Central Bank of Trinidad & Tobago

ANNUAL REPORT 2013

OUR PURPOSE

The primary purpose of the Bank is the promotion of monetary, credit and exchange conditions most favourable to the development of the economy of Trinidad and Tobago.

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LETTER OF TRANSMITTAL

Jwala Rambarran
Governor

December 31, 2013

Senator the Honourable Larry Howai
Minister of Finance and the Economy
Ministry of Finance and the Economy
Eric Williams Finance Building
Independence Square
PORT OF SPAIN
G: 318/13

REF: CB-

Dear Minister Howai,

In accordance with Section 53(1) of the Central Bank Act Chap.79:02, I enclose herewith the Report of the Central Bank of Trinidad and Tobago for the year ended September 30, 2013, together with a copy of the Annual Audited Statement of Accounts certified by the Auditors.

Yours sincerely,

JWALA RAMBARRAN

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GOVERNOR'S FOREWORD

Resilience in the face of a subdued global recovery and volatile international financial environment defined Trinidad and Tobago's economy in the fiscal year 2012/2013. In May 2013, the US Federal Reserve hinted that in the coming months it would be rolling back its quantitative easing programme. With expectations of higher US treasury yields, investors began to rebalance their portfolios towards the United States and away from emerging markets, which had led global growth for the past few years. Large scale capital outflows from major emerging markets such as India, Indonesia and Brazil created significant stresses, prompting several central banks to take defensive actions.

Against this difficult backdrop, the local economy demonstrated signs of gradual recovery from the sharp downturn that started in late 2008. The Central Bank maintained a monetary stance geared towards supporting economic activity. This accommodative stance was reflected in the Bank's keeping its policy rate, the repo rate, at a historical low of 2.75 per cent in the financial year to September 2013.

The performance of the Trinidad and Tobago economy was affected by on-going large scale maintenance and safety upgrades at energy companies. This posed a considerable drag on the recovery process throughout 2013, especially in the third quarter when the energy sector underwent the largest co-ordinated maintenance effort to date. The subsequent sharp shortfall in natural gas production, while anticipated, generated a large decline in energy output, and a contraction in economic growth.

On the other hand, the non-energy sector continued its slow but steady pace of revival, providing support to the overall economy. Indeed, the non-energy sector registered growth for the past ten quarters to September 2013, supported by the finance, construction and distribution sectors.

Inflationary pressures eased over the course of 2013. After beginning 2013 at just over 7.0 per cent, headline inflation slowed to about 3.0 per cent by September 2013. The slowdown in inflation was largely associated with a steady fall in food price inflation partly reflecting increased domestic agricultural output. Core inflation, which excludes food prices, remained low and stable.

With liquidity levels in the banking system high, the Central Bank took actions to help curb the excess liquidity. In May and August 2013, respectively, the Central Bank facilitated the issue of two Treasury bonds and rolled over commercial

Jwala Rambarran
Governor
Chairman of the Board

banks' special deposits which matured at the Bank during the fiscal year. The Central Bank also indirectly removed some excess liquidity in the system via the sales of foreign exchange to authorized dealers.

Over fiscal 2012/2013, the Central Bank adopted several new strategies aimed at enhancing financial stability, restoring public confidence and trust in the financial system, and strengthening its regulatory and policymaking functions.

Further progress was made on the resolution actions of the failed financial institutions, Colonial Life Insurance Company (Trinidad) Limited (CLICO) and British American Insurance Company (Trinidad) Limited (BAT). Subsequent to the issue of 20-year Government Bonds to holders of Short Term Investment Products, facilities were established to enable bond holders who wished to convert their bonds to cash.

The Bank recruited top talent from the private financial sector and placed them in key supervisory positions within the Financial Institutions Supervision Department. These included a highly sought after Chief Actuary, a Pension Fund Specialist and a Credit Risk Specialist. Work was already in train to hire a Second Deputy Inspector. The Bank deepened its approach to supervision, actively sought passage of stronger legislation such as the Insurance Bill, took steps towards gaining supervisory control over systemically important financial institutions, and examined the feasibility of a Single Financial Regulator.

Major changes were also made to the Bank's monetary policy decision making framework. Two external members now sit on the Monetary Policy Committee (MPC), to ensure that the MPC benefits from specialized expertise and diverse viewpoints in its policymaking deliberations. The Research Department was restructured to better support the Bank's mandate with the creation of three additional units, namely, Financial Stability, International Relations and Special Projects and Strategy. The statistical function of the Research Department was transferred to a newly created Statistics Department. The new Statistics Department immediately embarked upon several developmental projects including the creation of a Business Confidence Index and the rebasing of the Central Bank's quarterly real GDP index.

In 2013/2014, the Central Bank expects the economy to continue its gradual recovery as the significant maintenance work in the energy sector has been completed and output in upstream and downstream industries is expected to normalize. In addition, as the pace of project implementation at the level of the central government picks up, this is expected to boost non-energy activity, while spillover effects from improving energy output should also positively impact non-energy growth. A final resolution to the long-standing CLICO issue, should give a cautious boost to overall confidence and reinforce the positive economic growth trend.

The Central Bank also anticipates that in 2014 the increased borrowing limits under the Treasury Bills Act and Treasury Notes Act will enhance the conduct of monetary policy. Further, the Central Bank will continue to advance its legislative agenda for reform in the financial sector during 2014.

The Central Bank is absolutely committed to maintaining macroeconomic stability so the business sector can continue to make longer-term decisions in an environment of increasing confidence. By explaining the cross-currents at work in our economy, our projections for what's ahead, and our monetary policy response, the Bank is doing its part to help strengthen overall economic confidence.

Governor
Chairman of the Board
Jwala Rambarran

Sunday Guardian
Port-of-Spain, Trinidad and Tobago 48th Year No. 14423 ** December 13, 1964

United Front agrees to a coalition

Jagan to protest 'unfair practice'

URNHAM, D'AGUIAR TAKE OVE

talks
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PNC leade
confirmed
as Premi

From JOHN KIERMA
GEORG

THE GOVERNOR, Sir Sub
formed today that Mr. Forbes
become British Guiana's new
of Dr. Cheddi Jagan whose
ruling Party failed to gain an
this week's general elections

New dollar bills
('ROBBIES' THEY CALL THEM)
come out tomorrow

By GERRY HARCOURT

TRINIDAD and Tobago's Minister of Finance, Mr. A. N. R. Robinson (left) shows a note with the Governor of the Central Bank, Mr. Cecil Bennett, at the Central Bank's opening of a new statutory appropriation for economic life in Mr. John Fraser, Governor of the Central Bank, and next to him is Mr. Gordon Smith, of the Commercial Bank, a commissioner's office.

Central Bank board named

Politics call to Jaycees

Observers fo

Caribbean board to fold in '67

SOLOMON CONFERS WITH RUSK

NUGE says 'no' again

History made! The headline the day after the Central Bank officially went into operation-December 13th, 1964. The Bank celebrates its 50th anniversary on December 12th, 2014.

BOARD OF DIRECTORS

Executive Directors

Jwala Rambarran
Chairman of the Board
Governor
Date of Appointment:
July 17, 2012

Ms. Joan John
Executive Director
Deputy Govenor
Date of Appointment:
February 1, 2010

Dr. Alvin Hilaire
Executive Director
Deputy Govenor
Date of Appointment:
April 1, 2013

Non-Executive Directors

Mr. Carlyle Greaves
Date of Appointment:
April 11, 2012

Dr. Roger Hosein
Date of Appointment:
November 19, 2010

Mr. Larry Lalla
Date of Appointment:
November 19, 2010

Mr. Neil Mohammed
Date of Appointment:
May 18, 2011

Mr. Steve Seetahal
Date of Appointment:
May 18, 2011

Mr. Joseph George
Date of Appointment:
May 18, 2011

BOARD OF DIRECTORS

Non-Executive Directors (continued)

Ms. Beverly Khan
Date of Appointment:
May 18, 2011

Mr. Inshan Ramsaroop
Date of Appointment:
May 18, 2011

Mr. Mahindra Sunil Maharaj
Date of Appointment:
May 18, 2011

Mr. Wayne Tikah
Date of Appointment:
May 18, 2011

Mr. Vishnu Dhanpaul
Date of Appointment:
September 18, 2013

SENIOR MANAGEMENT

Jwala Rambarran
Chairman of the Board
Governor

Ms. Joan John
Executive Director
Deputy Govenor

Dr. Alvin Hilaire
Executive Directive
Deputy Governor

Mr. Carl Hiralal
Inspector,
Financial Institutions

Mrs. Nicole Crooks
Senior Manager,
Human Resources and
Corporate Communications

Mr. Alister Noel
Senior Manager,
Operations

Dr. Earl Boodoo
Chief Economist

Ms. Marie Borely
Chief Financial Officer

Mr. Patrick Solomon
Senior Manager,
Risk Management

Ms. Wendy Ho Sing
Deputy Inspector,
Financial Institutions

Mrs. Zoraida Dookie
Senior Manager,
Information Resources Group

Mrs. Michelle Chong Tai-Bell
Chief Actuary, Designate

MANAGERS

Ms. Suzanne Roach
Financial Services Ombudsman,
Office of the Financial Services Ombudsman

Ms. Wendy D'Arbasie
Manager,
Banking Operations

Mrs. Joycelyn Opadeyi
Manager,
Procurement and Support Services

Mrs. Heather Huggins
Manager,
Human Resources

Ms. Nicole Chapman
Manager, Legal and
Corporate Secretariat
Services

Mrs. Michelle Francis-Pantor
Manager,
Supervision, Banks and
Non Banks

Mr. Richard Ross
Chief Engineer,
Facilities Services

Mrs. Denise Rodriguez-Archie
Manager,
Internal Audit

Mr. Adrian Saunders
Manager,
National Financial Literacy Programme

Ms. Charlene Ramdhanie
Manager,
Corporate Communications Department

Mrs. Sherry Bachew-Rudd
Manager,
Policy and Market Conduct

MANAGERS

Mr. Gaston Harrison
Manager,
Employee and Industrial Relations

Ms. Dianne Pierre
Manager,
Project Management

Mr. Naveen Lalla
Manager,
Insurance Supervision Unit

Mr. Michael James
Manager,
Reserve Management

Mr. Garnett Samuel
Manager,
Domestic Market
Operations

ASSISTANT MANAGERS

Mr. Sherwin Kerr
Security Operations Officer,
Security

Mr. Roland Yorke
Assistant Manager,
Credit Unions, on Secondment to DIC

Mr. Christopher Subryan
Assistant Manager,
Finance & Accounting

Ms. Patricia Babwah
Assistant Manager,
Legal

Mr. John Griffith
Assistant Manager,
Risk Management

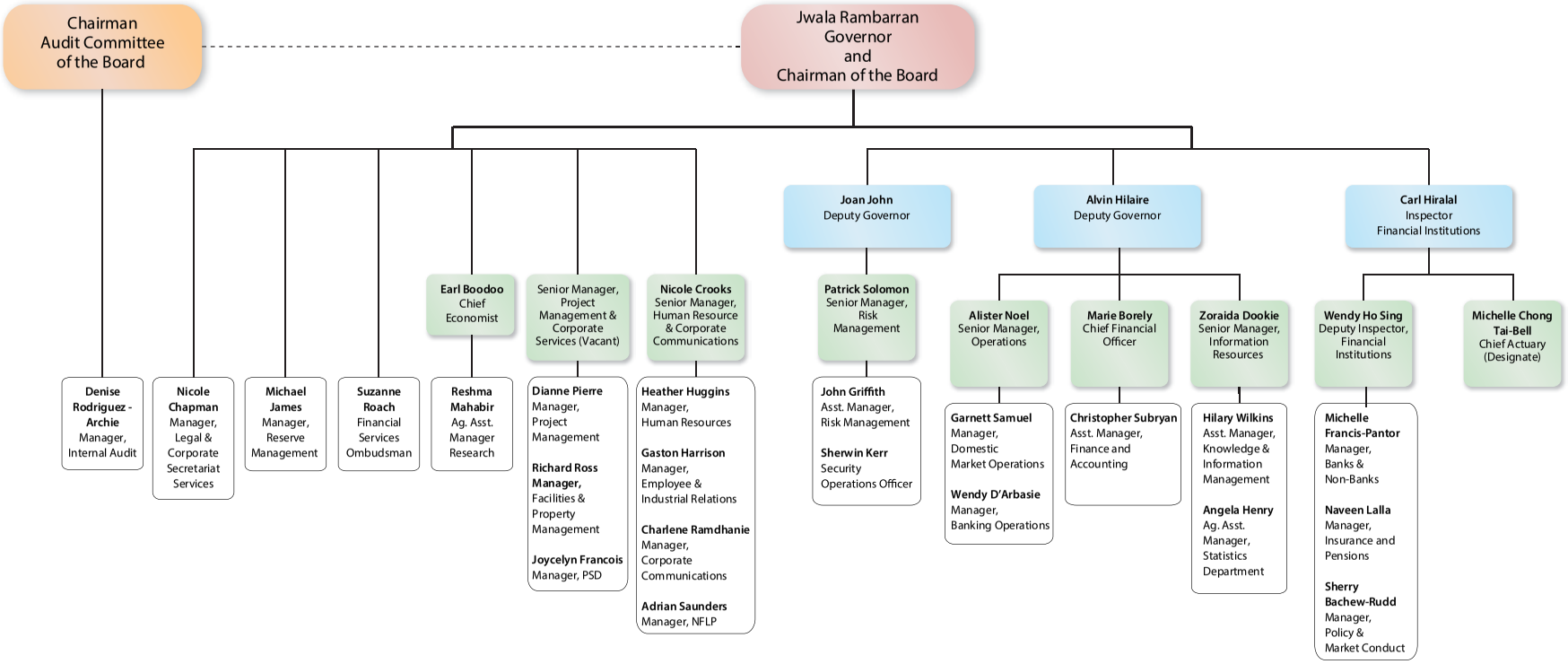
Mrs. Hiliary Wilkins
Assistant Manager,
KIM

Mrs. Angela Henry-Small
Ag. Assistant Manager,
Statistics Department

Dr. Reshma Mahabir
Ag. Assistant Manager,
Research

ORGANIZATIONAL STRUCTURE

AS AT SEPTEMBER 30, 2013



Work in progress, as seen from
Wrightson Road
2nd August 1984

REVIEW OF ACTIVITIES

2012-2013

REVIEW OF ACTIVITIES
2012-2013

HIGHLIGHTS

1. The Trinidad and Tobago economy grew by 1.3 per cent in the first nine months of 2013, compared with a contraction of 0.3 per cent in the first nine months of 2012.

2. The Central Bank maintained its accommodative monetary policy stance, keeping its policy rate unchanged at 2.75 per cent throughout the fiscal year.

3. The Central Bank issued two Treasury bonds and rolled over commercial banks special deposits at the Bank in an effort to manage the high liquidity in the financial system.

4. The Central Bank spearheaded the Capital Market Development Initiatives and worked with industry stakeholders to develop an implementation plan and road map for building out the capital markets over the next five years.

5. To better fulfill the Bank's mandate, the Research Department was restructured with the creation of three new units, namely, Financial Stability, International Relations and Special Projects and Strategy.

6. For the first time in its history, a significant milestone in the Central Bank's operation was the creation of a dedicated Statistics Department for data collection, statistical development and dissemination.

7. The Central Bank continued work on the resolution of the financial institutions it took over under emergency control in 2009 - Colonial Life Insurance Company (Trinidad) Limited and British American Insurance Company (Trinidad) Limited establishing facilities to enable bond holders to convert their bonds to cash.

8. The Draft Insurance Bill and Supporting Regulations were submitted to the Minister of Finance and the Economy in mid-2013. The policy proposal document for an Occupational Pensions Plan Bill was submitted for ministerial approval, and the Draft Credit Union Bill was submitted to the Legislative Review Committee of Cabinet.

9. Under the authority of the Central Bank (Payment of Supervisory Fees and Charges) Regulations, 2011 the Central Bank issued invoices for and recovered 70 per cent of its budgeted supervisory costs for 2012/13.

10. The Payments System Department enhanced its supervision of the domestic payments system by issuing four Guidelines to address inter alia areas of licensing, operating and registration of payment service providers.

11. The Office of the Financial Services Ombudsman marked its 10 year anniversary in 2012/13 and held various events and seminars geared towards promoting responsible consumer behavior and protection.

12. The Bank sought to standardize and harmonize the employee performance appraisal process with the introduction of the Personal Performance Management System (PPMS). The roll out of the PPMS included the personal appearance by the Executive Sponsor (Governor) at all sessions for staff.

13. The Bank's Money Museum re-opened and three major art exhibitions were staged for the public free of charge.

14. The National Financial Literacy Programme continued to deliver on its mandate to promote financial literacy with 121 seminars conducted, reaching over 4,000 adult participants and students.

REVIEW OF ACTIVITIES 2012-2013

CENTRAL BANK: AN ANCHOR OF ECONOMIC AND FINANCIAL STABILITY

Despite the struggles faced by the global economy in 2012/2013, Trinidad and Tobago's economy continued to grow steadily. The non-energy sector provided an impetus for local economic growth as energy sector production was affected by large scale maintenance activities. Two major gas producers conducted maintenance work in September 2013 and the resulting coordinated shutdowns in the downstream industry depressed energy sector activity in the third quarter of 2013. However, the non-energy sector continued to drive overall growth with finance, distribution and construction among the better performing sectors for 2012/2013.

