beginning in late 2008 and continuing through the first half of 2009.

Initially the international crisis had only a limited contagion impact on the financial system and real economy of Trinidad and Tobago. However, by the end of 2008 the impact on the domestic economy became more apparent. Oil prices, which had peaked at US$147 per barrel around mid-year, plunged to below US$60 in the last quarter of 2008 while gas prices slumped from US$8 per mmbtu to under US$3 per mmbtu. The fall in energy prices translated into lower government spending and together with the decline in private sector activity, led to a pronounced slowdown in economic activity.

After more than a decade of rapid economic expansion, GDP growth slowed to 2.3 per cent, in 2008 with a decline (-0.5 per cent) in the energy sector. Available indicators show that GDP actually declined in the last quarter of 2008, compared with the corresponding quarter of the previous year. The GDP decline has continued in the first two quarters of 2009.

Throughout the international crisis in 2008 and thereafter the banking system has remained strong. As at the end of June 2009 banks' regulatory capital averaged 18 per cent compared with a statutory minimum of 8 per cent. In addition, the level of banks' non-performing loans has remained low at under 2 per cent.

CHAIRMAN'S REMARKS (CONT'D)

The DIC's reform agenda includes partnering with other stakeholders to expand public awareness of the Fund and the protection it provides.

Given its strong international reserves position and low public debt, the Trinidad and Tobago economy is well placed to survive the impact of the global recession. At the same time the Deposit Insurance Corporation (DIC) is in a position to address any likely demands that may be made on the Deposit Fund. Meanwhile the DIC has continued with its internal reforms in order to upgrade its operations and meet the needs of the financial sector.

The DIC's reform agenda includes partnering with other stakeholders to expand public awareness of the Fund and the protection it provides. Specifically, the DIC partnered with the Central Bank of Trinidad and Tobago's National Financial Literacy Programme to support the introduction of financial literacy courses in the curriculum of some secondary schools. Improving business service delivery is also seen as critical. This naturally includes developing technology-based systems to ensure operational readiness throughout the various stages of the DIC's business cycle, including the claims payout process. The DIC also maintained a vigilant overview of the financial sector during this year of crisis to be ready to provide financial coverage for qualified depositors, if the need should arise.

After more than two decades of operation and in the midst of international turmoil and domestic uncertainty, the Corporation is a beacon of reassurance for the local depositor. For their part, the DIC Board of Management and staff are committed to an ethos of pro-active engagement in all spheres of the Corporation's operations to ensure continued coverage for all those who fall under its protective umbrella.

BOARD OF DIRECTORS

From left to right:

Mr. Ewart S. Williams
CHAIRMAN
Ms. Shelley M. Collymore
DIRECTOR
Ms. Wendy Ho Sing
DIRECTOR
Mr. Patrick Aiden Ferreira
DIRECTOR
Mrs. Nicole Crooks
ALTERNATE DIRECTOR

DIRECTORS' PROFILES

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 long career with the International Monetary Fund (IMF). At the IMF, he 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 (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. William Demas, under a UNDP sponsored technical assistance project. He holds a Bachelor of Sciences 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.

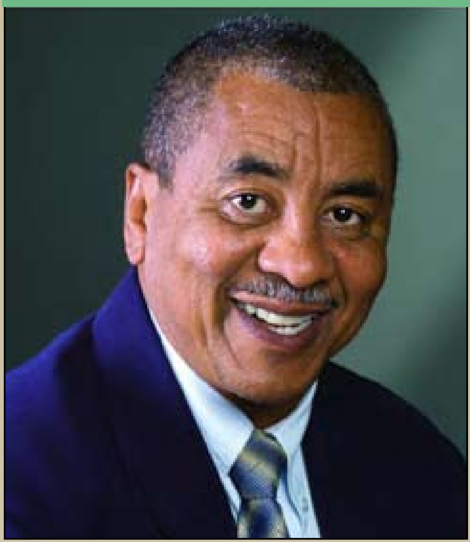
MS. SHELLEY M. E. COLLYMORE - *Director*
Ms. Shelley M. E. Collymore is an Attorney-at-Law of over twenty years standing, and holds an LLM Degree in Legislative Drafting. She currently serves as the Treasury Solicitor in the Ministry of Finance, providing advice on all legal matters, particularly with regard to revenue collection, financial instruments and products, financial legislation, and the general management of the financial affairs of the country. Previous to this, Ms. Collymore was employed as a legal officer in the public sector in varying capacities, including State Counsel, Board of Inland Revenue, and Parliamentary Counsel, Ministry of the Attorney General. Ms. Collymore is a member of the Permanent Double Taxation Negotiating Team of Trinidad and Tobago and has participated in negotiations with Brazil, China, India, Grand Duchy of Luxembourg, Spain and the Netherlands. In addition, she is a former Commissioner of the Trinidad and Tobago Securities and Exchange Commission.

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 (MBA) 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.

MR. PATRICK AIDEN FERREIRA - *Director*
Mr. Patrick Alden Ferreira is a Fellow of the Chartered Management Institute of the United Kingdom (FCMI), a Member of the Society of Corporate Secretaries and Governance Professionals, and holds a Bachelor of Science Degree in Risk Management (BSc).
He is Group Corporate & Personnel Director with the Furness Trinidad Group of Companies, which comprises 15 subsidiaries involved in the insurance, trading, manufacturing, real estate and service sectors. His responsibilities include Group Banking and Investments, Administration, Group Corporate Secretarial and Human Resource Management, and he is a member of the Group's Finance, Audit and Compensation Committees. He also serves as Chief Executive Officer of Furness Anchorage General Insurance Limited, the general insurance subsidiary of the Group. Mr. Ferreira has attended extensive training sessions in Insurance, Corporate Governance and Marketing and has served on the Trade and Investment Committee of the American Chamber of Commerce of Trinidad and Tobago.