Local inflationary pressures eased over the course of 2013. Headline inflation slowed to 3.0 per cent by September 2013 from around 7.2 per cent at the start of the year. This deceleration was mainly due to a sharp decline in food inflation reflecting a combination of increases in domestic agricultural production, more favourable weather conditions and a slowdown in global food commodity prices. Core inflation, which excludes food prices, remained relatively stable and stood at 2.9 per cent at the end of September 2013.

Monetary Policy

Against a backdrop of easing inflationary pressures and tepid economic activity, the Central Bank maintained its accommodative monetary policy stance in 2012/2013. The Bank kept its main policy rate, the repo rate, unchanged at 2.75 per cent throughout the fiscal year, having last adjusted the rate in September 2012. However, with liquidity levels in the banking system high, interest rates in the domestic economy trended downwards during the year.

Despite lower lending rates, private sector credit growth remained sluggish during fiscal 2012/2013. While there was a pick-up in lending to consumers and the real estate mortgage loans continued to exhibit robust growth, lending to the business sector contracted.

Meanwhile, the Central Bank employed several measures to curb the rapid build up of financial system liquidity. The Central Bank facilitated the issue of two Treasury bonds, the first in May 2013 was a 7-year, 2.60 per cent fixed rate coupon bond with a face value of $1 billion and the second in August 2013 was a 10-year, 2.50 per cent fixed rate coupon bond with a face value of $559.3 million. The Bank also rolled over the commercial banks' special deposits held at the Central Bank which matured during the financial year 2012/2013. In addition, the Bank indirectly removed some excess liquidity from the system via the sales of foreign exchange to authorized dealers. Given the high liquidity levels, there were no repurchase (repo) agreements with the Central Bank and inter-bank activity was also very limited.

To enhance the Central Bank's monetary policy decision making framework, several initiatives were undertaken during the year. These were as follows:

- the inclusion of two external members on the Monetary Policy Committee (MPC) to ensure that the Committee benefits from specialized expertise and diverse viewpoints in its policymaking deliberations;

- an MPC meeting frequency of every two months, rather than every month as previously obtained. This would give the Committee a better opportunity to fully consider economic and financial conditions, including important issues and policy alternatives;

- communication of the Bank's monetary policy decisions, including the setting of the repo rate, to the public in the form of a 'Monetary Policy Announcement'; and

- technical support to the MPC through the establishment of a Monetary Policy Secretariat.

The first "new look" MPC meeting was held in September 2013 and the subsequent Monetary Policy Announcement was communicated to the public in the same month.

TABLE I

SELECTED ECONOMIC INDICATORS

	2009	2010	2011	2012	Sep-13
Real GDP Growth (%) (2000 = 100)	-4.4	0.2	-2.6	1.2	1.6
Energy Sector	-1.8	3.2	-3.9	-1.0	0.5
Non-energy Sector	-4.9	-2.6	-0.5	1.9	2.5
Agriculture	-32.4	76.8	-0.1	-4.9	5.1
Manufacturing	1.9	1.2	-1.1	-0.4	6.1
Consturction	-7.1	-28.4	-8.8	-2.0	3.0
Financial Services	-4.5	8.1	-0.6	6.1	5.3
Inflation Rate (%)[1]					
(period average)	7.2	10.5	5.2	9.3	5.5
(end of period)	1.3	13.4	5.3	7.2	3.0
Unemployment Rate (%)[2]	5.3	5.9	4.9	5.0	n.a.
(IN PER CENT OF GDP)					
Overall Central Government Operations					
Surplus(+)/Deficit(-)	-5.3	-3.5	-2.8	-1.2	-2.6
Balance of Payments Current Account Balance					
Surplus(+)/Deficit(-)	8.5	20.2	12.3	3.9	14.5
Public Sector Debt, (end of fiscal year)[3]	30.6	35.7	33.4	42.0	41.2
Central Government External Debt, (end of fiscal year)	7.2	6.9	6.5	6.9	5.7
Memorandum Items:					
Central Government External Debt in US$M (end of fiscal year)	1,422.0	1,561.4	1,638.5	1,860.6	1,592.1
Debt Service Ratio (%)[4]	3.7	1.1	0.9	0.9	1.0
W.T.I. (US$/barrel, annual average)	61.8	79.4	95.1	94.1	98.1
Net Official Reserves (US$Mn)	8,651.6	9,070.0	9,822.7	9,200.7	9,427.5

SOURCES: Central Bank of Trinidad and Tobago, Central Statistical Office and Ministry of Finance.
1/ Changes in the Index of Retail Prices (RPI), January 2003 = 100
2/ This represents the average of the four quarters.
3/ Includes the external and internal debt of the Central Government as well as contingent liabilities and excludes Treasury Bills, OMO Bills and Notes, Treasury Bonds and Liquidity Bonds.
4/ This is defined as the ratio of external public sector debt service to exports of goods and non-factor services.

REVIEW OF ACTIVITIES 2012-2013

Financial System Stability and Surveillance

Overall, the financial system in Trinidad and Tobago remained resilient in 2012/2013 despite the low demand for commercial and corporate credit, high levels of liquidity and the low interest rate environment.

The commercial banking sector improved the credit quality of its loan portfolio through measures to restructure and write off non-performing loans as well as to strengthen loan loss provisions. In addition, due to focused work out strategies, the banking sector recovered payments on several delinquent facilities. By September 2013, the ratio of non-performing loans to gross loans was 4.6 per cent, reflecting a continuous downward trend from a peak of 7.5 per cent in September 2011. Growth in the loan portfolio was largely spurred by demand in the public sector and successful marketing strategies used by banks to sell retail mortgages.

Commercial banks' profitability continued to be impacted by the low interest rate environment and weaker than anticipated economic activity, as interest income from core business remained flat. For the first nine months of 2013, banks' profitability ratios declined from levels in the previous two years. However, banks remained resilient and adequately capitalized as their regulatory capital ratios remained significantly higher than the industry's minimum statutory requirement of 8 per cent.

Non-banks' credit quality remained stable over 2012/2013 at 5.5 per cent as their non-performing loans were also subjected to aggressive monitoring and recovery efforts. Unlike earlier periods, non-banks' loan portfolios grew but similar to the commercial banking sector the expansion was driven by public sector demand and retail mortgages. The profitability of non-banks was impacted also by the low interest rate environment as well as the slowdown in capital market activities.

Meanwhile, the life insurance sector posted a modest growth in premiums, primarily due to the sales of accumulation annuities and universal life products. The level of new business for the non-life sector remained unchanged. The level of technical reserves increased significantly in both sectors to compensate for falling investment income among life insurance companies and in response to the Central Bank's initiative to ensure that companies are holding adequate claims reserves.

The life insurance sector posted modest growth in premium of 9.2 per cent in 2012/2013. The Central Bank continued its efforts to lower the level of related party exposures and the industry responded favourably by taking the expected corrective actions. As a continuing trend from 2012, the credit quality of the companies' investment portfolios strengthened with the majority of assets invested in Government Bonds and high grade corporate instruments. Although this is encouraging from a credit quality perspective, the increased holdings in Government securities raises certain portfolio diversification concerns.

The continued low interest rate environment saw consequential increases in actuarial reserves for the life insurance companies which resulted in reduced profit margins for some companies. Capital adequacy ratios based on the most recent submissions showed a reduction year-on-year. Although the sector as a whole is adequately capitalized, the margins of excess have reduced considerably.

There was an unusual amount of acquisition activity in the financial services industry over 2012/2013 as regional companies acquired two locally owned non-life insurance companies, one regional company increased its share ownership of a bank operating in Trinidad and Tobago, and a Canadian parent company transferred its ownership of a bank to a regionally based holding company.

The low interest rate environment has impacted the financial condition of occupational pension plans and has contributed significantly to the decline in the funding levels of several plans. Approximately 41 per cent of actuarial reports reviewed for the period ending 2010 showed funding levels below 100 per cent.

TABLE II

SELECTED FINANCIAL SOUNDNESS INDICATORS
Commercial Banks, Non-Bank Financial Institutions and Insurance Companies

	2009	2010	2011	2012	Sep-13
COMMERCIAL BANKS					
Capital adequacy					
Regulatory capital to risk-weighted assets	20.5	24.2	25.1	24.6	24.1
Regulatory Tier I capital to risk-weighted assets	18.5	21.7	22.7	22.4	22.2
Asset quality					
Nonperforming loans-to-gross loans	5.0	6.2	6.3	5.4	4.6
Nonperforming loans (net of provisions)-to-capital	9.2	13.3	14.5	9.6	8.3
Earnings and Profitability					
Return on assets	2.7	2.3	2.4	2.6	2.3
Return on equity	20.2	17.2	17.2	18.1	16.3
Liquidity					
Liquid assets-to-total assets	25.1	24.3	27.7	25.2	27.8
NON-BANK FINANCIAL INSTITUTIONS					
Capital adequacy					
Regulatory capital to risk-weighted assets	27.4	33.5	37.1	39.2	40.2
Regulatory Tier I capital to risk-weighted assets	27.3	32.7	35.6	37.9	38.0
Asset quality					
Nonperforming loans-to-gross loans	1.6	2.8	4.0	6.6	5.6
Nonperforming loans (net of provisions)-to-capital	1.3	2.0	1.8	3.6	3.4
Earnings and Profitability					
Return on assets	2.1	2.4	6.8	7.7	7.8
Return on equity	8.1	7.8	18.7	19.2	18.7
Liquidity					
Liquid assets-to-total assets	16.1	9.7	15.6	17.3	18.5
LIFE INSURANCE COMPANIES[1]					
Capital Adequacy					
Capital to total assets	25.4	23.8	22.1	21.9	20.8
Asset Quality					
(Real estate +unquoted equities + debtors) / total assets	15.7	15.1	13.5	9.4	11.1
Earnings and Profitability					
Expense ratio = expense (incl commissions) /net premium	40.6	37.8	38.6	37.8	36.4
Investment yield = Investment income to investment assets	7.2	6.6	5.8	5.2	5.1
Liquidity					
Liquid assets to current liabilities	38.9	28.6	33.4	33.5	30.2
NON-LIFE INSURANCE COMPANIES					
Asset Quality					
(Real estate +unquoted equities + accounts receivables) / total assets	17.2	16.9	16.2	14.0	13.5
Actuarial Issues					
Net technical reserves/average of net claims paid in the last three years	124.4	132.8	157.7	164.1	168.9
Earnings and Profitability					
Return on Equity (ROE) = Pre-tax profits to shareholders funds	16.7	12.3	15.5	17.7	18.6
Return on assets (ROA)	7.1	4.8	6.4	7.7	8.3
Liquidity					
Liquid assets to current liabilities	59.3	48.4	42.9	56.5	60.7

SOURCE: Central Bank of Trinidad and Tobago.
1/ Data reported excludes Colonial Life Insurance Company (Trinidad) Limited and British American Insurance Company (Trinidad) Limited.

REVIEW OF ACTIVITIES 2012-2013

Supervision of the Financial Services Sector

The Central Bank continued on its drive to implement the Consolidated Supervision Framework for the banking sector with a focus on credit risk, which remains a key concern given the significant economic challenges in the Caribbean. The implementation of consolidated supervision for insurance companies depends on the acceptance and passage of the draft Insurance Bill into law.

Over the last three (3) years, the Central Bank, with the assistance from the International Monetary Fund (IMF), has been focusing heavily on the adequacy of reserves for the motor insurance sector. There is greater confidence in the level of reserves established for property insurance as most companies cede a large portion of this risk to international reinsurers (in excess of 85 per cent). As noted in previous reports, the Central Bank has been implementing an internationally recognized methodology for testing the adequacy of general insurance reserves. To support the successful implementation of this methodology, the Central Bank introduced new reporting guidelines to help companies capture the necessary information in an internationally recognized and consistent format. This is an essential first step that, along with increased regulatory action over the year, has led to a significant increase in the level of general insurance reserves being held by companies.

The Financial Obligations Regulations (2010) names the Central Bank as the Supervisory Authority for financial institutions, insurance companies, and bureau de change. The Central Bank discharges its Anti-Money Laundering and Counter-Terrorism Financing (AML/CFT) mandate by its participation on the National Anti Money Laundering Committee, participation at the Caribbean Financial Action Task Force (CFATF) Plenary meetings, through the conduct of onsite examinations and meeting with other Supervisory Authorities and industry stakeholders.

The Central Bank is currently focusing on developing a licensing and supervisory regime for money remitters and strengthening the supervision of bureau de change. It is also working with financial institutions and insurance companies to improve compliance with AML/CFT laws and guidelines.

Trinidad and Tobago will be the first Caribbean jurisdiction to be evaluated in early 2015 based on the Financial Action Task Force (FATF) Methodology for assessing compliance with the FATF Recommendations and the effectiveness of AML/CFT systems. The Central Bank continues to work assiduously with its fellow Supervisory Authorities (the Financial Intelligence Unit of Trinidad and Tobago and the Trinidad and Tobago Securities and Exchange Commission) and regulated entities to demonstrate effective implementation of a risk based, robust AML/CFT regime.

Enforcement Actions

Further progress was made in 2013 on resolution of the failed financial institutions, Colonial Life Insurance Company (Trinidad) Limited (CLICO) and British American Insurance Company (Trinidad) Limited (BAT). Subsequent to the issue of 20-year Government Bonds to holders of Short Term Investment Products, facilities were established to enable bond holders who wished to convert their bonds to cash. Bond holders can redeem their 1-10 year bonds for cash at financial institutions; and their 11-20 year bonds can be exchanged for units in a closed-end trust; the units are quoted on the Stock Exchange and can be sold for cash. Restructuring plans include continuation of the operations of the traditional insurance business portfolios of both institutions.

A proactive regulatory presence is an essential element in any well functioning insurance industry. In this light, the Central Bank, during 2012-2013, issued a number of Compliance Directions to insurance companies instructing them, inter alia, to increase the levels of reserves being held, to submit particular information to the Central Bank and to take specified corrective actions to rectify breaches with internal policy and the relevant legislation. In this regard, in 2013, a landmark decision was made by the High Court to enforce a particular Compliance Direction issued by the Central Bank.

The Financial Institutions Order, 2011 allows the Central Bank to levy administrative fines on licensed financial institutions for non-compliance with certain provisions in the Financial Institutions Act, 2008. For the financial year ended 30th September 2013, the Central Bank levied $375,000 in administrative fines on one financial institution for breaches of the deposit liabilities limit.

Strengthening the Legislative and Regulatory Framework

The Central Bank continued to take action to strengthen the legislative, supervisory and regulatory frameworks of the financial system in line with its principles of transparency and accountability, enhancing sound regulation and promoting integrity in financial markets.

Key legislative and regulatory milestones included:

(i) Submission of the draft Insurance Bill and supporting Regulations to the Minister of Finance and the Economy in mid-2013. The Draft Insurance Bill remains under consideration by Parliament.

(ii) Revision of the draft Policy Proposal Document (PPD) for an Occupational Pensions Act (OPA) pursuant to the completion of consultation with the sector on the policy proposals, and submission of the revised PPD for Ministerial approval.

(iii) Submission of the Draft Credit Union Bill for approval to the Legislative Review Committee of Cabinet.

(iv) Began initiatives to implement Basel II with the preparation of a draft Policy Proposal Document for the repeal and replacement of the Prudential Criteria Regulations 1994.

(v) Began initiatives to regulate systemically important financial institutions.

Insurance Bill

Following discussions with stakeholders, the draft Insurance Bill was modified in 2012 to remove the statutory fund for locally incorporated insurance companies in light of the introduction of a risk-based capital regime and increase in minimum statutory capital requirements. Pursuant to such modifications in June 2013 the draft Insurance Bill was submitted to the Minister of Finance and the Economy.

Policy Proposal Document for an Occupational Pensions Act (OPA PPD)

After widespread consultations culminating in 2012, between the Central Bank and various industry stakeholders, a Policy Proposal Document for an Occupational Pensions Act was submitted to the Minister of Finance and the Economy in early 2013 for consideration and review and is currently awaiting Cabinet approval.

The new policy frameworth aims to fulfill the reform mandate issued by the Government of Trinidad and Tobago given the size and significance of pension plans to the economy and the identified need for modernization and consolidation of the current legislative and regulatory framework for pension fund plans.

Credit Union Bill

Extensive consultations on the Credit Union Bill with sector representatives commenced in November 2012 and continued until mid-2013. The consultations provided an opportunity for the credit union movement to enter into dialogue with the Central Bank on proposed regulatory changes to help modernise Trinidad and Tobago's credit union sector.

The Central Bank also undertook wide ranging consultation during the fiscal year 2012/2013 with the Commissioner for Co-Operative Development together with the office of the Chief Parliamentary Counsel in order to arrive at harmonised legislation which appropriately reflects Cabinet's mandate that the financial regulation of credit unions should become the province of the Central Bank with the registration, and membership issues of credit unions remaining to be overseen by the Commissioner for Co-Operative Development.

Basel II Implementation (Prudential Criteria Regulations)

The Central Bank continued to work on the revision of the Financial Institutions (Prudential Criteria) Regulations, 1994 (the Regulations). The repeal and replacement of these Regulations include proposed amendments aimed at:

- introducing capital charges for operational risk;
- amending the risk weights of exposures to sovereigns to align with Basel I or II standards;
- deducting connected party large exposures from a bank's capital;
- implementing Pillars 2 and 3 of Basel II, which treat with the supervisory review of banks' capital needs and disclosure of individual bank's information, respectively;

The Policy Proposal Document recommends the adoption of the Standardized Approach under Pillar 1 of the Basel II Accord to treat with several of the deficiencies in the current capital adequacy framework. Further, the proposed amendments to the Regulations would introduce some elements of Pillar 2, such as requiring the institution to implement a system to assess its optimal capital requirements based on all its risks and require routine stress testing of the bank's capital adequacy.

Regulation of Systemically Important Financial Institutions

The 2008 global economic crisis demonstrated that systemically important financial institutions (SIFIs) are capable of triggering financial crises. Accordingly, the regulation of SIFIs has been placed at the top of the global reform agenda.

The Central Bank is of the view that the regulation and supervision of SIFIs is imperative given that systemic risk, or

the collapse of the financial system following the failure of one institution, is a potential threat to the smooth functioning of markets and the economy. Moreover, the IMF in its 2011 Financial Sector Assessment Programme for Trinidad and Tobago, noted that there is need to "broaden the regulatory perimeter to include systemically important institutions not currently regulated by the Central Bank".

The Central Bank accordingly commenced a review of institutions considered SIFIs based on three internationally accepted criteria: size, lack of substitutability and interconnectedness.

Foreign Account Tax Compliance Act (FATCA)

FATCA was signed into US law on March 18, 2010 and came into effect on January 1st 2013. FATCA was designed and enacted to combat offshore tax evasion by U.S. persons (U.S. residents, U.S. citizens, U.S. partnerships and U.S. corporations) with accounts and/or investments with both foreign financial and non-financial entities. FATCA places a requirement on foreign financial institutions (FFIs) to identify and report information on certain U.S. persons invested in accounts outside of the U.S. and for certain non-U.S. entities to provide information about any U.S. owners to the U.S. Internal Revenue Service (IRS).

The main mechanism for the operationalizing of FATCA compliance by jurisdictions is the signing of an Inter-Governmental Agreement between the United States and the jurisdiction. In this regard the US Treasury published two different Model Inter-Governmental Agreements (Model 1 IGA and Model 2 IGA) for consideration by jurisdictions.

National Approach to FATCA

The Central Bank of Trinidad and Tobago was instrumental in the creation of a National FATCA Joint Working Group with stakeholder representation from the banking, insurance, credit union and other affected industry sectors to work with the Government of Trinidad and Tobago in determining a national FATCA approach. The National FATCA Joint Working Group commenced meetings in early January 2013 and on May 23 2013 the Government of the Republic of Trinidad and Tobago agreed that Trinidad and Tobago should adopt a Model 1 IGA. Work is ongoing to arrive at a final Inter-Governmental Agreement to be executed between Trinidad and Tobago and the U.S..

Regional Approach to the FATCA Regulations

Trinidad and Tobago is also a member of a Regional Task Force created by CARICOM's Council of Finance and Planning (COFAP). The Task Force is working towards a regional approach with regard to FATCA compliance in areas which allow for the advantages of a regional approach. With regard to specific country to country negotiations with the U.S. some islands have begun the process of negotiating IGAs with the IRS.

Cost Recovery

The Central Bank (Payment of Supervisory Fees and Charges) Regulations, 2011 allows the Central Bank to recover fees and costs associated with the supervision and regulation of financial institutions. The Central Bank issued invoices for and recovered 70 percent of its budgeted supervisory costs for 2012/13. The proportion of budgeted supervision cost covered by financial institutions is carded to rise to 80 percent for 2013/14 and to 100 percent for 2014/2015. One component of the cost recovery framework was the issue in July 2012 of service standards including time frames for the completion of key supervisory processes. These service standards are being constantly monitored by the Financial Institutions Supervision Department.

Payments System Oversight

For the year October 2012 to September 2013, the Central Bank completed assessments for three payment systems, namely, the Real Time Gross Settlement (RTGS), Automated Clearing House (ACH) and Cheque Clearings. All systems were assessed in accordance with the ten Core Principles for Systemically Important Payment Systems set out by the Basel Committee, and were found to have maintained their rating of 'broadly observed' as in prior years. However, work remains on-going to strengthen risk management strategies of the Payment Systems Operators.

To enhance its supervision of the domestic payments system, the Central Bank in December 2012 issued four Guidelines to address:

1. Licensing and Operation of Interbank Payment Systems;
2. Registration and Operation of Non-Interbank Payment Systems;
3. Operation of Payment Service Providers;
4. Oversight of Systemically Important Payment Systems.

Since the issuance of these guidelines, the Central Bank has received several applications for registration under

Guidelines 2 and 3. In addition, there was an increase in the number of requests and enquiries regarding issuance of e-money. A revised e-money policy document is expected to be completed within the fiscal 2013/2014.

The Central Bank continued to work with the Payments System Council in 2012/13 to advance the use of electronic payments nationally. One major undertaking was the review of the new Principles for Financial Market Infrastructure proposed by the Bank for International Settlements.

Electronic payments continued to increase over the period October 2012 to September 2013. Both the volume and value of electronic payments grew by 8 per cent and 5 per cent, respectively. Meanwhile, volumes of cheques cleared fell by 3 per cent although the total value rose by 5 per cent, reflecting an increase in the value of individual cheque payments.

As perhaps the largest issuer of payments locally, Government's payment practices is one of the key areas of focus for the Central Bank in the promotion of electronic payment methods. One of the main aspects of the Government's move towards electronic payment has been the revision of the legislative framework governing its payment practices, the most significant part of which is the Exchequer and Audit Act. Necessary amendments to this Act were finalised in 2011/2012 and a draft Bill was prepared, debated and passed in the Senate in November 2012. There were some challenges encountered in the latter part of the year, with regard to the further progression of this Bill. The Bank will, however, continue to work with Government on this matter to provide the support and assistance required.

Research

In 2012/2013 the Research Department made significant strides in supporting the Bank's monetary and financial stability mandate. In July 2013, the statistical function of the Research Department was transferred to a newly created Statistics Department. This necessitated the move of several key persons from Research to the Statistics Department. The Research Department also undertook an evaluation of its operations and subsequently overhauled its structure with the creation of several new units which would enable it to better deliver on its mandate. Out of the previously existing Real Sector Unit emerged a Non-Energy Unit and an Energy Unit. The Money and Finance Unit was split to form the Monetary Policy Unit and a Capital Markets Unit. In addition three other units were created namely, Financial Stability, International Relations, and Special Projects and Strategy. To staff these new units as well as fill the gaps created by promotions and transfer of persons out of the Department, a number of persons were recruited from within and outside the Bank.

The focus of the Research Department has been on providing support for policy making. In this regard the Department participated in various committees including those related to Monetary Policy, Financial Stability, Debt Management Advisory and Liquidity Management. Over the year, a number of policy notes were produced including: Options for Stabilizing and Growing the Foreign Currency Reserves, A Case for a Caribbean Regional Reserve Pooling Arrangement, A Case Towards Bilateral and Plurilateral Financial Arrangements, A Case of a Mega Regulator for the Financial System, A Case for A New White Paper on Financial Sector Reform, The Feasibility of Dividend Payments from the Heritage and Stabilization Fund, The Federal Reserve's Quantitative Easing Programme and the Possible Implications of Tapering on Trinidad and Tobago, and An Examination of the Implications of the Trinidad and Tobago Budget for Monetary Policy. During the year the Department also provided support to two new committees to (i) examine the feasibility of Issuing Diaspora Bonds, and (ii) promote Capital Market Development.

The Department continued to strengthen its research capability, publishing four working papers covering issues as diverse as understanding fiscal balance, examining wage determination, exploring reinvestment, and surveying firms to assess factors which affect price changes. As part of its function of economic intelligence reporting, the Department continued the publication of the Annual Economic Survey, Economic Bulletin, Monetary Policy Report, Financial Stability Report and Balance of Payments Report. A momentous occasion for the Department was the signing of a Memorandum of Understanding between the Central Bank and the University of Nottingham to facilitate both training and collaborative research projects. This occurred at the end of a week which saw Professor Paul Mizen, a world renowned professor of monetary economics, deliver lectures on monetary policy and financial stability to the Research Department.

In terms of Capital Market Development, the Research Department hosted a workshop in September 2013, meeting with key industry stakeholders to identify potential opportunities for development and the establishment of a prioritized portfolio of initiatives for capital market development, as well as an implementation plan and a road

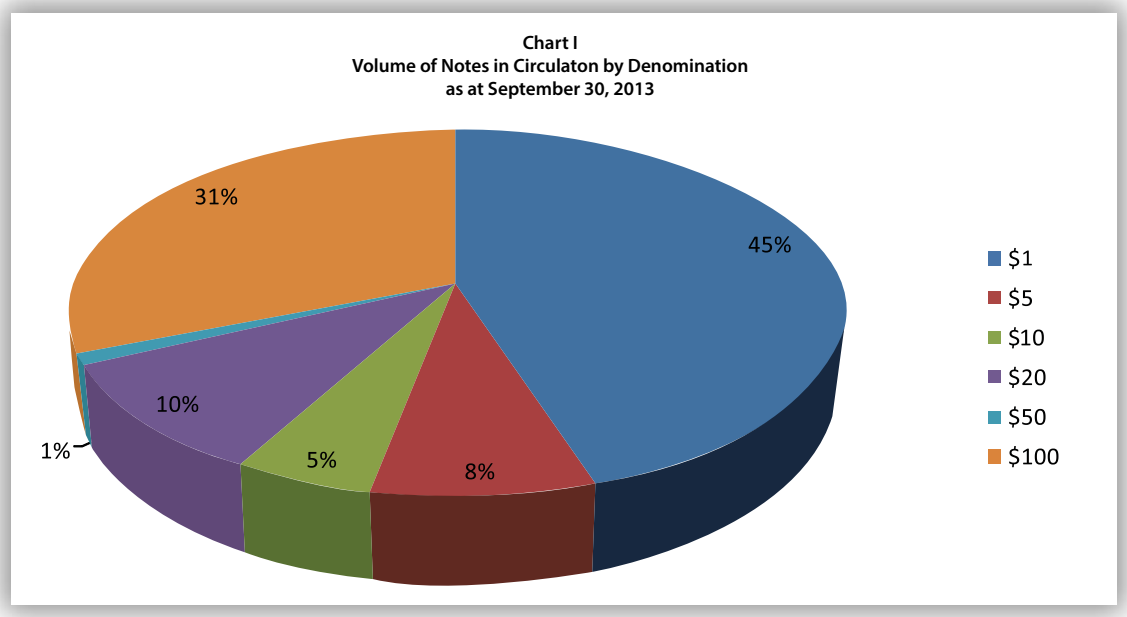
map for the next five years.

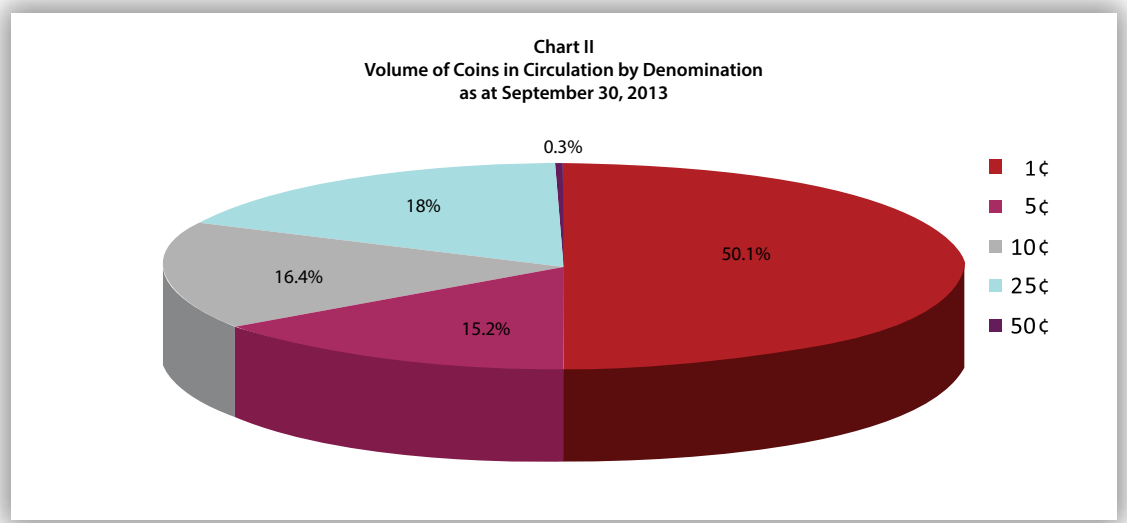
Banking Operations

Currency in Circulation

In 2012/2013, currency in circulation grew by 12.6 per cent to $6,562 million. The customary seasonal pattern shows a peak mainly during the months of November and December representing the high demand for cash usually associated with the holiday season. Currency in circulation as a percentage of GDP was 4.0 per cent in 2012/2013 compared to 3.6 per cent in the previous year.

The amount of new notes issued by the Bank grew to a total of 88 million, 9 per cent more than the total of 80 million issued in the previous year. The $1 denomination continued to represent the largest portion of all notes issued at 45 per cent of total while the 1 cent coin remains the most widely circulated coin representing approximately 50.1 per cent of the total volume of coins in circulation. The number of





$50 notes in circulation totaled 1.1 million notes. The total number of notes for reissue decreased by 17 per cent from that of the previous year mainly due to the quality of notes received for processing from the commercial banks as well as a lower volume of notes processed by the Currency Division. Charts I and II show the relative share of each denomination for notes and coins respectively in circulation, as at the end of September 2013.

Clearing and Settlement Systems

The Bank continues to perform the role of operator for the manual Cheque Clearinghouse Facility and the Real Time Gross Settlement (RTGS) system, safe-tt. The RTGS electronic system facilitates the clearance and settlement of large value and time sensitive transactions among the system's direct participants which are the commercial banks and the Central Bank.

Cheques

The volume of cheques cleared by the Central Bank during 2012/2013 decreased by 15 per cent with a corresponding increase in value of 23 per cent when compared to the previous year. The reduction in the volume of cheques cleared indicates a continuing increase in the usage of electronic forms of payments for both wholesale and retail type transactions. The value of cheques cleared by the Central Bank increased to $64.6 billion in the 2012/2013 period when compared to $52.5 billion in 2011/2012. The Bank maintained a charge in place for the issuance of high value cheques i.e. cheques over $500,000.

Financial Institutions Deposits

The statutory cash reserves for commercial banks and non-bank financial institutions remained unchanged at 17 per cent and 9 per cent of their prescribed liabilities, respectively. The required reserve balances held by commercial banks increased by 10 per cent as a result of their higher prescribed liabilities, while requirements for non-banks declined by 33 per cent.

In addition to the statutory cash reserve, the commercial banks continued to hold a secondary reserve of 2 per cent of their prescribed liabilities. A fixed rate of 0.25 per cent is paid on these holdings. As part of the Central Bank's monetary policy to absorb excess liquidity, commercial banks continued to hold special deposits at the Central Bank. As at September 30, 2013, there were four one-year deposits as follows:-

- A deposit of $1.5 billion which matures on 27 December 2013;
- A deposit of $2.0 billion which matures on 1 November 2013;
- A special fixed deposit of $1.49 million which matures on 14 March 2014; and
- A special fixed deposit of $1 billion which matures on 2 May 2014.

Interest paid to commercial banks on these fixed deposits during the fiscal year stood at approximately $27.8 million.

Caricom Multi Lateral Clearing Facility (CMCF)

The Central Bank continued to be the agent for the Caricom Multilateral Clearing Facility (CMCF). No payments were made during the year and the outstanding loan balance owed by Guyana to the CMCF remained at US$35.9 million as at September 30, 2013. Negotiations are underway to settle these outstanding balances and to wind down the CMCF.

Public Sector Bonds

The Bank continued to encash bonds issued under the Public Sector (Arrears of Emoluments) Act 1995 and the Public Sector (Arrears of Emoluments) Amendment Act 1998. The final maturity date of these bond issues was January 31, 2001. During the financial year 2012/2013, payments of $0.034M were made compared with $0.116M in the previous year.

Registered Bonds

The Bank currently serves as paying agent for a number of registered bonds issued under the Development Loans Act, Chap 71:04. Total Interest paid to these bondholders amounted to $7.7 million during the fiscal year compared to $31.4 million during the corresponding period. Additionally, the principal payment of $75.0 million was made on Registered Bond 10.25 per cent which matured in June 23, 2013.