MRS. NICOLE CROOKS - *Alternate Director*
Mrs. Nicole Crooks is an experienced Human Resource practitioner with over 15 years in the field. She has been employed with the Central Bank of Trinidad and Tobago since April 2003 and holds the position of Senior Manager Human Resource & Communication. In this capacity, Mrs. Crooks is responsible for leading the development and execution of creative human resource strategies. Mrs. Crooks also provides leadership of the Bank's internal and external Corporate Communications function. Mrs. Crooks has a number of years of experience at a senior management level where she is directly involved in policy formulation, strategic planning and change management. She holds a BSc. in Management Studies (University of the West Indies), a Post Graduate Advanced Diploma in Human Resource Management (UWI Institute of Business), and varied insurance qualifications, including the FLMI (Fellow Life Management Institute) ACS (Associate Customer Service), and AIAA (Associate Insurance Agency Administration).

DIC TEAM



Mr. Junior Frederick,
General Manager

Ms. Jacqueline Fermin,
Head, Corporate Services & Finance

From left to right:

Mr. Eon Critchlow,
Technical Analyst

Ms. Fern Narcis,
Legal Counsel/Corporate Secretary

Mrs. Tricia Coker-Dalling,
Business Analyst

Mr. Noel Nunes,
Risk Assessment, Insurance and Liquidations Officer

DIC TEAM

From left to right:

Ms. Crystal Ann Graham,
Liquidations Clerk

Mrs. Nisha Mohit,
Risk Assessment Clerk

Mrs. Jacqueline Davis-McKree,
Accounts Clerk

Ms. Allison Field,
Accounts Clerk

From left to right:

Ms. Yolande de Silva,
Secretary/Receptionist

Ms. Dixie Ann Thom,
Secretary/Stenographer

Ms. Gemma Henry,
Executive Secretary

Ms. Onifa Olusegun,
Hospitality Attendant

Mr. Maurice Duprey,
Office Assistant/Driver

CORPORATE PROFILE

OFFICE
Level 11
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Website: www.dictt.org

BANKER
Central Bank of Trinidad and Tobago
Eric Williams Plaza
Independence Square
Port of Spain

AUDITOR
Auditor General of Trinidad and Tobago
2nd Podium Floor
Eric Williams Finance Building
Eric Williams Plaza
Independence Square
Port of Spain

MEMBER INSTITUTIONS
OF THE DEPOSIT INSURANCE FUND

AIC Finance Limited
ANSA Merchant Bank Limited
Caribbean Finance Company Limited
CLICO Investment Bank
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 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

MANAGEMENT DISCUSSION & ANALYSIS 2008

FINANCIAL HIGHLIGHTS 2008

BALANCE SHEET

AS AT

	SEPT 30, 2008 TT$M	SEPT 30, 2007 TT$M	SEPT 30, 2006 TT$M	SEPT 30, 2005 TT$M	SEPT 30, 2004 TT$M
TOTAL ASSETS AT THE END OF THE YEAR	1,244.0 (14%)	1,090.5 (14%)	956.5 (14%)	841.9 (13%)	742.9 (14%)
FUND BALANCE AT THE END OF THE YEAR	1,241.8 (14%)	1,088.4 (14%)	954.3 (14%)	839.8 (13%)	741.2 (13%)
INVESTMENT PORTFOLIO	1,207.6 (14%)	1,060.8 (15%)	924.8 (13%)	821.6 (14%)	723.1 (14%)

STATEMENT OF NET INCOME AND DEPOSIT INSURANCE FUND

FOR THE YEAR ENDED

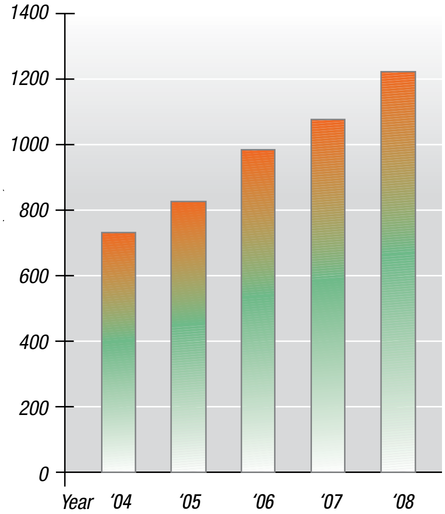
	SEPT 30, 2008 TT$M	SEPT 30, 2007 TT$M	SEPT 30, 2006 TT$M	SEPT 30, 2005 TT$M	SEPT 30, 2004 TT$M
NET INCOME FOR THE YEAR	153.4 (14%)	134.2 (17%)	114.4 (16%)	98.6 (9%)	90.7 (6%)
INTEREST EARNED	90.5 (19%)	76.3 (21%)	62.9 (12%)	56.7 (8%)	52.4 (6%)
PREMIUM INCOME	68.3 (14%)	59.7 (20%)	49.7 (17%)	42.3 (5%)	40.2 (3%)
EXPENSES	5.4 (10%)	4.9 (-4%)	5.1 (1%)	5.0 (34%)	3.5 (4%)

Note: 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 is compulsory for all institutions licensed by the Central Bank of Trinidad and Tobago under the Financial Institutions Act, 1993.

Chart I: Deposit Insurance Fund Growth



The balance of the *Deposit Insurance Fund* at 30th September, 2008 stood at TT$1,241.86 million, an increase of 14% over the amount of TT$1,088.44 million existing at the corresponding date in 2007. Growth of the Fund from one year to another is generated mainly from premiums and interest income (after expenses). This amount remaining after operating expenses are covered is referred to as Net Income and is a central item on the *Statement of Net Income and Deposit Insurance Fund*. The *Statement* shows the income earned and expenses incurred for the current and previous fiscal years in addition to movements in the *Deposit Insurance Fund* during the same periods. The growth of the Fund over the past five years is illustrated in Chart I.