Centralized Securities System (CSS) GOTT Bonds

The Bank continued as the Registrar and Paying Agent of all issues of Government and State Enterprise (Agency) bonds maintained under the Government Securities Auction System and Depository. During the fiscal year 2012/2013, principal repayments and interest payments to State Agency bondholders amounted to $52.0 million and $338.4 million, respectively. Total interest paid to Central Government (inclusive of NIPDEC) bondholders amounted to $1.4 billion compared to the corresponding period of $1.007 billion. This

Chart III
US:TT Exchange Rate

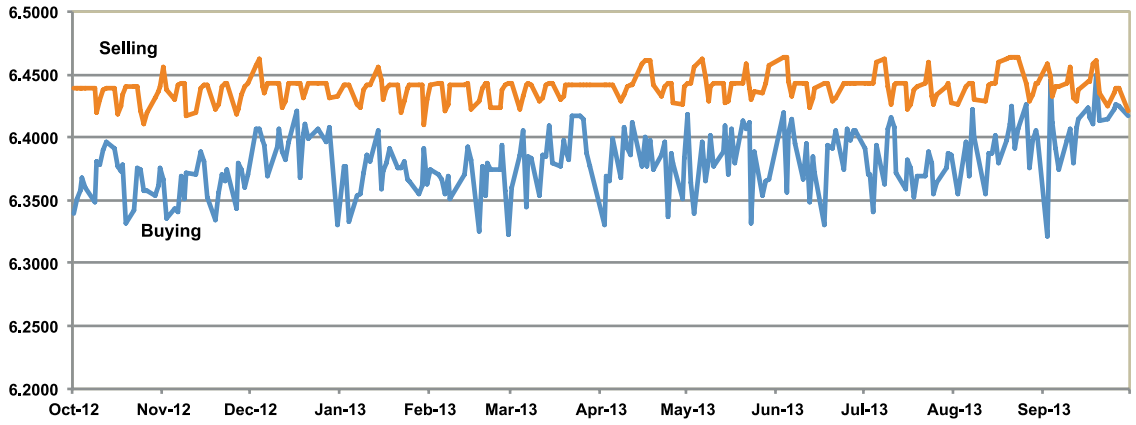
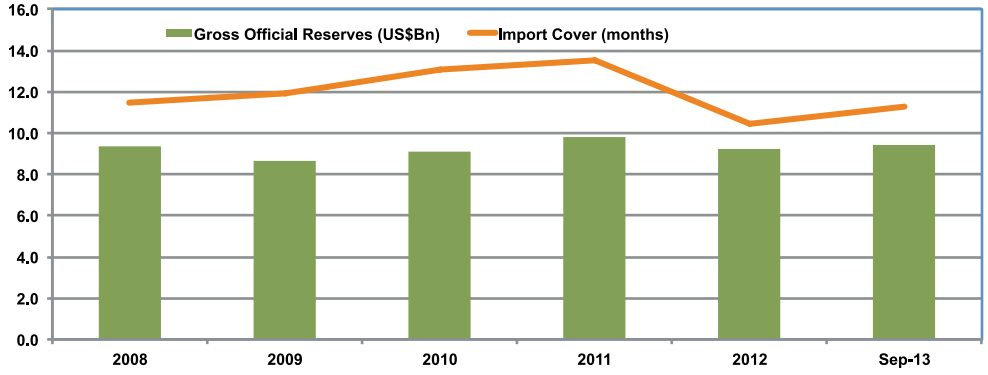


Chart IV
Trinidad and Tobago Gross Official Reserves



represented an increase of 39.0 per cent compared to the previous year.

On November 30th, 2012 payments in respect of the first tranche of the CLICO zero coupon bonds were made to bondholders in the amounts of $460.7 million.

There were two treasury bonds issued during the fiscal year:

- GOTT $1 billion 2.60% May 21, 2020 bond issued May 21, 2013.
- GOTT $1billion 2.50% August 06, 2023 bond issued August 06, 2013.

Domestic Market Operations

Foreign Exchange Market

Conditions in the foreign exchange market improved during 2012/2013. Inflows of foreign currencies from public sources increased, due mainly to larger conversions by energy-sector companies. Given the higher supplies from the market, the Central Bank was required to intervene less than in the previous year to even out flows into the market. The Bank continued to intervene through two mechanisms, i.e. by direct sale of foreign exchange to the dealers and by multiple-price auction. Of the US$1,230.0 million the Bank sold between October 2012 and September 2013, 25.6 per cent or US$315.0 million was via auction. Total intervention by the Bank in 2012 was US$1,675.0 million, with 22.4 per cent allotted by the auction system that was introduced in May 2012.

Over the year ended September 30, 2013, the total purchases of foreign currencies by the authorised dealers from the public were US$5,314.4 million, while total sales amounted to US$6,624.9 million. Purchases were 6.8 per cent above the US$4,977.2 million in the previous year, while total declined marginally from the US$6,690.1 million recorded in the previous year.

The exchange rate remained stable, depreciating only marginally in relation to the US dollar. The weighted average selling rate for September 2013 averaged TT$6.4409: US$1.00, up 0.06 per cent from an average of TT$6.4370: US$1.00 in September 2012.

Foreign Reserve Management

Global markets continued to exhibit significant volatility throughout the 2012/2013 fiscal year owing to heightened investor uncertainty surrounding the timing of the US Federal Reserve's tapering of its asset purchase program combined with the prolonged impasse in the United States Congress. Accordingly, yields on fixed income securities remained moribund for most of the financial year, with short term treasury bills anchored at the lower end of the yield curve at 0.02 per cent for both the four and twelve week securities. In a similar manner, yields on the benchmark ten year US government security averaged 2.1 per cent during the twelve months ending September 30, 2013.

Thus against this background, the core underlying philosophy of the Bank's investment strategy remained anchored to:

- Safety: Preserving the capital value of the Reserve Portfolio;
- Liquidity: Ensuring that there was sufficient liquidity to cover all obligations;
- Return: Achieving an acceptable investment return; and
- Risk: Minimizing the risk of a negative return in any given year.

Accordingly, the reserve portfolio returned an overall 0.17 per cent for the financial year 2012/2013 compared with a return of 0.52 per cent in the previous year. Given the increased volatility in the financial market several tactical repositioning strategies were utilized which aided the overall performance of the portfolio.

During the financial year 2012/2013, energy revenue continued to be the major source of inflow into the reserves, amounting to US$2.0 billion. This amount was sufficient to meet the major outflows including the sale of foreign currency to the domestic market amounting to US$1.4 billion, transfers to the Heritage and Stabilization Fund (HSF) totaling US$42.0 million and other government payments amounting to US$655.8 million. At the end of September 2013, the foreign currency reserves stood at US$9.4 billion compared with US$9.3 billion at the end of Septembe 2013.

Risk Management

Activities in Risk Management, Governance and Compliance in financial year 2012-2013 were focused on guiding the Bank in the application of risk assessment, monitoring and mitigation methods. The introduction of control self-assessments, routine checks of statutory compliance together with the dissemination of reports on specific areas of corporate risk were key aspects of this thrust. Another significant development was the inclusion of an Information Technology Governance function with the primary role of improving control processes. Reviews and assessments were

conducted in the areas of user entitlements, log management and vulnerability detection. The control environment was also improved with the acquisition and rollout of a Due Diligence/ Know Your Customer service.

The Bank maintained its emphasis on its business continuity infrastructure, response procedures and testing programme. In addition, work continued to improve the preparation, coordination and recovery capability of the financial sector with the completion of a simulation exercise involving the payments system.

Internal Audit

The Internal Audit Department provided independent oversight services utilizing risk-based techniques to evaluate the risks, processes and controls of the various departments of the Bank. These activities were conducted at various points in time in a collaborative manner. The Internal Audit programme was completed as planned and all material issues identified were escalated to the appropriate levels of management. These recommended process improvements were accepted and implemented, having regard to costs, benefits and risks.

BUILDING HIGH PERFORMANCE TEAMS

Against the backdrop of the global financial crisis, the Central Bank recognized the need to carefully monitor linkages within and between the financial and real sectors in order to properly manage systemic risks. A key development within the Research Department was the creation of a Financial Stability Unit (FSU) to undertake necessary macro-prudential monitoring, inclusive of stress testing of the financial system. Further, the Financial Stability Committee (FSC) was reconfigured to better support. All policy matters involving financial system stability and setting the direction for financial stability reports and research work.

Within the 2012/2013 financial year, the Central Bank adopted a more pragmatic approach to building supervisory capacity and creating seasoned supervisors. The Central Bank recruited top talent from the private financial sector and placed them in pivotal supervisory positions within the Financial Institutions Supervision Department (FISD). These included a highly sought after Chief Actuary, a Credit Risk Specialist and a Pension Specialist. Further, work started to fill a second position of Deputy Inspector of Financial Institutions.

The Central Bank undertook several adjustments to its structure in fiscal year 2012/2013 aimed at streamlining operations and strengthening the Bank's regulatory and policymaking arms. Amongst the wide-sweeping changes were the formation of the Information Resources Cluster and the creation of the Statistics Department within that cluster on July 1, 2013. The Statistics Department assumed the data collection, processing and dissemination functions previously carried out by the Research Department, as well as a portion of the data functions previously residing with the Financial Institutions Supervision Department (FISD).

The Statistics Department is mandated to enhance all processes related to data collection, improve the data storage structures and software platforms, increase the accuracy, timeliness, consistency and presentation of data, and widen the set of statistical and econometric tools used in data analysis. Since its inception in July 2013, the Department has set in motion a series of systems and protocols to govern the storage and security of existing electronic data, in order to ensure smooth operation, with no gap in data-support service to its clients - the Governor, the various departments, the Ministry of Finance and the Economy, other Government ministries, the private sector, students, the media and the general public.

In 2013, in addition to its scheduled data processing and reporting responsibilities, the Statistics Department embarked on several developmental projects, including the production of a Business Confidence survey and Index in conjunction with the Arthur Lok Jack Graduate School of Business, the design of Consumer Confidence and Labour Confidence surveys for future production and launch, the rebasing of the quarterly real GDP index, a comprehensive update of the Handbook of Key Economic Statistics in anticipation of the Bank's 50th Anniversary Celebration in 2014 and the preparation of a detailed protocol for the Department's outreach communication with its clients. Undergirding the Department's schedule is a comprehensive training programme designed to take staff to the next level of statistical skill needed to bring world-standard rigor to the business of managing the Bank's prodigious data resources.

On February 1, 2013, the Project Management Unit was established with the mandate of working with departments in the planning, execution and monitoring of key projects to ensure successful completion within agreed timelines and budgets. The work of this Department is critical as the Bank strives to improve its performance in the area of project management and implementation.

Other strategic developments included a remodeling and restructuring of the functions of several departments resulting in an interdepartmental transfer of staff and functions to allow for greater symmetry. Some of the departments involved in staff movements included the Procurement and Support Services, Research, Payments System, National Financial Literacy Programme and Financial Institutions Supervision.

CENTRAL BANK: AN ANCHOR FOR REGIONAL AND INTERNATIONAL PARTNERSHIPS

The Research Department continued with its visiting scholar programme which saw Professor Paul Mizen from the University of Nottingham deliver lectures on monetary policy and financial stability. This interaction was solidified with the signing of a Memorandum of Understanding between the Central Bank and the University of Nottingham to facilitate both training and collaborative research projects.

In 2013, the Bank extended its internship programme to include Trinidad and Tobago students currently enrolled in the University of Waterloo's Co-operative Education Programme. This model combines academic studies with employment, as the three year degree programme is extended by an additional two years during which time the student alternates study with practical work experience. Most of the students engaged by the Bank were pursuing studies in the field of actuarial studies and assigned to the Financial Institutions Supervision Department.

Visiting Professor Paul Mizen,
his lecture to Central Bank of Trinidad and Tobago staff on the
Global Financial Crisis and the implications for
Monetary and Financial Policy.

Mrs. Nicole Crooks, Senior Manager, Human Resources and Corporate Communications (left) receiving the ceremonial gong from the Malaysian Prime Minister at the Alliance for Financial Global Policy Forum 2013.

Members of the Caucus of Caricom Central Bank of Governors,
November 2012

REVIEW OF ACTIVITIES 2012-2013

CENTRAL BANK - AN ANCHOR OF FINANCIAL INCLUSION

The Central Bank views financial inclusion as a complement to its financial stability goals and during 2013 initiated a follow up national survey (first national financial literacy survey was done in January 2007) to determine whether there have been any improvements in the level of financial literacy and inclusion over the last five years.

In March 2013, the Central Bank became the 100th member of the Alliance for Financial Inclusion (AFI). AFI was founded in 2008 as a Bill & Melinda Gates Foundation funded project to advance financial policies and practices in developing and emerging countries. AFI provides an excellent opportunity for Trinidad and Tobago to develop relationships with other countries and to leverage their knowledge and expertise in catalyzing local financial inclusion policy changes, thereby pushing the global financial inclusion agenda. At AFI's Global Policy Forum in Kuala Lumpur, Malaysia in September 2013, the Central Bank made a Maya Declaration Commitment which provides a benchmark by which citizens can assess the performance of policymakers in respect of their financial inclusion goals. At that meeting, the Central Bank was also selected to host the AFI Global Policy Forum in September 2014.

At the Caucus Meeting of Central Bank Governors held in Suriname in November 2012, the Governor of the Central Bank of Trinidad and Tobago was asked to undertake preliminary work on establishing a Caribbean Regional Reserve Pooling Arrangement and to report at the May 2013 Caucus meeting. The purpose of the arrangement is to provide financial assistance to participating CARICOM countries that are experiencing, or may experience, liquidity shortages or balance of payments difficulties, drawing on resources pooled or committed by the CARICOM group of countries. Work is underway in this area.

SERVING OUR STAFF, THE PUBLIC AND ENGAGING OUR STAKEHOLDERS

During the 2012/2013 financial year, the Bank continued on its path of targeted recruitment to fulfill its strategic mandate. At the end of September 2013, the Bank's manpower numbered 558 persons. This represented a 13 per cent increase in the manpower figure over the last year. The Bank's manpower comprised of 255 senior staff (supervisory, managerial and executive staff) and 303 junior staff which included operational, manipulative and security personnel.

The Bank places great emphasis on optimizing staff potential through exposure to relevant training programmes, conferences and workshops. The Training & Development budget for fiscal year 2012/2013 represented 7.5 per cent of the Bank's overall budget and 73 per cent of employees benefited from a range of in-house, local and overseas training. The HR Department, in consultation with line managers, coordinated in-house programmes throughout the financial year and the largest percentage (58 per cent) of participants attended these programmes.

Another key initiative undertaken by the Human Resources (HR) Department was the implementation of the Para-Professional Development Programme designed specifically for members of staff with long service who have consistently maintained high performance levels but have not yet acquired the formal qualifications required to advance careers at the Bank. In order to support the development and long term career management of this group, the Bank partnered with the Institute of Bankers (IBAF) in February 2013 to offer a tailored programme that will lead to their completion of the Diploma in Banking.

Performance Management

One of the major strategic projects during the 2012/2013 financial year was implementation of the Bank's revised Personal Performance Management System (PPMS). The revised system was led by an external consultant and designed in conjunction with a core advisory team (comprising volunteer staff, management and union representatives) and project teams from the Human Resources and Information Technology Services (ITS) Departments.

The new PPMS will ensure that performance plans are developed on a quarterly basis and provide staff with regular feedback on their performance. Another significant benefit is that throughout the review period, all employees will be able to track their performance levels against the criteria for meeting, exceeding or far exceeding expectations.

The PPMS implementation activities included roll-out sessions with managers, supervisors and all staff as well as goal setting workshops, given the importance of setting SMART objectives and targets which will allow for more objective assessment of an employee's results at the end of each quarter. A logo competition was opened to all staff to select a winning design that best embodies the PPMS.

The supporting documentation, i.e. PPMS Manual, Online User Guide and video tutorials to guide staff through use of the online PPMS system were finalized and disseminated in time for the official launch at the start of FY 2013/2014.

Winning logo for PPMS

A session of PPMS in progress
on the 16th Floor Conference Facilities

Knowledge Information Management

The Knowledge and Information Management Department provided relevant information services to the Bank's staff in keeping with information policies and strategic priorities. A User survey facilitated the development of additional services. including Content Alerting Services and Departmental information packages.

A major focus of the Records & Archives Unit (RAU) was the implementation of projects and systems for the management of the Bank's records in electronic format. To this end, the Unit successfully managed two digitization exercises in which one hundred and seventy-seven thousand (177,000) pages of records appraised to be of critical value to the Bank for legal, fiscal and business continuity purposes were converted to electronic format and uploaded to the electronic records management system (ERMS).

Industrial Relations

Supported by the Governor, the Board and Senior Management, the Bank's negotiating team and the workers' trade union, Banking Insurance and General Workers' Union (BIGWU) completed negotiations for a new collective agreement for the period 2012-2014. This agreement pertains to general staff and included:

- A 14 per cent general salary increase;
- A re-vamped Central Bank mortgage facility at a competitive interest rate of 3 per cent.

In the upcoming year, the Bank will begin the bargaining process for the 2012-2014 period with the Estate Police Association (EPA), union representative for the Bank's security staff.

REVIEW OF ACTIVITIES 2012-2013

Outreach Programmes

Dr. Eric Williams Memorial Lecture

On Saturday September 28th 2013, the Bank hosted the 27th Annual Eric Williams Memorial Lecture at the Bank's Auditorium. The feature speaker was Ms Rachel Manley, who spoke on the topic- 'The Road to Independence: A Manley Perspective.' The lecture was delivered in a conversational easy going style that was very appreciated by the guests at the event. As usual, the lecture culminated in a cocktail reception that allowed the guests the opportunity to interact with the night's speaker.

Mrs. Rachel Manley delivering her address at the 27th Dr. Eric Williams Memorial Lecture

(left to right)
Mrs. Nicole Crooks, Governor Jwala Rambarran and Mrs. Rachel Manley on the headtable of the 27th Dr. Eric Williams Memorial Lecture

Exhibitions

The Bank held 3 major exhibitions for the financial year 2012/2013 to mark two national celebrations and its flagship event.

For Indian Arrival Day, the Bank exhibited the work of 17 artistes which included 3 students from Lakshmi Girls' Hindu College. The exhibition was entitled "The East Indian Legacy" and it highlighted East Indian themed art from our local artistes.

Student of Holy Name Preparatory at Indian Arrival Day Celebration admiring the work of Kajol Madho past student of Lakshmi Girls' Hindu College

The second exhibition was held for Emancipation. "Celebrating Our Freedom: Embracing Our Culture" showcased the 3 stages of the African experience. It highlighted experiences in Africa to Enslavement to Emancipation and present day.

Governor Rambarran discussing a piece of art by artist Shawn Peters at Emancipation Day Celebrations

The final exhibition was entitled "Glimpses" and was held to commemorate the Bank's flagship event- the 27th Dr. Eric William's Memorial Lecture. This exhibition gave patrons a glimpse of Art pieces from the Bank's collection.

Several schools and members of the public attended the Exhibitions and shared their appreciation for the efforts put forward by the Bank in supporting the Arts.

A member of the public admires a piece by Carlise Harris at the Emancipation Art Exhibition

Money Museum

After a year of closure, the Money Museum was reopened on July 15th, 2013 with the staging of an Art competition for children entitled "The Nature of our Notes". This was a very successful venture with several entries from children ranging in age from 5 – 18 years. On August 24th, a Museum outreach involving young adults from the Youth at Risk programme was completed. They were exposed to a short talk on the role of the Central Bank and were given tours of the Money Museum. Since it's re-opening there has been 1,204 visitors to the Money Museum.

Vistors young and old experiencing our Money Museum

Charities

The Bank continued its support of two major charities, United Way of Trinidad and Tobago and its own internal charity programme, We Care.

We Care hosted a Pot Pourri which encouraged staff to showcase their creative side. This event was very well attended and funds raised were used to assist the ventures of the charity. In July- August 013, WeCare continued its Back-to School drive with the collection of school supplies for children in need.

On Sunday 16th December, 2012 a visit was made to Jayalakshmi Children's Home as part of the We Care Christmas project. Governor Rambaran, his wife and children were among members of staff who were present to share in this activity, which included the distribution of toys and gift items to children of the Home, as well as grocery items and equipment for the Home.

United Way visited the St Dominic's Home on June 8th and 22nd 2013 with approximately 29 members of staff. The focus of this visit was to interact with children who were of the age to leave the institution and speak to them on issues of world of work; financial information and any other issues that the youths would have raised.

Governor Rambarran at the Jayalakshmi Children's Home

REVIEW OF ACTIVITIES 2012-2013

The National Financial Literacy Programme

The National Financial Literacy Program (NFLP) continued to deliver on its mandate to promote financial literacy. During the 2012/13 financial year, customized sessions on a wide range of financial topics were delivered to our citizens. Approximately 121 seminars were conducted, reaching over 4,000 adult participants. Of the 121 seminars conducted, 33 were with private companies, 23 with the protective services and the remaining 65 with community, special needs groups and government agencies. Due to the interest of the adult population in matters pertaining to home ownership, the NFLP launched and published its booklet 'Opening the Door to your Own Home –A Guide to Home Ownership' in April 2013.

There were also programmes targeted at students and young adults. A financial education programme was specifically designed and rolled out to 4,545 standard five students who had just written their Secondary Entrance Assessment (SEA) examinations. A Post–SEA programme was delivered at 160 primary schools and taught the students' basic age-appropriate financial concepts that are relevant to their transition into secondary school.

The young adult population was engaged principally through 'Train-the-Trainer' workshops for students at the University of the West Indies (UWI) and the University of Trinidad and Tobago (UTT). The workshops were conducted for a period of six weeks and covered all the financial topics delivered by the NFLP. The students were trained in presentation skills, so that they in turn will deliver financial literacy sessions to their peers and members of their community. A total of 65 students graduated from this programme.

NFLP ran two other financial education programmes, the Mind on My Money (MOMM) competition and the Power Scholars radio programme.

NFLP commissioned a nationwide survey of primary school students, secondary school students, adults and Micro and Small Enterprises, to assess the level of financial literacy and inclusion in society. The survey will also provide an update to the baseline survey which was done in 2007 and assess the current financial capability of the population, in order to better determine their financial education and inclusion needs. The results are expected early in the 2013/14 financial year.

Train the Trainer Session in progress on the 16th floor main conference room

Office of the Financial Services Ombudsman

The year 2012-2013 marked the 10th Anniversary for the Office of the Financial Services Ombudsman (OFSO), having opened its doors to the public on May 19, 2003. The theme for this milestone was – Promoting Responsible Consumer Behaviour and Protection. The Annual Breakfast Meeting was held on April 26th, 2013 with Mr. Jwala Rambarran, the Governor of the Central Bank of Trinidad and Tobago and Mr. Douglas Melville, Chief Executive Officer and Ombudsman of the Ombudsman for Banking Services and Investments, Canada being the two main speakers. The event attracted an audience of over three-hundred and fifty persons.

The resolution of complaints for a fair and reasonable settlement on banking and insurance matters remained the principal activity. Motor vehicle complaints continued to account for ninety-nine percent of all complaints received. The strategy of holding discussions with the financial service providers on a regular basis proved a viable option in bringing closure to a number of long outstanding complaints. This allowed the Office to maintain its standards and metrics for the complaint handling process.

The Outreach Function continued to gain momentum, as the underlying causes for most complaints were the lack of knowledge of financial products; the lack of understanding of consumers' responsibilities, rights and privileges; and the lack of appreciation for and awareness of various redress organizations. Fundamental also was the issue of 'functional literacy' wherein customers can sign their names but cannot read or write English, and do not understand the contents of the documents they sign regarding banking, investment and insurance matters.

(left to right)
Governor Rambarran, Ms. Suzanne Roach
and Guest Speaker Douglas Melville at
the 10th Anniversary of the OFSO

FINANCIAL STATEMENTS

2012-2013

FINANCIAL STATEMENTS

Report of the Auditor General

REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF TRINIDAD AND TOBAGO ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE CENTRAL BANK OF TRINIDAD AND TOBAGO FOR THE YEAR ENDED 30 SEPTEMBER 2013

The accompanying Consolidated Financial Statements of the Central Bank of Trinidad and Tobago for the year ended 30 September 2013 have been audited. The Statements comprise the Consolidated Statement of Financial Position as at 30 September 2013, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year ended 30 September 2013 and Notes to the Consolidated Financial Statements numbered 1 to 27.

BOARD'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

2. The Board of the Central Bank of Trinidad and Tobago is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

3. The Auditor General's responsibility is to express an opinion on these financial statements based on the audit. The audit was carried out in accordance with section 52 of the Central Bank Act, Chapter 79:02. The audit was conducted in accordance with auditing standards which 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. 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.

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Report of the Auditor General

OPINION

5. In my opinion, the Consolidated Financial Statements as outlined at paragraph one above, present fairly, in all material respects, the financial position of the Central Bank of Trinidad and Tobago as at 30 September 2013 and the related financial performance and cash flows for the year ended 30 September 2013 in accordance with International Financial Reporting Standards except as stated at Note 2a to the Consolidated Financial Statements.

23rd December, 2013

SHARMAN OFFLEY
AUDITOR GENERAL

Auditor General's Report
CBTT 2013

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Consolidated Statement of Financial Position

AS AT 30 SEPTEMBER 2013 *(Expressed in Trinidad & Tobago Dollars)*

	NOTES	Sep-13 $'000	Sep-12 $'000
ASSETS			
Foreign currency assets			
Foreign currency cash and cash equivalents	4	32,205,796	32,372,487
Foreign currency investment securities	5	27,663,771	26,842,735
Foreign receivables	8	4,464,797	6,007,948
Subscriptions to international financial institutions	9	3,418,382	3,414,035
International Monetary Fund - Holdings of Special Drawing Rights		2,675,735	2,674,246
		70,428,481	71,311,451
Local currency assets			
Local currency cash and cash equivalents	4	2,446,042	1,716,096
Local currency investment securities	5, 6	443,021	268,214
Retirement benefit asset	7	204,190	205,846
Accounts receivable and prepaid expenses	8	2,436,924	2,166,011
Other assets	10	246,116	271,191
Property, plant and equipment	11	209,468	219,608
		5,985,761	4,846,966
TOTAL ASSETS		76,414,242	76,158,417
LIABILITIES			
Foreign currency liabilities			
Demand liabilities - foreign	12	197,768	197,433
International Monetary Fund - Allocation of Special Drawing Rights		3,116,665	3,115,305
Accounts Payable	13	4,596,034	6,095,922
		7,910,467	9,408,660
Local currency liabilities			
Demand liabilities - local	12	34,143,449	33,802,701
Accounts payable	13	26,935,901	25,060,103
Provision for transfer of surplus to government		392,550	555,332
Provisions	14	5,347,949	5,818,855
		66,819,849	65,236,991
CAPITAL AND RESERVES			
Capital	21	800,000	800,000
General Reserve		746,572	702,955
Fair Value Reserve	22	126,000	
Retained Earnings		11,354	9,811
		1,683,926	1,512,766
TOTAL LIABILITIES, CAPITAL AND RESERVES		76,414,242	76,158,417

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 SEPTEMBER 2013 *(Expressed in Trinidad & Tobago Dollars)*

	NOTES	Sep-13 $'000	Sep-12 $'000
Income from foreign currency assets			
Interest and other income		323,639	471,753
Investment expense		(24,669)	(24,555)
		298,970	447,198
Loss from currency translations		(12,039)	(10,521)
Net gains realised on disposal and amortisation of investments		143,459	313,327
	15	430,390	750,004
Income from local currency assets			
Interest income	16	465,196	307,720
Rental income		1,980	1,239
Other income	16	68,474	47,824
		535,650	356,783
Decrease in provisions		-	4,809
Total income		966,040	1,111,596
Operating expenses			
Printing of notes and minting of coins		77,391	64,560
Salaries and related expenses		184,648	163,720
Interest paid		129,427	145,762
Directors' fees		1,487	1,807
Depreciation		32,357	30,926
Other operating expenses	17	96,373	91,148
Increase in provisions		6,647	-
Total operating expenses		528,330	497,923
Net surplus for the year		437,710	613,673
Other Comprehensive Income			
Revaluation of available for sale investment		126,000	-
Total comprehensive income for the year		563,710	613,673

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 SEPTEMBER 2013 *(Expressed in Trinidad & Tobago Dollars)*

	Issued and Fully Paid Up Capital $'000	General Reserves $'000	Fair Value Reserve	Retained Earnings $'000	Total $'000
Balance as at 1 October 2011	800,000	641,252	-	13,173	1,454,425
Net surplus for the year	-	-	-	613,673	613,673
Transfer of surplus to Consolidated Fund	-	-	-	(555,332)	(555,332)
Tranfer to General Reserve	-	61,703	-	(61,703)	
Balance as at 30 September 2012	800,000	702,955	-	9,811	1,512,766
Balance as at 1 October 2012	800,000	702,955	-	9,811	1,512,766
Net surplus for the year	-	-	-	437,710	437,710
Transfer of surplus to Consolidated Fund	-	-	-	(392,550)	(392,550)
Transfer to General Reserve	-	43,617	-	(43,617)	-
Revaluation of available for sale investments	-	-	126,000	-	126,000
Balance as at 30 September 2013	800,000	746,572	126,000	11,354	1,683,926

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 SEPTEMBER 2013 *(Expressed in Trinidad & Tobago Dollars)*

	NOTES	Sep-13 $'000	Sep-12 $'000
Cash flows from operating activities			
Net surplus for the year before taxation		437,710	613,673
Adjustments for:			
Depreciation		32,357	30,926
Net gain on disposal of fixed assets		(681)	(408)
Interest income		(788,835)	(779,473)
Interest expense		129,427	145,762
Dividend income		(6,072)	(2,892)
Provisions		6,647	(4,809)
Revaluation of Artwork		(772)	-
Cash (outflow)/flow before changes in operating assets and liabilities		**(190,219)**	**2,779**
Changes in operating assets and liabilities			
Decrease/(Increase) in accounts receivable & prepaid expenses		1,257,228	(405,903)
Decrease/(Increase) in other assets		13,623	(12,641)
Decrease in pension asset		1,656	4,749
Increase in accounts payable and other liabilities		692,120	1,990,249
Net cash flow from operations		**1,774,408**	**1,579,232**
Cash flows from investing activities			
Purchase of property, plant and equipment		(21,614)	(19,829)
Proceeds from sale of property, plant and equipment		851	470
(Purchase of investments)/Net proceeds from sale of investments		(1,319,830)	3,359,237
Net repayment of loans and advances		39,118	34,830
Interest received		795,463	879,508
Dividends received		6,072	2,892
Interest paid		(104,478)	(162,195)
Increase in International Monetary Fund Holding of Special Drawing Rights		(128)	(25,516)
Payment to Consolidated Fund		(555,332)	(478,836)
Net cash flow (used in)/from investing activities		**(1,159,878)**	**3,590,561**
Cash flows from financing activities			
Lease payment		11,451	11,226
Net cash flow from financing activities		**11,451**	**11,226**
Net increase in cash and cash equivalents		625,981	5,181,019
Foreign currency differences in monetary assets & liabilities		(62,726)	126,372
Cash and cash equivalents, beginning of period	4	34,088,583	28,781,191
Cash and cash equivalents, end of period	4	**34,651,838**	**34,088,583**

Notes to Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2013 *(Expressed in Trinidad & Tobago Dollars)*

1. Incorporation & principal activities

The Central Bank of Trinidad and Tobago (the Bank) was established as a corporate body in 1964 under the Central Bank Act (Chapter 79:02). The principal office is located at Eric Williams Plaza, Independence Square, Port of Spain, Trinidad and Tobago.

The Central Bank Act entrusts the Bank with a range of responsibilities, among which is the promotion of monetary, credit and exchange conditions most favourable to the development of the economy of Trinidad and Tobago.

The Bank has the exclusive right to issue and redeem currency notes and coins in Trinidad and Tobago, and is empowered, inter alia, to act as banker for, and render economic, financial and monetary advice to the Government of the Republic of Trinidad and Tobago (GORTT) and open accounts for and accept deposits from the Central Government, Local Government, statutory bodies, commercial banks and other financial institutions. It also has the authority to make advances, purchase and sell discounted bills of exchange and promissory notes on behalf of the above named institutions, and to purchase and sell foreign currencies and securities of other Governments and international financial institutions.

The Bank is also responsible for protecting the external value of the currency, managing the country's external reserves and taking steps to preserve financial stability.

2. Significant accounting policies

The principal accounting policies applied in the preparation of the Financial Statements are set out below. These policies have been applied to all of the years presented.

a. Basis of preparation

These Consolidated Financial Statements have been prepared on the historical cost basis except as modified by the revaluation of "artwork" and "available-for-sale" and "fair value through profit or loss" financial assets.

These Consolidated Financial Statements have been prepared in accordance with the Central Bank Act (Chapter 79:02). The Bank has chosen to adopt the recognition and measurement requirements of the International Financial Reporting Standards (IFRS) together with the presentation and disclosure framework in the preparation of these Consolidated Financial Statements insofar as the Bank considers it appropriate to do so having regard to its functions.

These Consolidated Financial Statements depart from the IFRS because of the nature of the Bank, including its role in the development of the financial infrastructure of the country as well as the regulations by which it is governed. The IFRS which have not been fully adopted are:

- IAS 21 – The Effect of Changes in Foreign Exchange Rates, requires that all unrealised gains and losses be accounted for through the Income Statement. The Central Bank Act requires that the profit for the year be transferred to the Consolidated Fund but does not distinguish between realised and unrealised profits. As such the Bank accounts for all unrealised gains and losses on Changes in Exchange Rates through a Provision for Foreign Currency Exchange Rate Reserves.

- IAS 37 – Provisions, Contingent Liabilities and Contingent Assets, defines Provisions as liabilities of uncertain timing or amount. The Central Bank Act imposes specific limitations on the scope of the Bank to create reserves and so prepare for certain unforeseen events. The Bank has therefore established Provisions for specific types of transactions and obligations, which would more typically be reflected as various types of reserves under the IFRS. See Note 14

- IAS 39 – Financial Instruments: Recognition and Measurement, requires that where an asset is classified as available-for-sale, the unrealised gains or losses on fair value movements should be recognised directly in Capital and Reserves through the Statement of Changes in Equity. The Central Bank Act imposes specific limitation on the scope of the Bank to create reserves. Therefore the Bank recognises its unrealized gains or losses on the available-for-sale investments under "Provisions" rather than "Reserves". In this way, the financial statements reflect a more realistic picture of the performance of the Bank. However, available-for-sale investments held by the subsidiary, CB Services have been treated in accordance with IAS 39.

- IFRS 7 – Financial Instruments Disclosures, requires that an entity discloses very detailed information on its investments including information on concentration of risk on investments; geographical information on investments and sensitivity analysis for each type of

market risk. The Bank's investment of the country's reserves is managed under strict governance procedures and the Central Bank Act requires that the Bank maintain a prudential level of confidentiality.

The accounting treatment adopted for each of these departures is defined in the accounting policies and notes below. The impact of this is reflected in the improved stability in the operations of the Bank. Management considers that these Financial Statements fairly represent the Bank's financial position, financial performance and cash flows.

b. Consolidation

The Consolidated Financial Statements comprise the financial statements of the Bank and its subsidiary for the year ended 30 September 2013. The financial statements of the Bank's subsidiary are prepared for the same reporting year as the Bank, using consistent accounting policies with the exception of the revaluation of the available-for-sale investments. All intra-group balances, transactions, income and expenses are eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Non-controlling interests represent the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by the Bank. Currently, there are no non-controlling interests as the subsidiary being consolidated is owned 100% by the Bank.