Over the past five years, the Fund has experienced an average growth rate of 14%. This growth is illustrated in Chart I.

Net Income for the financial year ended 30th September, 2008 amounted to TT$153.4 million compared to $134.2 million year-on-year. This represented an increase of $19.2 million or 14% higher than the previous financial year.

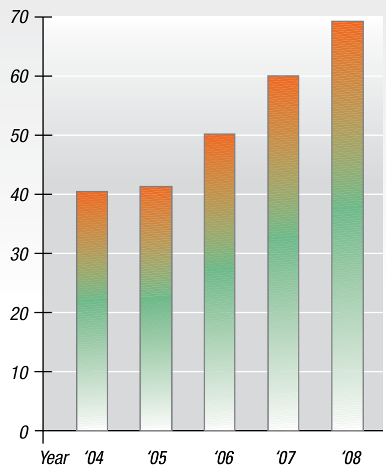
Total Income amounted to $158.8 million, an increase by TT$19.7 million in 2008 over 2007, whilst *Total Expenses* amounted to $5.4 million, an increase by $500,000 compared to 2007.

Over the past several years, the two main contributors to income on the *Statement of Net Income and Deposit Insurance Fund*, have been *Interest Earned* and *Annual Premiums*. The annual increases in these items provide the impetus to the growth of the Fund.

Annual Premiums

The Corporation is mandated by law to levy contributions to the Deposit Insurance Fund from each member institution, the first occurring six months after the institution attains membership

Chart II: Premiums Received

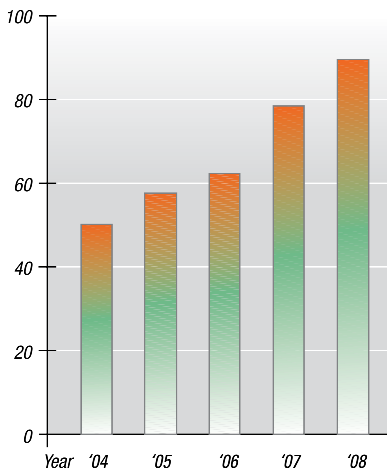


status *(initial contribution)*. Another levy follows twelve months after admittance *(first annual premium)* and thereafter levies are made on institutions once annually at the beginning of every calendar year *(annual premium)*. Two bye laws provide the basis for which the levy is to be made. For the initial contribution which must be matched equally by a contribution from the Central Bank, the rate is fixed at 0.4 per centum of the aggregate of the deposit liabilities whereas for the first and subsequent annual premia, 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 levied and collected from twenty five member institutions in fiscal 2008 amounted to TT$68.3 million compared with TT$59.7 million in fiscal 2007, an increase of 14%. Chart II illustrates annual premiums received over the past five years.

In fiscal 2008, Bank of Baroda Trinidad and Tobago Limited was added to the body of member institutions which comprise the Fund. The institution obtained its commercial banking license effective 3rd October, 2007. As such, levy of initial contributions was received from Bank of Baroda within fiscal 2008. The increase in annual premiums between 2007 and 2008 was also as a result of the growth in deposit liabilities of member institutions between the calendar years 2006 and 2007. (Annual Premiums for a calendar year are levied using a quarterly average of the prior calendar year's deposit liabilities).

Chart III: Interest Income



Interest Income

Interest or investment income is earned from the Corporation's investment portfolio. For the fiscal year ended 30th September 2008, the portfolio generated earnings of TT$90.5 million compared with TT$76.3 million for the previous fiscal year, a rise of 19%. Over fiscal 2008, market rates on short-term securities continued to trend upwards increasing from 7.5% at the start of fiscal 2008 to 7.8% at the end of the fiscal period. The average yield on the portfolio for the financial year ended 30th September, 2008 was 8.19% compared with 7.95 % for the previous financial year. Chart III illustrates interest earned over the past five years.

The Corporation's Board of Management has approved an investment policy with investment objectives and approved investment categories.

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 to guide the Corporation's investment activities in terms of investment objectives and approved investment categories.

The *primary investment objectives* with respect to the management of the portfolio are as follows:-

(i) Maintenance of capital security.

Investments should 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. Permissible ranges for holdings in the approved investment categories demonstrate a greater preference for Trinidad and Tobago Government Securities.

(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 insurance payouts and prevailing market conditions. To this end all investments held by the Corporation are readily realisable and convertible into cash.

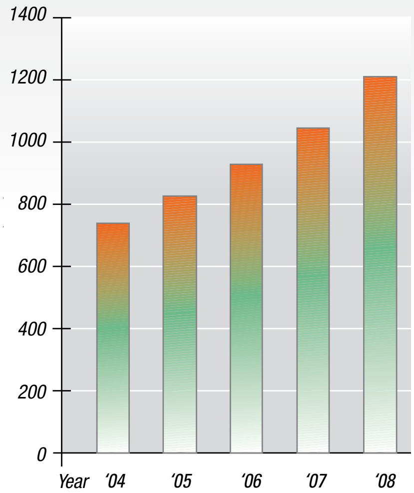
(iii) Reasonable growth of the Fund

Although the best efforts should be made to grow the Fund in as short a time frame as possible, this should be undertaken subject to the other two (2) objectives described at (i) and (ii), above.

The approved investment categories are as follows:-

- Trinidad and Tobago Government Securities (20% -100% of the portfolio)
- Foreign Investments (0-30% of the portfolio)
- Deposits in Member Institutions and the Money Market Account of the Trinidad and Tobago Unit Trust Corporation (0-20% of the portfolio)

Chart IV: Investment Portfolio



(b) Status of the Investment Portfolio

The investment portfolio at 30th September, 2008 rose to TT$1,207.6 million from TT$1,060.8 million at the end of the previous fiscal year, an increase of 14%. This rise mirrored the increase in the Deposit Insurance Fund balance during the corresponding period as growth of the Deposit Insurance Fund is largely represented by investments. Chart IV 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 2008, 97% of the portfolio was represented by Trinidad and Tobago Government Securities and 3% in deposits in member institutions and money market investments in the Trinidad and Tobago Unit Trust Corporation. As at the end of fiscal 2007, the percentage holdings in these categories were 96% in Government Securities and 4% in deposits and money market investments.

Approved instruments in respect of Trinidad and Tobago Government Securities include Treasury Bills, Treasury Notes and Government Bonds.

The largest increase in activity took place within Treasury Notes; an increase by TT$302.9 million, from TT$92.6 million as at 30th September, 2007 to TT$395.5 million as at 30th September, 2008. As a result, Treasury Notes represented 33% of the portfolio as at the end of fiscal 2008 compared to 9% as at the end of fiscal 2007. The average yield on Treasury Notes at the end of fiscal 2008 was 8.04% compared to 5.42% one year prior.

Holdings of Government Bonds decreased over the period falling from TT$569.8 million as at the end of fiscal 2007 to TT$466.9 million as at the end of fiscal 2008; a decrease by TT$102.9 million. This decrease represents the shift to Treasury Notes. As at the end of fiscal 2008, Government Bonds represented 39% of the portfolio compared to 54% as at the end of fiscal 2007. The average yield on Government Bonds changed from 8.71% to 8.72% year-on-year.

Holdings of Treasury Bills decreased during the year from TT$355 million representing 33% of the portfolio as at 30th September, 2007, to TT$309.6 million as at 30th September, 2008 representing 25% of the portfolio; a decrease by TT$45.4 million. These monies were mainly re-invested in Treasury Notes. The average yield on Treasury Bills was 7.67% as at 30th September, 2008 compared to 7.48% one year prior.

2007/2008 Corporate Planning exercise: to realign the risk assessment function to the area of research with a view to further developing key elements within the scope of deposit insurance.

Liquidation

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

Operational Readiness

Within fiscal 2008 the Corporation embarked on its drive towards operational efficiencies through the automation of its support systems. Implementation of the iBOS – Integrated Banking On-line System commenced in 2008 and will integrate and support the accounting, investment, payroll and human resource functions of the Corporation. Developmental works also started to facilitate the automation of the claims payout process and these initiatives will continue into fiscal 2009.

Risk Assessment

The Management Team embarked on its 2007/2008 Corporate Planning exercise to realign the risk assessment function to the area of research to developing key elements within the scope of deposit insurance. Accordingly, components such as premium pricing, establishing a fund target/adequacy and possible expansion of the scope of coverage to include new products are given priority at this time. Until the Corporation's enabling legislation is changed to incorporate the role to minimize exposure of loss to the fund, which by and large is still being pursued, risk assessment will focus on research to upgrade key activities within the scope of the Corporation's existing legislation.

Public Awareness

The Corporation's efforts within its public awareness campaign aimed at having all segments of the general public informed and aware of deposit insurance and how it works continued in fiscal 2008. In the face of the developments within the local financial system and some of the challenges faced, there were heightened requests by member institutions for information. As a result, numerous presentations were delivered to the member institutions in an effort to equip them with the relevant information and in so doing, they in turn passed on this information to their customers, who comprise the general public. Additionally, information brochures and booklets continue to be distributed on an on-going basis as requested by organizations and member institutions. In our efforts to partner with other stakeholders, the Corporation supported and joined the National Financial Literacy Programme (NFLP) in its initiatives to bring financial literacy to secondary schools and tertiary level institutions by way of presentations and discussions.

International Outreach

The Corporation's staff participated in a number of conferences and meetings as shown below.

Annual General Meeting and Executive Council Meeting of the IADI
November, 2007 Kuala Lumpur, Malaysia

Executive Training Programme 2008 – IADI
July, 2008 Washington, USA

Changes in the Board of Management

Within fiscal 2008, the terms of office of three directors ended. The term of Ms. Shelley Colleymore ended effective the 7th June, 2008 and the terms of Mr. Ewart Williams and Mr. Patrick Ferreira ended effective the 17th September, 2008.

Effective February, 2009 Mr. Ewart Williams was re-appointed for a three year term. In addition, two new directors, Mr. Michael Mendez and Mr. Michael Alexander joined the Board; both for a term of three years initially. Mr. Mendez represents the Ministry of Finance while Mr. Alexander represents the private/public sector.

NEW CHALLENGES
FOR DEPOSIT
INSURERS

NEW CHALLENGES FOR DEPOSIT INSURERS

IN OUR 2007 ANNUAL REPORT, WE POSITED THE VIEW that the year 2008 would present "New Challenges for Deposit Insurers." Indeed, the challenges did materialise in 2008 and we are not sure how long they may be with us.

Global Financial Crisis! Turbulence! Bank closures! These are just some of the terms that dominated the global financial landscape during our past fiscal year ended, September 30th, 2008. The genesis as we are aware originated with the mortgage sub-prime debacle, with the epicentre in the USA that rattled financial markets around the world. The shock appeared so intense that it bore many similarities of another major economic upheaval reminiscent of the Great Depression in the 1930s. In light of these events, a fundamental question is, how have we as deposit insurers fared and, perhaps equally important, how have our insured members performed against the backdrop of such uncertainty during our past fiscal year?