Section 36(g) of the Central Bank Act empowers the Bank, with the approval of the Minister of Finance, to acquire, hold and sell shares or other securities of any statutory body or company registered under the Companies Act for the purpose of promoting the development of a money or securities market or for financing the economic development of Trinidad and Tobago. The Bank has interests in a number of institutions – the Trinidad and Tobago Unit Trust Corporation, the Deposit Insurance Corporation, Caribbean Credit Rating and Information Agency, Home Mortgage Bank, Trinidad and Tobago Inter-bank Payments System Limited, CB Services Limited and the Office of the Financial Services Ombudsman.

In all but the Deposit Insurance Corporation and CB Services Limited, the Bank has a minority financial interest, in fulfilment of the Bank's role to help promote the development of the country's financial infrastructure. The Deposit Insurance Corporation was established for the protection of depositors in the domestic financial system. While the share capital was paid up by the Bank, the Deposit Insurance Corporation was always conceived to be a separate and independent institution with its own mandate and operates as such. The Financial Statements of these related enterprises, with the exception of CB Services Limited, have not been consolidated with those of the Bank.

Extracts of the Parent's Financial Statements are included in Note 27.

c. Foreign currency translation

i. Functional and presentation currency

The Financial Statements are presented in Trinidad and Tobago dollars, which is the Bank's functional and presentation currency.

ii. Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated into Trinidad and Tobago dollars at the rates of exchange prevailing at the close of business at the Statement of Financial Position date.

Translation gains or losses, at year-end exchange rates of these monetary and non-monetary assets and liabilities, are recognised in Provisions – Foreign Currency Exchange Rate Reserves.

Foreign currency transactions are translated at the exchange rates prevailing on the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the Statement of Comprehensive Income.

iii. Special Drawing Rights

Transactions with the International Monetary Fund (IMF) are recorded at the local currency equivalent of Special Drawing Rights using rates notified by the IMF. Special Drawing Rights (SDR) are defined in terms of a basket of currencies. To revalue the Bank's holdings of SDRs, the value of the SDR was calculated as a weighted sum of the exchange rates of four major currencies (the US dollar, euro, Japanese yen and the pound sterling) against the Trinidad and Tobago dollar. The TT:SDR rate as at 30 September 2013 was 0.103038.

d. Critical accounting estimates and judgments

The Bank makes estimates and assumptions that affect the reported amounts of the assets and liabilities within the financial year. Estimates and judgments are continually

evaluated and are based on historical experience and other factors, including expectations of future events.

The resulting accounting estimates will seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are illustrated below:

i. Estimated pension and post–employment medical plan

The estimate of the pension and post-employment medical plan obligations, in relation to the defined benefit plans operated by the Bank on behalf of its employees, are primarily based on the estimation of independent qualified actuaries. The value of the obligations is affected by the actuarial assumptions used in deriving the estimate.

ii. Provision for bad and doubtful debts

Pursuant to Section 35(4) of the Act, provisions are made for bad and doubtful debts in the accounts. In this regard, the relevant assets are shown in the Statement of Financial Position net of the amount which, in the opinion of the Bank, requires a specific provision.

iii. Estimate of litigation liability

The Bank may face litigation matters in the normal course of business. An estimate for legal settlement and associated cost has been provided for in the Financial Statements.

iv. Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities.

v. Estimated replacement value of artwork

The estimated replacement value of artwork was primarily based on the valuation of an independent art consultant. The estimated market value was established based on the valuation report of the condition of the artwork.

e. Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise balances with less than or equal to three months to maturity from the date of acquisition. It consists of cash, balances with other banks, short term funds and highly liquid investments, including fixed deposits and reverse repurchases.

f. Investment securities

The classification of financial instruments at initial recognition depends on the purpose and management's intention for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities which are recorded at fair value through profit or loss.

The Bank classifies its investment securities in the following four categories: "Held to maturity", "Available-for-sale", "Loans and advances" and "Fair value through profit or loss".

i. Held to maturity

Investments classified as held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank's management has the positive intention and ability to hold to maturity. After initial measurement, held to maturity financial investments are subsequently measured at amortised cost using the effective interest rate method (EIR) less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Interest on these investments is recognised in the Statement of Comprehensive Income.

ii. Available-for-sale

These investments are intended to be held for an indefinite period of time, and may be sold in response to needs for liquidity or to meet the goals of the strategic asset allocation approved by the Board.

They are initially recognised at fair value, (which includes transaction costs), and are subsequently re-measured at fair market value. Unrealised gains and losses on these investments are recognised in Provisions – Revaluation Reserve at Market Value. Regular purchases and sales of financial assets are recognised on the trade date, which is the date on which the Bank commits to purchase or sell the asset. When the securities are disposed of, the related accumulated fair value adjustments are included in the Statement of Comprehensive Income as realised gains and losses from investment securities.

The Bank has investments in several related companies which are accounted for as available-for-sale investments (see Note 6). None of these equity investments, with the exception of the investment in the Home Mortgage Bank (HMB) and First Citizens Bank Limited (FCB), have a quoted market price in an active market and therefore their fair value cannot be reliably measured. The cost of these equity investments is therefore considered a reasonable approximation of fair value. The equity investments in HMB and FCB are measured at fair market value based on valuation reports. Unrealised gains or losses on investments held by the Bank are recognised in Provisions (Revaluation Reserve) while the unrealised gains of the investments held by CB Services are recorded in the Fair Value Reserve.

iii. Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money or services directly to a counterparty, with no intention of trading the receivable and are carried at their expected realisable value, less any provision for impairment. Interest arrears are accrued and provided for in the current financial period. Determination of allowances for losses is based on an annual appraisal of each loan or advance. Specific provisions are made when, in the opinion of management, credit risk or other factors make full recovery doubtful. Provisions created, including increases and decreases, are recognised in the Statement of Comprehensive Income.

iv. Fair value through profit or loss

Financial assets at fair value through profit or loss may only be made if the financial asset either contains an embedded derivative or will be managed on a fair value basis in accordance with a documented risk management strategy, or if designating it (and any financial liability) at fair value will reduce an accounting mismatch.

Derivatives are initially recognised in the Statement of Financial Position at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, or valuation techniques, as appropriate. The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e., the fair value of the consideration given or received).

A derivative is a financial instrument or other contract within the scope of IAS 39 with all three of the following characteristics:

a. its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying');

b. it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and

c. it is settled at a future date.

g. Recognition and derecognition of financial instruments

The Bank uses trade date accounting when recording financial asset transactions. Financial assets are derecognised when the contractual right to receive the cashflows from these assets has ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

h. Impairment of financial assets

The Bank assesses at each statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default or delinquency in interest or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

i. Financial assets carried at amortised cost

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the

present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Interest income'. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write–off is later recovered, the recovery is credited to the Statement of Comprehensive Income.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (EIR). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. If the Bank has reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss is the new EIR determined at the reclassification date.

ii. Available-for-sale financial investments

For available-for-sale financial investments, the Bank assesses at each statement of financial position date whether there is objective evidence that an investment is impaired.

In the case of debt instruments classified as available-for-sale, the Bank assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement.

Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Interest and other income'. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

In the case of equity investments classified as available-for-sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in the fair value after impairment are recognised in Provisions – Revaluation Reserve at Market Value.

i. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

j. Employee benefits

i. Pension Benefits

The Bank operates a Defined Benefit Plan (Plan) for all its eligible employees. The assets of the Plan are held in a separate trustee administered plan.

A Defined Benefit Plan is a pension plan that defines the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The pension benefit is based on the final salary of the employee.

An asset or liability recognised in the Statement of Financial Position in respect of the Plan is the present value of the defined benefit obligation at the Statement of Financial Position date less the fair value of the Plan's assets, together with adjustments for unrecognised actuarial gains or losses and past service costs.

The Plan's accounting costs are assessed on the basis of the Projected Unit Credit Method. A valuation is done every three years by independent actuaries. The last triennial valuation was performed at 30 September, 2011.

In accordance with the advice of the actuaries, the Plan's costs of providing pensions are charged to the Statement of Comprehensive Income in order to spread the regular cost over the service lives of employees.

Actuarial gains and losses are recognised as income or expense when the cumulative unrecognised actuarial gain or loss exceeds the greater of 10% of the defined benefit obligation and 10% of the fair value of the Plan assets.

The Plan is funded by payments from employees and the Bank, taking into account the recommendations of independent qualified actuaries.

ii. Post-employment medical benefits

The Bank operates a post-employment medical benefit scheme for its retirees, whereby a subsidy is provided for premium due for member only contribution. The method of accounting, assumptions and the frequency of valuations are similar to those used for the defined benefit pension scheme.

k. Notes and coins

The stock of notes and coins is stated at original cost. Issues are accounted for using the First In First Out Method. All associated costs such as shipping, handling and insurance are expensed immediately. Printing and minting costs are expensed when the units of currency are issued and put into circulation.

l. Leases

i. Operating leases (as lessee)

The leases entered into by the Bank are primarily operating leases. The total payments made under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

ii. Finance leases (as lessor)

Where the Bank grants long-term leases on property, the land and the building are treated as a finance lease. These finance leases are valued at the lower of the gross investment less principal payments and any provisions in the lease, and the present value of the minimum lease payments receivable at the Statement of Financial Position date and are shown as receivable. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

m. Computer software

The Bank acquires computer software programmes to assist in the performance of its normal activities. These amounts are capitalised on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortised using the straight line method on the basis of the expected useful life of five years. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

n. Property, plant & equipment

Property, plant and equipment are recorded at cost less accumulated depreciation. Cost includes the purchase price of the assets plus any further cost incurred in bringing the asset to its present condition and location. Capital works-in-progress are recorded at cost but are not depreciated until the asset is available for its intended use. Any additions or improvements to assets during the year, which significantly add to the value of, or extend the useful life of such assets, are capitalised as part of the cost. All other repairs and maintenance are expensed in the Statement of Comprehensive Income during the financial period in which they were incurred. When an asset is retired or sold, any gain or loss on disposal is recognised in the Statement of Comprehensive Income.

Artwork, which is classified under Fixtures and Fittings, is initially carried at cost. The Bank's Artwork is independently and professionally valuated every three years and is carried at its revalued amount, being its fair value at the date of revaluation. Any increase in the carrying amount as a result of the revaluation is recognised in equity as a provision for revaluation of artwork except to the extent that the increase reverses a revaluation deficit of the Artwork previously recognised in the Statement of Comprehensive Income. The last revaluation was carried out in September 2013.

Depreciation is charged on a straight-line basis and is applied over the estimated useful lives of the assets, as shown below. Land is not depreciated.

Building	-	40 years
Building improvements	-	10 years
Leasehold properties	-	over the period of the lease
Motor vehicles	-	3 years
Machinery and equipment	-	1.5 to 5 years
Computer hardware	-	3 years
Furniture	-	10 years
Fixtures and fittings	-	10 years

o. Taxation

Section 55(1) of the Central Bank Act exempts the Bank from the provisions of any Act relating to income taxation, company taxation and from the payment of stamp duty.

Its subsidiary, CB Services Limited, is subject to corporation tax at a rate of 25% on chargeable income in accordance with the Corporation Tax Act.

Deferred taxation arises from temporary differences between the tax base of assets and liabilities, and their carrying amounts in the Financial Statements.

CB Services Limited currently does not have any temporary difference and as such no adjustment for deferred taxation is required.

p. Provisions

The Bank has a policy of providing for all known and foreseeable losses in the accounts and has adopted a prudent approach to provisioning. Provisions shown on the Statement of Financial Position include the Foreign Currency Translation Reserves, Gold Revaluation Reserves and Market Value Revaluation Reserves.

q. Gold Reserve

Gold is valued at the market price prevailing at the year end. No distinction is made between the price and currency revaluation differences for gold. Instead, a single gold valuation is accounted for on the basis of the price in Trinidad and Tobago dollars per troy ounce of gold.

r. Subscriptions to International Financial Institutions

The Bank acts as financial agent for the GORTT with international financial institutions (See Note 9). In order to provide a more appropriate presentation, these amounts include the portion of the GORTT's contributions issued to these organisations in the form of Promissory Notes where applicable. These balances are stated at cost once there is no quoted market price in an active market and the fair value cannot be reliably determined. For those that are quoted in an active market, the instrument is carried at fair value based on the closing price at year end.

s. Capital

The entire capital of the Bank is held by the GORTT. Provision is made in Section 34(5) of the Central Bank Act for the Paid-up portion of the authorised capital of the Bank to be increased each year by an amount of not less than 15 percent of the amount to be paid into the Consolidated Fund, until the Paid-up portion of the Authorised Capital is equal to the Authorised Capital. Currently the Paid up portion of the Authorised Capital of the Bank is equal to the Authorised Capital (see Note 21).

t. Reserves

Provision is made in Sections 35(3) and 35(6) of the Central Bank Act for the Bank to place in the General Reserve Fund or the Special Reserve Funds, or in both, an amount not exceeding ten percent (10%) of the net surplus of the Bank for each financial year, until the General Reserve Fund is equal to the Authorised Capital. At 30 September 2013, the General Reserve Fund increased by $44 million to $747 million (2012: $703 million).

u. Transfer of Surplus

The Central Bank Act states under section 35(5) that at the end of each financial year, after allowing for the amount referred to in section 35(3), the net profit of the Bank shall be paid into the Consolidated Fund.

v. Revenue Recognition

i. Interest income and interest expense

Interest income and expense are recognised in the Statement of Comprehensive Income for all interest-bearing instruments on an accruals basis. Interest income includes coupons earned on fixed income investments and accrued discount and premium on treasury bills and other discount instruments.

ii. Dividend income

Dividend income is recognised when the right to receive payment is established.

iii. Other income and expenses

All other significant items of income and expenditure are accounted for on the accruals basis.

w. Comparatives

Where necessary comparative figures have been adjusted to take into account changes in presentation in the current year.

3. Financial risk management

Operational risk is the risk of loss in both financial and non-financial terms resulting from human error and the failure of internal processes and systems. Operational risk management includes bank-wide corporate policies which describe the standard of conduct required of staff

and specific internal control systems designed around the particular characteristics of various Bank activities.
In addition to operational risk, the Bank is exposed to various risks arising from its responsibility for the management of the official foreign currency reserves of the country. These risks and the measures taken to mitigate them in the portfolio are as follows:

Credit risk
The Bank takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due.

Credit risk is mitigated by the establishment of counterparty concentration limits and by the establishment of minimum rating standards that each counterparty must attain.

Currency risk
The Bank takes on exposure to fluctuations in the prevailing foreign currency exchange rates on its foreign currency portfolios. Management seeks to mitigate currency risk by aligning the currency composition of the foreign portfolio to the settlement of trade and external debt.

Interest rate risk
The Bank invests in securities and maintains demand deposit accounts as a part of its normal course of business. Interest rate risk is the risk of loss arising from changes in prevailing interest rates. The Bank manages this risk by establishing duration limits for the portfolio.

Liquidity risk
The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts and maturing deposits.

Liquidity risk is managed by the grouping of reserves into several tranches according to liquidity requirements, and defining specific asset classes and duration limits for each tranche, consistent with its defined liquidity objectives.

Fair value is the arm's length consideration for which an asset could be exchanged or a liability settled between knowledgeable, willing parties, who are under no compulsion to act and is best evidenced by a quoted market price if one exists.

Fair value of securities is determined using the Par Method where direct market quotes of these instruments exist. This price is used as the basis for the mark-to-market valuation of the holdings.

4. Cash and cash equivalents

	Sept 2013 $'000	Sept 2012 $'000
Currency on hand	5,852	6,845
Balances held with banks	2,594,088	1,972,997
Repurchase agreements	3,946,709	4,047,380
Fixed deposits	27,436,726	25,193,084
Short-term investments	668,463	2,868,277
	34,651,838	34,088,583
Represented by:		
Foreign currency - cash and cash equivalents		
	-	1,859
Currency on hand	153,898	261,887
Balances held with banks	3,946,709	4,047,380
Repurchase agreements	27,436,726	25,193,084
Fixed deposits	668,463	2,868,277
Short-term investments	**32,205,796**	**32,372,487**
Local currency - cash and cash equivalents	5,852	4,986
	2,440,190	1,711,110
Cash on hand	**2,446,042**	**1,716,096**
Balances held with banks		
	34,651,838	**34,088,583**

Local currency - balances with banks

This balance is comprised mostly of cheque deposits made by the GORTT which are sent for clearance at the commercial banks. These are settled against commercial banks' reserve balances on the next working day.