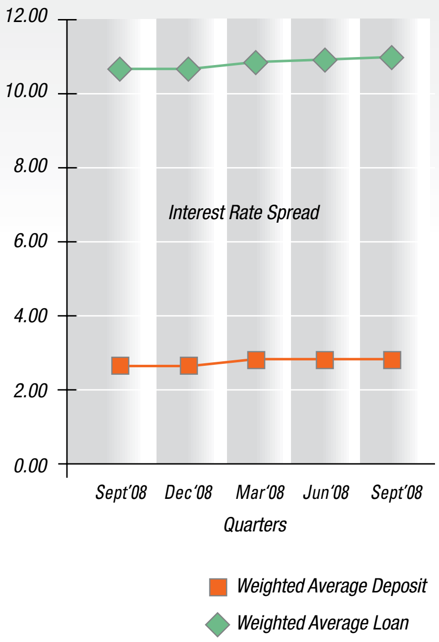
In light of these events, a fundamental question is, how have we as deposit insurers fared and, perhaps equally important, how have our insured members performed against the backdrop of such uncertainty during our past fiscal year?

In the local context, Trinidad and Tobago's domestic banking system was fairly resilient during the past fiscal year, characterised primarily by the existence of excess liquidity. Total deposit liabilities (Banks and Non-Banks) grew by 19.2 per cent to $51,093 million, up from 18.3 per cent for the comparative period end September 30th, 2007. Major factors contributing to this were increases of Government's net fiscal injections and the injection arising from the sale of RBTT to the Royal Bank of Canada.

Commercial Banks' loans (net) increased to $43,897 million up 14.5per cent from $38,322.7 million as at September 30th, 2007[1]. The loan concentration was spread among demand loans 43 per cent (43.6 per cent 2007), instalment 20 per cent (21.2 per cent 2007) and real estate 19.8 per cent (16.8 per cent 2007). Prime lending rate moved up 100 basis points from 11.75 per cent to 12.75 per cent per annum. Due to high levels of excess liquidity, lending rates of commercial banks increased at a faster pace than deposit rates, as there was no incentive on the part of the banks to raise deposit rates. The weighted average lending rate for commercial banks increased from 10.56 per cent as at September 30th 2007 to 11.26 per cent as at September 30th, 2008, up 70 basis points while the weighted average deposit rate for commercial banks increased by a mere 6 basis points from 2.82 per cent as at September 30th 2007 to 2.88 per cent as at September 30th, 2008. Spreads between lending and deposit rates widened to 8.33 per cent at September 2008 from 7.74 per cent one year earlier. (See Chart V).

1 Central Bank of Trinidad and Tobago Monthly Statistical Digest June 2009 Volume XLII Number VI

Chart V: Weighted Average Loan and Deposit Rates



Overall, the banking system remained well capitalized with a capital-to-asset ratio of close to 18 per cent and relatively low level of non-performing loans. The commercial banks high dependency on deposit liabilities as a source of liquidity to fund their loan portfolios has helped to limit the exposure of the domestic commercial banking system in Trinidad and Tobago.

In our role as Deposit Insurer, while not anticipating failures, the Corporation did undertake initiatives internally to improve its responsiveness, the major one being the dissemination of information to various publics in a rather unique way – face to face meetings with our member institutions and the public at large. Additionally, we got the assistance of the member institutions to display registers of products insured under the deposit insurance system in key locations throughout their establishments. Although the deposit insurance coverage limit was increased from TT$50,000 (US$8,000 equivalent) to TT$75,000 (US$11,900) in October 2007, this was not in response to the global financial crisis.

Further afield in the Caribbean region, the financial system in Jamaica had not been negatively impacted. Some of the non-banking financial institutions did indicate minimal exposure and in this regard the Central Bank, in an unprecedented move, had actually stepped in and offered a guarantee on margin calls to these institutions.

United States of America

During our fiscal period, 15 banks failed up from 2 banks in the comparative fiscal period 2006/2007. The number of institutions on FDIC's "Problem List" increased from 65 at the end of the 3rd quarter 2007 to 171 at the end of the third quarter in 2008. Additionally, assets of the problem institutions also increased from US$18.5 billion to US$115.6 billion[2]. These bank failures negatively impacted the Deposit Insurance Fund's reserve ratio which declined from 1.22 per cent as at September 30, 2007 to 0.76 per cent as at September 30, 2008. The FDIC insurance coverage limit stood at US$100,000 at our year end date.

Bear Stearns which had investments in the sub-prime mortgage market was bailed out by the US government. The two largest government-sponsored housing enterprises Fannie Mae and Freddie Mac were put into receivership. Lehman Brothers, the fourth largest US investment Bank and the first major bank to collapse since the start of the crisis, filed for chapter 11 bankruptcy protection in September 2008 while Merrill Lynch – the 94-year old investment firm – was acquired by the Bank of America

2 FDIC Quarterly Banking Profile Third Quarter 2007; FDIC Quarterly Banking Profile Third Quarter 2008

In our role as Deposit Insurer, while not anticipating failures, the Corporation did undertake initiatives internally to improve its responsiveness…

for US$50 billion dollars. In the largest bank failure yet in the United States, Washington Mutual, the giant mortgage lender, which held assets valued at $307 billion, was closed down by regulators and sold to JPMorgan Chase.

Canada

The Canadian Banking system withstood the tremors from the financial crisis reasonably well as there were no bank failures during the period under review. Canadian banks clearly stood out in terms of funding structure: they relied much less on wholesale funding, and much more on depository funding, much of which came from retail sources such as households.

Latin America

There were no bank failures in this region under the review period. This region, like Canada, came in for high praise as they remained relatively insulated from the global financial crisis.

Europe

The impact of the crisis varied in terms of magnitude across Europe. The turmoil started with the run on Northern Rock in Ireland which was subsequently nationalised. Northern Rock relied heavily on the markets, rather than savers' deposits, to fund its mortgage lending. The onset of the credit crunch has dried up its funding. Depositors withdrew £1billion in what is the biggest run on a British bank for more than a century. They continued to withdraw their money until the government stepped in to guarantee their savings.

The deposit insurance scheme was adjusted to shore up confidence in the banking system. However, this action triggered competitive adjustments in the coverage limits in other EU jurisdictions to protect against destabilizing outflows.

Lloyds TSB took over Britain's biggest mortgage lender HBOS in a £12 billion deal creating a banking giant holding close to one-third of the UK's savings and mortgage market. The deal followed a run on HBOS shares. Additionally, the mortgage lender Bradford & Bingley was nationalised. The British government took control of the bank's £50 billion mortgages and loans, while its savings operations and branches were sold to Spain's Santander. Further, Dexia, a Belgium/French bank, was bailed out as the deepening credit crisis continued to shake the banking sector[3].

In Iceland, a member of the Organisation for Economic Co-operation and Development (OECD), the situation was more aggravating. Home to a population of a mere 304,000, Iceland is one of the smallest countries

3 http://news.bbc.co.uk/2/hi/business/7521250.stm

of the world but one of the wealthiest nations of Europe. However, the recent financial crisis has devastated its profitable banking industry and brought the country on the brink of bankruptcy. Besides its two biggest banks, Kaupthing and Landsbanki, passing under government control, the third biggest bank of Iceland Glitnir too has been compelled to seek state intervention. Not only that, the Norwegian unit of Glitnir has also been propped up by the Norwegian Banks' Guarantee Fund with $819 million of liquidity support[4].

Asia and Pacific

As the turmoil intensified, financial institutions accelerated their process of deleveraging, which, together with deepening fears that the crisis was spreading into the real economy, led to a sharp selloff in global equity markets and the largest-ever spike in measured equity volatility. At the same time, dollar liquidity dried up as financial institutions around the world refused to lend to each other, with banks heavily dependent on wholesale funding particularly affected[5].

Concerns over Asian banks' exposures to highly leveraged overseas institutions affected market confidence. A few banks in Asia experienced brief runs on deposits triggered by rumours over exposures to impaired overseas assets and other credit losses. With the exception perhaps of those in Japan, Asian financial institutions overall have limited exposure to overseas structured products, including U.S. subprime mortgages and monoline insurers. Although Asia is a major holder of U.S.government-sponsored enterprise (GSE) debt (US$794 billion as of June 2008, or 61 per cent of non-U.S. exposure), most GSE debt is held as official reserves, with commercial banks holding only limited amounts. Japanese banks had the largest exposures to Lehman Brothers (US$4.2 billion) within the region, but the size of these banks' exposures was very small compared to their overall assets. Financial institutions in China, Japan, Korea, Taiwan Province of China, and Singapore reported losses on their overseas securities portfolios, but these losses were well within their capital and operating earnings.

Conclusion

To date, many low income countries (LICs) have seemed fairly resilient to the financial crisis, reflecting the still limited nature of cross-border linkages in their banking systems. However, the picture is expected to worsen as the lagged effects on real activity around the world feed through to LICs. In this context, the fact that domestic rather than export-driven agriculture accounts for a large share of the economy in many countries (particularly in Africa) might help attenuate somewhat the impact of the crisis.

4 *http://en.wikipedia.org/wiki/2008-2009_icelandic_financial_crisis*

5 *Regional Economic Outlook: Asia and Pacific. November 2008*

FINANCIAL STATEMENTS 2008

AUDITOR'S REPORT

Report of the Auditor General of the Republic of Trinidad and Tobago on the Financial Statements of the Deposit Insurance Corporation for the Year ended 2008 September 30

The accompanying Financial Statements of the Deposit Insurance Corporation for the year ended 2008 September 30 have been audited. The Statements comprise a Balance Sheet as at 2008 September 30, a Statement of Net Income and Deposit Insurance Fund and a Statement of Cash Flows for the year ended 2008 September 30 and Notes to the Financial Statements numbered 1 to 12.

Management's Responsibility for the Financial Statements

2. The Management of the Deposit Insurance Corporation 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.

Auditor's Responsibility

3. The Auditor General's responsibility is to express an opinion on these Financial Statements based on the audit. The audit which was carried out in accordance with section 116 of the Constitution of the Republic of Trinidad and Tobago was conducted in accordance with generally accepted Auditing Standards. Those Standards require that ethical requirements be complied with and that the audit be planned and performed to obtain reasonable assurance about whether the Financial Statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assesment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements. It is my view that the audit evidence obtained is sufficient and appropriate to provide a basis for the opinion expressed at paragraph 5 of this Report.

Opinion

5. In my opinion, the Financial Statements as outlined at paragraph one above present fairly, in all material respects, the financial position of the Deposit Insurance Corporation as at 2008 September 30 and its financial performance and its cash flows for the year ended 2008 September 30 in accordance with International Financial Reporting Standards.

Submission of Report

6. This Report is being submitted to the Speaker of the House of Representatives, the President of the Senate and the Minister of Finance in accordance with the requirements of sections 116 and 119 of the Constitution of the Republic of Trinidad and Tobago.