5. Investment securities

	Sept 2013 $'000	Sept 2012 $'000
Foreign currency investment securities		
Available for sale	27,435,665	26,594,683
Loans and advances	228,106	248,052
	27,663,77	**26,842,735**
Local currency investment securities		
Available for sale - Local securities	271,831	77,853
Loans and advances	171,190	190,361
	443,021	**268,214**
Total investment securities	**28,106,792**	**27,110,949**
Available for sale investments		
Foreign currency		
Amortised Cost	27,228,213	25,816,386
(Diminution) Appreciation in Market Value	(171,963)	216,506
Appreciation in Foreign Currency	379,415	561,791
	27,435,665	**26,594,683**
Local currency		
Bonds	20,409	21,471
Investments in related enterprises (Note 6)	251,422	56,382
	271,831	**77,853**
Total available for sale investments	**27,707,496**	**26,672,536**

	Sept 2013 $'000	Sept 2012 $'000
Loans and advances		
Foreign currency		
Cost	288,119	308,053
Provision for doubtful debts	(60,013)	(60,001)
	228,106	**248,052**
Local currency		
Loans and advances	241,230	260,402
Provision for doubtful debts	(70,040)	(70,041)
	171,190	**190,361**
Total loans and advances	**399,296**	**438,413**
Total investment securities	**28,106,792**	**27,110,949**

Notes to Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2013 *(Expressed in Trinidad & Tobago Dollars)*

6. Investment in related enterprises

	Sept 2013 $'000	Sept 2012 $'000
Cost	17,822	25,422
Appreciation in market value	233,600	30,960
	251,422	**56,382**

The Bank has an interest in the following related enterprises to help promote the development of the country's financial infrastructure:

	Sept 2013 $'000	Sept 2012 $'000
Trinidad and Tobago Unit Trust Corporation	2,500	2,500
Deposit Insurance Corporation	1,000	1,000
Home Mortgage Bank	110,000	33,360
First Citizens Bank Limited	137,000	18,600
Trinidad and Tobago Inter-bank Payments System	922	922
	251,422	**56,382**

The Bank also has a related interest in the Office of the Financial Services Ombudsman (OFSO). The main objectives of the OFSO are to receive complaints arising from the provision of financial services to individuals and small businesses, and to facilitate the settlement of these complaints. The remuneration of the Financial Services Ombudsman is met by the Bank while the day to day operations of the Office are funded by the financial institutions.

7. Retirement benefit asset

	Sept 2013 $'000	Sept 2012 $'000
Consolidated statement of financial position obligations for:		
- Pension plan	234,837	233,944
- Post-retirement medical plan	(30,647)	(28,098)
	204,190	**205,846**

a. Pension Plan

	Sept 2013 $'000	Sept 2012 $'000
Defined benefit obligation	595,196)	502,141)
Fair value of assets	814,862	751,141
	219,666	249,000
Unrecognised gain	15,171	(15,056)
IAS 19 net defined asset	**234,837**	**233,944**
Reconciliation of opening and closing defined benefit assets		
Opening defined benefit asset	**233,944**	**236,076**
Increase/(Decrease) in pension asset		
Pension cost	(4,069)	(6,098)
Bank contribution paid	4,962	3,966
	893	**(2,132)**
Closing defined benefit asset	**234,837**	**233,944**
Amounts recognised in the earnings statement		
Current service cost	(18,009)	(14,638)
Interest on defined benefit obligation	(27,167)	(26,592)
Expected return on plan assets	41,107	40,754
Amortised net gain	-	-
Past service cost		(5,622)
Movement in un-utilised assets	-	-
Net pension cost	**(4,069)**	**(6,098)**
Return on plan assets		
Expected return on plan assets	41,107	40,754
Actuarial gain/(loss) on plan assets	30,212	63,891
Actual return on plan assets	**71,319**	**104,645**

Notes to Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2013 *(Expressed in Trinidad & Tobago Dollars)*

a. Pension Plan (cont'd)

	Sept 2013 $'000	Sept 2012 $'000
Actuarial assumptions		
Discount rate	5.00%	233,944
Expected return on plan assets	n/a	(28,098)
Projected future rate of salary increase	5.16%	205,846
Value of Pension Scheme Asset	Based on Market Value at Balance Sheet Date	

b. Post-Employement Medical Plan

	Sept 2013 $'000	Sept 2012 $'000
Defined benefit obligation	(24,390)	(27,337)
Fair value of assets	-	-
	(24,390)	(27,337)
Unrecognised gain	(6,257)	(761)
IAS 19 net defined asset	**(30,647)**	**(28,098)**
Reconciliation of opening and closing defined benefit liability		
Opening defined benefit liability	**(28,098)**	**(25,481)**
Decrease/(Increase) in plan		
Pension cost	(2,807)	(3,114)
Bank contribution paid	258	497
	(2,549)	**(2,617)**
Closing defined benefit liability	**(30,647)**	**(28,098)**
Amounts recognised in the earnings statement		
Current service cost	(1,313)	(1,511)
Interest on defined benefit obligation	(1,494)	(1,603)
Net pension cost	**(2,807)**	**(3,114)**
Return on plan assets: The plan holds no assets		
Actuarial assumptions		
Medical Cost Increases	**5.00%**	**5.00%**

8. Accounts receivable and prepaid expenses

	Sept 2013 $'000	Sept 2012 $'000
Foreign receivables		
Trade receivables - investments sold	4,395,840	5,932,600
Foreign interest receivable	66,513	73,140
Other receivables	2,444	2,208
	4,464,797	**6,007,948**
Accounts receivable and prepaid expenses		
Interest receivable on domestic investments	57,495	**57,496**
Amounts recoverable from CLF/GORTT (Note 24)	2,109,564	**2,068,925**
Other receivables	16,066	**16,150**
Prepayments	7,463	**7,394**
Suspense accounts- pending transfers	246,161	**14,648**
Value added tax	175	**1,398**
	2,436,924	**2,166,011**

9. Subscriptions to International Financial Institutions

	Sept 2013 $'000	Sept 2012 $'000
Banco Latino Americano De Exportaciones	25,696	22,774
Caribbean Development Bank	8,194	8,194
Caribbean Information and Credit Rating Services Limited	1,684	1,684
Inter-American Development Bank	6,694	6,694
International Bank for Reconstruction and Development	113,162	113,160
International Development Association	5,567	5,567
International Finance Corporation	333	333
International Monetary Fund	3,257,052	3,255,629
	3,418,382	**3,414,035**

The holdings in Banco Latino Americano De Exportaciones (Bladex) are based on a quoted market price off the New York Stock Exchange of US$24.92/share as at 30 September 2013.

Notes to Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2013 *(Expressed in Trinidad & Tobago Dollars)*

10. Other assets

	Sept 2013 $'000	Sept 2012 $'000
Lease asset	142,127	153,578
Stock of notes and coins	102,583	116,016
Consumables	1,406	1,597
	246,116	**271,191**

Lease asset

In 1995 the Bank entered into a thirty-year finance lease agreement with the GORTT for the purchase of the Ministry of Finance Building with a rate of interest of 2%.

	Sept 2013 $'000	Sept 2012 $'000
Present value of the minimum lease payments	**142,127**	**1153,578**
Broken out as follows:		
Not later than one year	11,680	11,226
Later than one year and not later than five years	49,102	52,914
Later than five years	81,345	89,438
Present value of the minimum lease payments	**142,127**	**153,578**

	Sept 2013 $'000	Sept 2012 $'000
Unearned Finance Income	**17,618**	**20,689**
Broken out as follows:		
Not later than one year	2,843	3,072
Later than one year and not later than five years	8,987	9,949
Later than five years	5,788	7,668
Unearned Finance Income	**17,618**	**20,689**

Stock of notes and coins	Sept 2013 $'000	Sept 2012 $'000
Notes	81,155	77,535
Coins	21,428	38,481
	102,583	**116,016**

11. Property, plant and equipment

	Land & Building $'000	Leasehold Property $'000	Machinery & Equipment $'000	Computer Equipment $'000	Furniture Fixture & Fittings $'000	Capital work in progress $'000	Total $'000
As at 30 September 2012							
Net book value							
Balance brought forward	146,989	7,913	22,507	10,477	29,621	13,260	230,767
Transfers	9,046	-	1,257	5,512	1,092	(16,907)	-
Additions	390	-	3,185	4,368	1,269	10,617	19,829
Disposals	-	-	(1)	-	(61)	-	(62)
Depreciation for the year	(14,260)	(8)	(7,308)	(6,111)	(3,239)	-	(30,926)
Balance carried forward	**142,165**	**7,905**	**19,640**	**14,246**	**28,682**	**6,970**	**219,608**
Represented by:							
Cost	409,226	8,134	102,171	75,520	50,776	6,970	652,797
Accumulated depreciation	(267,061)	(229)	(82,531)	(61,274)	(22,094)	-	(433,189)
	142,165	**7,90**	**19,640**	**14,246**	**28,682**	**6,970**	**219,608**
As at 30 September 2012							
Net book value							
Balance brought forward	142,165	7,905	19,640	14,246	28,682	6,970	219,608
Transfers	3,758	-	450	1,172	12	(5,392)	-
Additions	1,959	-	6,012	2,521	850	10,272	21,614
Disposals	-	-	(149)	(7)	(14)	-	(170)
Revaluation adjustment	-	-	-	-	772	-	772
Depreciation for the year	(14,854)	(7)	(8,103)	(6,208)	(3,185)	-	(32,357)
Balance carried forward	**133,028**	**7,898**	**17,850**	**11,724**	**27,118**	**11,850**	**209,468**
Represented by:							
Cost	414,942	8,134	106,756	79,179	52,248	11,850	673,109
Accumulated depreciation	(281,914)	(236)	(88,906)	(67,455)	(25,130)	-	(463,641)
	133,028	**7,89**	**17,850**	**11,724**	**27,118**	**11,850**	**209,468**

Notes to Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2013 *(Expressed in Trinidad & Tobago Dollars)*

12. Demand liabilities

	Sept 2013 $'000	Sept 2012 $'000
Demand liabilities - foreign		
Foreign deposits	7,226	5,687
Government special accounts	190,542	191,746
	197,768	**197,433**
Demand liabilities - local		
Notes in circulation	6,372,387	5,646,570
Coins in circulation	195,727	184,533
Deposits by commercial banks	27,075,750	20,106,640
Deposits by non-banking financial institutions	337,294	343,519
Statutory deposits - insurance companies	32,687	34,229
Deposits by government and government agencies	(4,474,170)	1,897,617
Deposits by other current accounts	4,567,241	5,513,454
Deposits by regional and international institutions	36,533	76,139
	34,143,449	**33,802,701**

Deposits by financial institutions

The statutory cash reserves for commercial banks and non-bank financial institutions remained unchanged at 17% and 9% of their prescribed liabilities, respectively.

In addition to the statutory cash reserve requirement, the commercial banks continued to hold a secondary reserve of 2% of their prescribed liabilities on which a fixed rate of interest of 0.25% was paid.

Additionally, as at 30 September 2013, commercial banks held special deposits which comprised the following:-

- A deposit of $1.5 billion which matures on 27 December 2013
- A deposit of $2.0 billion which matures on 1 November 2013
- A special fixed deposit of $1.49 billion which matures on 14 March 2014
- A special fixed deposit of $1 billion which matures on 2 May 2014

13. Accounts payable

	Sept 2013 $'000	Sept 2012 $'000
Accounts payable - Foreign		
Bilateral accounts	612	2,119
Pending Trades Investments Purchased	4,575,165	6,093,189
Other Payables	20,257	614
	4,596,034	**6,095,922**
Accounts payable - Local		
Trade payables and accrued charges	60,995	97,591
Interest payable	40,974	16,025
Unclaimed monies	11,541	9,398
Government special accounts	133,059	131,489
Blocked accounts	24,754,947	22,908,273
Promissory Notes due to First Citizens Bank Ltd. (Note 24)	1,882,450	1,880,264
Other payables	51,935	17,063
	26,935,901	**25,060,103**

14. Provisions

The Bank has adopted a prudent approach for provisioning in order to maintain adequate capacity to fulfil its functions. This accounting treatment reflects the limitations on the creation of reserves set out in Section 35 of the Central Bank Act. The Act specifies the terms and conditions governing General and Special Reserve funds and the creation of provisions for bad and doubtful debts, depreciation in assets, contributions to staff pension benefits and other contingencies, before payment of the net surplus for the financial year to the GORTT. This is a departure from the definition outlined in IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The provisions shown on the Statement of Financial Position comprise:

	Sept 2013 $'000	Sept 2012 $'000
Provisions		
Gold reserve	328,422	505,402
Foreign currency exchange rate reserves	4,899,914	4,901,301
Pension reserve	204,190	205,846
Revaluation reserve on investments	(84,577)	206,306
	5,347,949	**5,818,855**

15. Income from foreign currency assets

	Sept 2013 $'000	Sept 2012 $'000
Income from Foreign Currency Assets		
Interest on United States Dollar balances & securities	320,106	454,650
Interest on Sterling balances & securities	1,241	4,689
Interest on other foreign balances & securities	1,064	11,439
Other income	1,228	975
Currency losses realised	(12,039)	(10,521)
Gains realised on disposal of investments	321,865	704,370
	633,465	**1,165,602**
Expenses from Foreign Currency Assets		
Investment expenses	(24,669)	**(24,555)**
Losses realised on disposal of investments	(178,406)	**(391,043)**
	(203,075)	**(415,598)**
Net income from Foreign Currency Assets	**430,390**	**750,004**

Notes to Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2013 *(Expressed in Trinidad & Tobago Dollars)*

16. Income from local currency assets

	Sept 2013 $'000	Sept 2012 $'000
Interest Income		
Loans	456,009	298,300
Other investments	9,187	9,420
	465,196	**307,720**
Other Income		
General earnings	9,383	2,450
Income from International Monetary Fund	672	1,128
Dividends	6,072	2,892
Fees charged to financial institutions	40,422	30,693
Profit on sale of assets	694	463
Heritage and Stabilisation Fund management fees	9,459	8,391
Other	1,772	1,807
	68,474	**47,824**

17. Other operating expenses

	Sept 2013 $'000	Sept 2012 $'000
Other operating expenses include:		
Advertising and public relations	3,224	3,809
Computer expenses	18,716	11,298
Library Expenses	2,570	1,939
Electricity	4,269	4,538
Insurance	2,665	2,554
Telephone	3,771	3,452
Loss on disposal of assets	14	55
Maintenance cost	21,704	17,095
Printing and stationery	4,285	3,360
CL Financial expenses (Note 24)	23,844	33,785
Other	11,311	9,263
	96,373	**91,148**

18. Taxation

	Sept 2013 $'000	Sept 2012 $'000
Net surplus before taxation	437,710	613,673
Corporation tax @ 25%	109,427	153,418
Income/expenses not subject to tax	(109,427)	(153,418)
Business levy	-	-
Tax charge	-	-

19. Capital commitments

There was $15,330,381 in outstanding commitments for capital expenditure as at 30 September 2013 (30 September 2012 – $7,129,808).

20. Leasehold obligations – operating leases

a. Operating leases where the Bank is the lessor

The Bank currently has two lease arrangements for offices located in the Bank's building. The tenants are charged a monthly rental and service fees based on the square footage occupied.

b. Operating leases where the Bank is the lessee

The Bank also leases equipment and premises under operating lease arrangements. The leases have varying terms, escalation clauses and renewal rights.

21. Capital

	Sept 2013 $'000	Sept 2012 $'000
Authorised capital	800,000	800,000
Paid-up capital	800,000	800,000

22. Fair Value Reserve

	Sept 2013 $'000	Sept 2012 $'000
Revaluation of available for sale investments	126,000	-

This represents the fair value adjustment of the ordinary shares in First Citizens Bank Limited held by CB Services.

23. Related Party Transactions

a. Government of the Republic of Trinidad and Tobago

The Bank as part of its regular operations enters into various transactions with the GORTT, state owned entities, state agencies and local government bodies. It should be noted that all transactions are done at arms' length and in accordance with normal business practices. Transactions and balances with the Bank and these entities are listed below:

	Sept 2013 $'000	Sept 2012 $'000
Interest income from investments	456,698	298,955
Interest expense	82,668	102,995
Assets		
Local currency investment securities	20,407	21,450
Liabilities		
Demand liabilities - foreign	190,542	191,746
Demand liabilities - local	(3,353,168)	2,861,347
Accounts payable	24,781,644	22,933,400

Notes to Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2013 *(Expressed in Trinidad & Tobago Dollars)*

b. Related Enterprises

These Financial Statements include the following transactions with related enterprises (see Note 6) during the year:

	Sept 2013 $'000	Sept 2012 $'000
Income		
Dividend Income	4,452	6,252
Rental Income	720	905
Other Income	151	147
	5,323	**7,304**
Expenditure		
Salaries and related expenditure	1,076	1,047
Other expenses	-	-
	1,076	**1,047**
Ending period balances		
Investments in related enterprises	125,422	56,382
Receivables from related enterprises	382	1,371
Payables to related enterprises	24,488	6,903

c. Key Management Compensation

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the key activities of the Bank, directly or indirectly, including all executives, senior, middle and junior managers.

	Sept 2013 $'000	Sept 2012 $'000
Short-term employee benefits	46,183	51,311
Directors' Fees	1,491	1,815

24. CL Financial Group Matter

During January 2009, representatives of CL Financial Limited (CLF) met with the Bank and the Ministry of Finance requesting urgent liquidity support for CLICO Investment Bank Limited (CIB), CLICO (Trinidad) Limited (CLICO) and British American Insurance Co (Trinidad) Limited (BAT). On 30 January 2009, in an effort to protect the interest of depositors and policyholders, the Minister of Finance entered into a Memorandum of Understanding with CLF for the provision of liquidity support for CIB, CLICO and BAT under certain conditions.

On 31 January 2009 the Bank assumed control of CIB, under Section 44D of the Central Bank Act (the Act) and consequent to an amendment to the Act, it also assumed control of CLICO and BAT on 13 February 2009.

As a result of these actions the Bank currently has in its Financial Statements the following assets and liabilities:

	Sept 2013 $'000	Sept 2012 $'000
Assets		
Amounts recoverable from CLF/GORTT (Note 8)	2,109,564	2,109,564
Liabilities		
Promissory Notes due to First Citizens Bank Limited (Note 13)	1,882,450	1,882,450

The Bank has been named as a party to the ongoing Commission of Enquiry into CLF and its related financial institutions. The Bank has incurred significant legal and professional fees associated with this matter.