REPUBLIC OF TRINIDAD AND TOBAGO
20091210
AUDITOR GENERAL

2009 December 10

Sharman Ottley, *Auditor General*

BALANCE SHEET

AS AT 30TH SEPTEMBER, 2008

	Notes	30 September 2008 $'000	2007 $'000
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	4	36,633	43,853
Investments	5(a)	418,156	543,026
Accounts Receivable	6	35,074	28,733
Liquidation Advances Recoverable		15	238
		489,878	615,850
NON-CURRENT ASSETS			
Property, Plant and Equipment	7	864	530
Security Deposit - Central Bank	2(e)	29	29
Investments	5(b)	753,638	474,104
		754,531	474,663
TOTAL ASSETS		1,244,409	1,090,513
CURRENT LIABILITIES			
Current Balance due to Central Bank	11(c)	577	522
Accounts Payable		595	544
		1,172	1,066
EQUITY			
Capital (Authorised and Paid Up)	11(a)	1,000	1,000
Deposit Insurance Fund		1,242,237	1,088,447
		1,243,237	1,089,447
TOTAL LIABILITIES AND EQUITY		1,244,409	1,090,513

The accompanying notes on pages 30 to 36 form an integral part of the financial statements.

These financial statements have been approved by the Board of Directors on the 18th February, 2009 and signed on its behalf by:

REPUBLIC OF TRINIDAD AND TOBAGO
AUDITOR GENERAL

Ewart Williams
Chairman

Michael Mendez
Director

STATEMENT OF NET INCOME & DEPOSIT INSURANCE FUND

FOR THE YEAR ENDED 30TH SEPTEMBER, 2008

	Notes	Year Ended 30 September 2008 $'000	2007 $'000
INCOME:			
Interest Earned		90,537	76,305
Initial Contributions and Annual Premia	2(h)	68,261	59,711
Insurance Payments Recovered		–	2,978
Amortization of Discount on Investments		9	69
Liquidation/Receivership Fees		39	21
Other		8	6
		158,854	139,090
EXPENSES:			
Personnel	8	2,654	2,660
General and Administrative	9	2,085	2,017
Loss on Redemption of Investments		–	2
Difference on Exchange		1	–
Amortization of Premium on Investments		87	85
Depreciation on Property, Plant and Equipment	2(c), 7	237	159
		5,064	4,923
Net Income		153,790	134,167
Fund Balance at the beginning of the year		1,088,447	954,280
Fund Balance at the end of the year		1,242,237	1,088,447

The accompanying notes on pages 30 to 36 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30TH SEPTEMBER, 2008

	Notes	Year Ended 30 September 2008 $'000	2007 $'000
Cash flows from Operating Activities:			
Surplus for the year		153,790	134,167
Add/(Less) Adjustments for :-			
Amortization - Premium on Investments		87	85
Depreciation		237	159
Loss on Redemption of investments		–	2
Loss on Foreign Exchange		1	–
(Amortization) - Discount on investments		(9)	(69)
Operating surplus before working capital changes		154,106	134,344
Decrease/(Increase) in Operating Assets:			
Liquidation Advances Recoverable		223	(148)
Accounts Receivable		(6,341)	2,118
Increase/(Decrease) in Operating Liabilities:			
Current balance due to Central Bank		55	(52)
Accounts Payable		51	(150)
Net cash flows from operating activities		148,094	136,112
Cash Flows from Investing Activities:			
Decrease / (Increase) in Government Treasury Bills - Local		45,383	(194,840)
Investment in Government Treasury Notes		(395,559)	–
Proceeds from redemption of Government Treasury Notes		92,590	156,080
Purchase of Government Bonds - Local		(15,171)	(142,835)
Proceeds from redemption of Government Bonds		118,015	51,487
Additions to Property, Plant and Equipment		(571)	(33)
Proceeds from sale of Property, Plant and Equipment		–	–
Net Cash Flows used in investing activities		(155,313)	(130,141)
Cash Flows from Financing Activities:			
Increase in Capital Contribution		–	–
Net Cash provided by financing activities		–	–
(Loss) on Foreign Exchange		(1)	–
Net increase/(decrease) in cash and cash equivalents		(7,220)	5,971
Cash and Cash Equivalents at the beginning of the year		43,853	37,882
Cash and Cash Equivalents at the end of the year		36,633	43,853

The accompanying notes on pages 30 to 36 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH SEPTEMBER, 2008

1. AUTHORITY AND OBJECTIVE:

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 $1,000,000.00. 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 $75,000.00 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. ACCOUNTING POLICIES:

(a) Basis of Preparation

The 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.

(b) 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 exchange rates. Exchange gains and losses are reflected in the Statement of Net Income and Deposit Insurance Fund.

(c) Property, Plant and Equipment and Depreciation

Property, Plant and Equipment are stated at 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 / Fixtures	10%	per annum
Office Equipment	15%	per annum
Leasehold Improvements	331/3%	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

FOR THE YEAR ENDED 30TH SEPTEMBER, 2008 (CONTINUED)

(d) Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with maturities of less than one (1) year. These investments are carried at cost.

(e) 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 $29,250.00.

(f) Investments

Investments comprise short, medium and long term investments in Government and Government backed securities and are carried at amortised cost using the effective interest method. Quoted investments, in respect of which provisions for diminution in value are made, are not subject to revaluations where subsequent increases in market values have occurred, if such movements are deemed to be temporary. All investments have fixed maturities and are classified as held-to-maturity.

(g) Market Risk

The Corporation is subject to market risk from its investments in deposit instruments, corporate and government securities. The Corporation minimizes its market risk by investing in high quality financial instruments and by limiting the amount invested in any one (1) counterparty.

(h) 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.

(i) 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)].

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH SEPTEMBER, 2008 (CONTINUED)

3. 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 Balance Sheet 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 the 30th September, 2008. In relation to the table, the following points should be noted:

- Column (A) - The assets at closure are reported at net realizable value representing a reasonable estimate of the amount for which the assets could have been sold.
- Column (B) - The liabilities at closure represent the total amount owing by the failed institutions, inclusive of deposit liabilities, as at the date of closure.
- Column (C) - Liabilities incurred represent liquidation expenses from the date of closure up to the end of the reporting period.
- Column (D) - Total realisations represent the amount received to date from the sale of liquidated assets.
- 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)	TOTAL LIABILITIES AT CLOSURE (B)	TOTAL LIABILITIES INCURRED AS AT 30-SEP-2008 (C)	TOTAL REALISATIONS AS AT 30-SEP-2008 (D)	TOTAL PAYMENTS AS AT 30-SEP-2008 (E)	REMAINING LIABILITIES AS AT 30-SEP-2008 (B+C-E)
$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
156,765	492,316	15,322	57,829	56,905	450,733

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH SEPTEMBER, 2008 (CONTINUED)

4. CASH AND CASH EQUIVALENTS:

	30-Sep-2008 $'000	30-Sep-2007 $'000
Cash and bank balances	787	151
Term deposits	28,400	36,697
Money Market Deposits	7,446	7,005
	36,633	43,853

5. INVESTMENTS:

	30-Sep-2008 $'000	30-Sep-2007 $'000
(a) CURRENT		
Government Treasury Bills	309,601	354,984
Government Treasury Notes	70,900	92,611
Government Bonds	37,655	95,431
	418,156	543,026
(b) NON-CURRENT		
Government Treasury Notes	324,602	–
Government Bonds	429,291	474,359
Less: Provision for Diminution in Value	(255)	(255)
	753,638	474,104

6. ACCOUNTS RECEIVABLE:

	30-Sep-2008 $'000	30-Sep-2007 $'000
Interest Receivable	34,753	28,267
Other Receivable	321	466
	35,074	28,733

7. PROPERTY, PLANT AND EQUIPMENT:

Cost	At 30-Sep-2007 $'000	Additions $'000	Disposals $'000	At 30-Sep-2008 $'000
Leasehold Improvements	360	10	–	370
Motor Vehicles	407	–	–	407
Furniture/Fixtures	502	30	4	528
Office Equipment	159	25	12	172
Computer Equipment	585	41	88	538
Computer Software	–	465	–	465
	2,013	571	104	2,480

FOR THE YEAR ENDED 30TH SEPTEMBER, 2008 (CONTINUED)

7. PROPERTY, PLANT AND EQUIPMENT: (Continued)

Depreciation	At 30-Sep-2007 $'000	Current Charge $'000	Charge on Disposals $'000	At 30-Sep-2008 $'000
Leasehold Improvements	340	12	–	352
Motor Vehicles	235	43	–	278
Furniture/Fixtures	302	23	4	321
Office Equipment	124	10	12	122
Computer Equipment	482	56	88	450
Computer Software	–	93	–	93
	1,483	237	104	1,616
Net Book Value	**530**			**864**

The Corporation has committed to purchase an Integrated Banking On-Line Solutions Package (Software) for $1,022,600.00. Payments will cover a two (2) year period, commencing in 2008.

8. PERSONNEL EXPENSES

	30-Sep-2008 $'000	30-Sep-2007 $'000
Salaries	1,701	1,723
Directors' Fees	128	134
Gratuity	86	95
Overtime	8	7
Medical Expenses	1	10
Pension Contributions	82	82
National Insurance Contributions	82	48
Medical & Workmen's Compensation Insurance	47	43
Staff Lunches	44	32
Staff Uniforms	14	32
Canteen	14	1
Subscriptions	1	1
Entertainment	73	65
Housing	77	94
Car Upkeep	78	79
Passage Grants	194	194
Local Travel	1	–
Meals Outside	1	–
Other	22	20
	2,654	2,660

The Corporation is engaged in negotiations for a new Collective Agreement for the period 2006 – 2008. No provision was made in the accounts to reflect increases in salaries and benefits as reasonable estimates did not exist as at the Balance Sheet date. Although negotiations commenced in May, 2007, reasonable estimates representing increases have not as yet been determined.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH SEPTEMBER, 2008 (CONTINUED)

9. GENERAL AND ADMINISTRATIVE EXPENSES

	30-Sep-2008 $'000	30-Sep-2007 $'000
Office Rental	466	466
Repairs and Maintenance	19	41
Guard Services	19	19
Janitorial Services	18	18
Equipment Rental	46	39
Property Services	9	9
Motor Vehicle	61	55
Information Technology	90	68
Printing and Stationery	39	26
Public Relations and Advertising	614	208
Telecommunications	96	94
Professional Fees	126	432
Library Services	10	5
Archiving	13	11
Meetings	18	23
Training and Education	90	53
International Association of Deposit Insurers (IADI) Membership Fees	63	63
Management Contract (Administrative Services Provided by the Central Bank of Trinidad & Tobago)	50	50
Anniversary Celebrations	–	118
Conferences and Official Visits	221	209
Miscellaneous	17	10
	2,085	2,017

10. 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 2008 were $82,000.00 (2007: $82,000.00).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH SEPTEMBER, 2008 (CONTINUED)

11. 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 [S.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-Sep-2008 $'000	30-Sep-2007 $'000
Personnel and Administration Expenses reimbursable to the Central Bank	577	522
	577	522

(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 30th September, 2008 under these arrangements were $609,000.00 (2007: $611,000.00). Limited commercial banking type facilities are also provided by the Central Bank.

(e) **Key Management Personnel Compensation**

	30-Sep-2008 $'000	30-Sep-2007 $'000
Short-Term Employee Benefits	891	909
Post-Employment Benefits	87	84
	978	993

12. EMPLOYEES

At 30th September, 2008 the Corporation had in its employ a staff of 15 persons (2007: 14).