In addition, the Bank together with CLICO has initiated civil proceedings against former executives of CLICO. In the context of delays with criminal action, this suit was filed with the dual objective of bringing those responsible to justice and recovering monies spent by the GORTT. The outcome of this matter cannot reliably be estimated at this time.

Legal, consultancy and other costs incurred in relation to all CLF matters have been disclosed in Note 17.

25. Subsequent Events

The Bank is negotiating the sale of its holdings in Home Mortgage Bank and First Citizens Bank Limited. These transactions are expected to be completed during the next financial year.

These investments have been disclosed in Note 6.

Notes to Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2013 *(Expressed in Trinidad & Tobago Dollars)*

26. Statement of Financial Position-Current / Non-Current distinction

	Current $'000	Sep-13 Non-Current $'000	Total $'000
ASSETS			
Foreign currency assets			
Foreign currency cash and cash equivalents	32,205,796	-	32,205,796
Foreign currency investment securities	14,809,018	12,854,753	27,663,771
Foreign receivables	4,464,797	-	4,464,797
Subscriptions to international financial institutions	-	3,418,382	3,418,382
International Monetary Fund - Holdings of Special Drawing Rights	-	2,675,735	2,675,735
	51,479,611	18,948,870	70,428,481
Local currency assets			
Local currency cash and cash equivalents	2,446,042	-	2,446,042
Local currency investment securities	74,361	368,660	443,021
Retirement benefit asset	-	204,190	204,190
Accounts receivable and prepaid expenses	2,423,833	13,091	2,436,925
Other assets	1,346	244,770	246,116
Property, plant and equipment	-	209,468	209,468
	4,945,582	1,040,179	5,985,762
TOTAL ASSETS	56,425,193	19,989,049	76,414,242
LIABILITIES			
Foreign currency liabilities			
Demand liabilities - foreign	197,768	-	197,768
International Monetary Fund - Allocation of Special Drawing Rights	-	3,116,665	3,116,665
Accounts Payable	4,596,034	-	4,596,034
	4,793,802	3,116,665	7,910,467
Local currency liabilities			
Demand liabilities - local	34,143,449	-	34,143,449
Accounts payable	2,028,937	24,906,964	26,935,901
Provision for transfer of surplus to government	392,550	-	392,550
Provisions	-	5,347,949	5,347,949
	36,564,936	30,254,913	66,819,849
CAPITAL AND RESERVES			
Capital	-	800,000	800,000
General Reserve	-	746,572	746,572
Fair Value Reserve		126,000	126,000
Retained Earnings	-	11,354	11,354
	-	1,683,926	1,683,926
TOTAL LIABILITIES, CAPITAL AND RESERVES	41,358,738	35,055,504	76,414,242

	Current $'000	Sep-13 Non-Current $'000	Total $'000
ASSETS			
Foreign currency assets			
Foreign currency cash and cash equivalents	32,372,487	-	32,372,487
Foreign currency investment securities	7,460,997	19,381,738	26,842,735
Foreign receivables	6,007,948	-	6,007,948
Subscriptions to international financial institutions	-	3,414,035	3,414,035
International Monetary Fund - Holdings of Special Drawing Rights	-	2,674,246	2,674,246
	45,841,432	25,470,019	71,311,451
Local currency assets			
Local currency cash and cash equivalents	1,716,096	-	1,716,096
Local currency investment securities	5,392	262,822	268,214
Retirement benefit asset	-	205,846	205,846
Accounts receivable and prepaid expenses	2,151,368	14,643	2,166,011
Other assets	1,597	269,594	271,191
Property, plant and equipment	-	219,608	219,608
	3,874,453	972,513	4,846,966
TOTAL ASSETS	49,715,885	26,442,532	76,158,417
LIABILITIES			
Foreign currency liabilities			
Demand liabilities - foreign	197,433	-	197,433
International Monetary Fund - Allocation of Special Drawing Rights	-	3,115,305	3,115,305
Accounts Payable	6,095,922	-	6,095,922
	6,293,355	3,115,305	9,408,660
Local currency liabilities			
Demand liabilities - local	33,802,701	-	33,802,701
Accounts payable	2,005,148	23,054,955	25,060,103
Provision for transfer of surplus to government	555,332	-	555,332
Provisions	-	5,818,855	5,818,855
	36,363,181	28,873,810	65,236,991
CAPITAL AND RESERVES			
Capital	-	800,000	800,000
General Reserve	-	702,955	702,955
Retained Earnings	-	9,811	9,811
	-	1,512,766	1,512,766
TOTAL LIABILITIES, CAPITAL AND RESERVES	42,656,536	33,501,881	76,158,417

Notes to Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2013 *(Expressed in Trinidad & Tobago Dollars)*

27. Parent

The Financial Statements of the Central Bank of Trinidad and Tobago are presented below:

	Sep-13 $'000	Sep-12 $'000
ASSETS		
Foreign currency assets		
Foreign currency cash and cash equivalents	32,205,796	32,372,487
Foreign currency investment securities	27,663,771	26,842,735
Foreign receivables	4,464,797	6,007,948
Subscriptions to international financial institutions	3,418,382	3,414,035
International Monetary Fund - Holdings of Special Drawing Rights	2,675,735	2,674,246
	70,428,481	**71,311,451**
Local currency assets		
Local currency cash and cash equivalents	2,446,042	1,716,096
Local currency investment securities	311,021	262,214
Retirement benefit asset	204,190	205,846
Accounts receivable and prepaid expenses	2,437,030	2,166,040
Other assets	246,116	271,191
Property, plant and equipment	209,468	219,608
	5,853,867	**4,840,995**
TOTAL ASSETS	**76,282,348**	**76,152,446**
LIABILITIES		
Foreign currency liabilities		
Demand liabilities - foreign	197,768	197,433
International Monetary Fund - Allocation of Special Drawing Rights	3,116,665	3,115,305
Accounts Payable	4,596,034	6,095,922
	7,910,467	**9,408,660**
Local currency liabilities		
Demand liabilities - local	34,143,449	33,802,701
Accounts payable	26,941,361	25,063,943
Provision for transfer of surplus to government	392,550	555,332
Provisions	5,347,949	5,818,855
	66,825,309	**65,240,831**
CAPITAL AND RESERVES		
Capital	800,000	800,000
General Reserve	746,572	702,955
	1,546,572	**1,502,955**
TOTAL LIABILITIES, CAPITAL AND RESERVES	**76,282,348**	**76,152,446**

27. Parent (cont'd)

	Sep-13 $'000	Sep-12 $'000
Income from foreign currency assets		
Interest and other income	323,639	471,753
Investment expense	(24,669)	(24,555)
	298,970	**447,198**
Loss from currency translations	(12,039)	(10,521)
Net gains realised on disposal and amortisation of investments	143,459	313,32
	430,390	**7750,004**
Income from local currency assets		
Interest income	465,196	307,720
Rental income	1,980	1,239
Other income	66,854	51,184
	534,030	**360,143**
Decrease in provisions	-	4,809
Total income	964,420	**1,114,956**
Operating expenses		
Printing of notes and minting of coins	77,391	64,560
Salaries and related expenses	184,648	163,720
Interest paid	129,427	145,762
Directors' fees	1,487	1,807
Depreciation	32,357	30,926
Other operating expenses	96,296	91,146
Increase in provisions	6,647	-
Total operating expenses	528,253	**497,921**
Net surplus for the year	436,167	**617,035**
Total comprehensive income for the period	436,167	**617,035**

Notes to Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2013 *(Expressed in Trinidad & Tobago Dollars)*

27. Parent (cont'd)

	Sep-13 $'000	Sep-12 $'000	Sep-13 $'000	Sep-12 $'000
Balance as at 1 October 2011	800,000	641,252	-	1,441,252
Net surplus for the year	-	-	617,035	617,035
Transfer of surplus to Consolidated Fund	-		(555,332)	(555,332)
Tranfer to General Reserve		61,703	(61,703)	
Balance as at 30 September 2012	800,000	**702,955**	-	**1,502,955**
Balance as at 1 October 2012	800,000	702,955	-	1,502,955
Net surplus for the year	-	-	436,167	436,167
Transfer of surplus to Consolidated Fund	-	-	(392,550)	(392,550)
Transfer to General Reserve		43,617	(43,617)	
Balance as at 30 September 2013	800,000	**746,572**	-	**1,546,572**

27. Parent (cont'd)

	Sep-13 $'000	Sep-12 $'000
Cash flows from operating activities		
Net surplus for the year before taxation	436,167	617,035
Adjustments for:		
Depreciation	32,357	30,926
Net gain on disposal of fixed assets	(681)	(408)
Interest income	(788,835)	(779,473
Interest expense	129,427	145,762
Dividend income	(4,452)	(6,252)
Provisions	6,647	(4,809)
Revaluation of Artwork	(772)	-
Cash (outflow)/flow before changes in operating assets and liabilities	**(190,142)**	**2,781**
Changes in operating assets and liabilities		
Decrease/(Increase) in accounts receivable & prepaid expenses	1,257,228	(405,903)
Decrease/(Increase) in other assets	13,623	(12,641)
Decrease in pension asset	1,656	4,749
Increase in accounts payable and other liabilities	693,663	1,986,887
Net cash flow from operations	**1,776,028**	**1,575,872**
Cash flows from investing activities		
Purchase of property, plant and equipment	(21,614)	(19,829)
Proceeds from sale of property, plant and equipment	851	470
(Purchase of investments)/Net proceeds from sale of investments	(1,319,830)	3,359,237
Net repayment of loans and advances	39,118	34,830
Interest received	795,463	879,508
Dividends received	4,452	6,252
Interest paid	(104,478)	(162,195)
Increase in International Monetary Fund Holding of Special Drawing Rights	(128)	(25,516)
Payment to Consolidated Fund	(555,332)	(478,836)
Net cash flow (used in)/from investing activities	**(1,161,498)**	**3,593,921**
Cash flows from financing activities		
Lease payment	11,451	11,226
Net cash flow from financing activities	**11,451**	**11,226**
Net increase in cash and cash equivalents	625,981	5,181,019
Foreign currency differences in monetary assets & liabilities	(62,726)	126,372
Cash and cash equivalents, beginning of period	34,088,583	28,781,191
Cash and cash equivalents, end of period	**34,651,838**	**34,088,583**

APPENDICES

2012-2013

TABLE A.1

CURRENCY IN CIRCULATION 2009 - 2013

(Dollars Thousand)

Sep-13 $'000	Notes (Old TT)	Notes (Republic)	Total Notes in Circulation	Coins	Total Currency in Circulation
Sep-09	19,044	4,133,841	**4,152,885**	**158,685**	**4,311,570**
Sep-10	19,044	4,543,137	**4,562,181**	**166,862**	**4,729,043**
Sep-11	19,043	4,998,895	**5,017,938**	**175,127**	**5,193,065**
Sep-12	19,044	5,622,561	**5,641,605**	**184,517**	**5,826,122**
Oct-12	19,044	5,703,046	**5,722,090**	**185,676**	**5,907,766**
Nov-12	19,044	5,769,057	**5,788,101**	**186,503**	**5,974,604**
Dec-12	19,044	6,441,591	**6,460,635**	**187,676**	**6,648,311**
Jan-13	19,044	5,893,664	**5,912,708**	**188,253**	**6,100,961**
Feb-13	19,044	5,923,306	**5,942,350**	**188,958**	**6,131,308**
Mar-13	19,044	6,205,421	**6,224,465**	**189,688**	**6,414,153**
Apr-13	19,044	6,077,218	**6,096,262**	**190,850**	**6,287,112**
May-13	19,044	6,324,014	**6,343,058**	**191,882**	**6,534,940**
Jun-13	19,044	6,131,275	**6,150,319**	**192,750**	**6,343,069**
Jul-13	19,044	6,320,626	**6,339,670**	**193,942**	**6,533,612**
Aug-13	19,044	6,316,604	**6,335,648**	**194,790**	**6,530,438**
Sep-13	19,044	6,347,514	**6,366,558**	**195,715**	**6,562,273**

Source: Central Bank of Trinidad and Tobago

TABLE A.2

CENTRAL BANK STATEMENT OF LIABILITIES AND ASSETS, 2012 - 2013

(TT Dollars Thousands)

	LIABILITIES								ASSETS							
End of Month	Currency in Circulation Total	Commercial Banks	Non-Bank Financial Institutions	1 Government & Governmental Organizations	International Organizations	Other Liabilities	Capital & Reserve Funds	Total Liabilities	2 Balances with Banks Abroad	Other Foreign Securities	Gold Subsciption to International Monetary Fund	Subscriptions to International Organizations	SDR's	TT Dollar Securities	Other Assets Including Fixed Assets	Total Assets
2011/12																
OCTOBER	5,258,248	20,266,991	340,420	5,070,601	3,290,364	39,100,904	1,441,252	74,768,780	28,764,225	30,474,367	3,438,574	250,554	2,823,789	315,634	8,701,637	74,768,780
NOVEMBER	5,410,987	20,119,633	332,407	4,636,171	3,290,364	40,444,738	1,441,252	75,675,552	28,184,907	30,293,609	3,438,574	148,745	2,824,111	352,509	10,433,097	75,675,552
DECEMBER	5,949,130	21,077,904	350,066	6,595,011	3,164,359	39,582,774	1,441,252	78,160,496	32,430,580	30,685,965	3,306,893	148,784	2,715,961	281,255	8,591,058	78,160,496
JANUARY	5,397,091	20,431,536	355,475	7,563,525	3,164,359	41,204,447	1,441,252	79,557,685	30,960,215	29,436,578	3,306,893	148,665	2,715,961	280,732	12,708,641	79,557,685
FEBRUARY	5,582,615	21,062,596	343,145	6,448,471	3,193,402	40,047,966	1,441,252	78,119,447	31,350,282	29,628,975	3,337,245	148,707	2,741,042	283,372	10,629,824	78,119,447
MARCH	5,577,611	21,586,454	338,473	7,179,071	3,153,173	38,334,129	1,441,252	77,610,163	32,583,241	29,484,297	3,295,203	148,816	2,706,511	274,658	9,117,437	77,610,163
APRIL	5,480,184	20,892,554	342,356	8,033,584	3,187,538	37,133,472	1,441,252	76,510,940	32,930,611	29,366,930	3,331,117	148,810	2,735,971	274,269	7,723,232	76,510,940
MAY	5,648,503	19,887,026	328,879	8,537,207	3,187,538	36,409,742	1,441,252	75,440,147	32,292,890	29,295,811	3,331,117	148,725	2,736,113	293,941	7,341,550	75,440,147
JUNE	5,581,025	19,884,049	326,523	8,343,369	3,115,305	38,143,098	1,441,252	76,834,621	33,630,233	28,587,314	3,255,629	148,835	2,674,108	271,014	8,267,488	76,834,621
JULY	5,761,393	20,357,262	319,651	6,320,485	3,115,305	37,828,487	1,441,252	75,143,835	32,253,698	28,144,378	3,255,629	148,666	2,674,108	271,005	8,396,351	75,143,835
AUGUST	5,853,130	21,280,275	314,727	4,276,640	3,115,305	38,228,795	1,441,252	74,510,124	31,036,171	27,491,738	3,255,629	148,699	2,674,246	270,781	9,632,860	74,510,124
SEPTEMBER	5,831,103	20,106,640	343,519	7,487,210	3,115,305	37,765,714	1,502,955	76,152,446	32,372,487	26,842,735	3,255,629	158,406	2,674,246	262,214	10,586,729	76,152,446
2012/13																
OCTOBER	5,915,998	20,947,042	313,932	4,528,935	3,115,305	35,593,407	1,502,955	71,917,574	31,132,269	27,583,278	3,255,629	158,771	2,674,246	262,108	6,851,273	71,917,574
NOVEMBER	5,982,920	21,723,833	312,757	2,416,892	3,115,305	36,622,323	1,502,955	71,676,985	30,210,765	27,623,595	3,255,629	157,835	2,674,341	261,596	7,493,224	71,676,985
DECEMBER	6,656,998	22,144,969	317,015	2,027,890	3,115,305	35,820,272	1,502,955	71,585,404	30,582,134	27,406,156	3,255,629	157,652	2,674,341	261,061	7,248,431	71,585,404
JANUARY	6,110,554	23,172,897	322,162	1,338,509	3,115,305	36,278,445	1,502,955	71,840,827	29,837,966	27,737,613	3,255,629	159,420	2,674,341	285,113	7,890,745	71,840,827
FEBRUARY	6,138,062	23,711,570	324,817	649,240	3,115,305	36,087,105	1,502,955	71,529,054	29,445,581	27,913,790	3,255,629	160,342	2,674,398	269,611	7,809,703	71,529,054
MARCH	6,420,327	24,238,468	323,156	571,763	3,115,305	37,451,895	1,502,955	73,623,869	30,753,037	27,977,197	3,255,629	161,084	2,674,398	252,292	8,550,232	73,623,869
APRIL	6,294,421	24,291,922	324,330	1,224,785	3,095,814	36,442,100	1,502,955	73,176,327	30,414,151	28,562,658	3,235,260	158,990	2,657,649	252,196	7,895,423	73,176,327
MAY	6,544,316	24,250,209	325,513	232,261	3,119,753	42,200,894	1,502,955	78,175,901	30,271,904	34,035,080	3,260,278	159,238	2,678,298	251,628	7,519,475	78,175,901
JUNE	6,349,615	25,404,753	323,841	(45,384)	3,119,753	42,592,964	1,502,955	79,248,497	31,426,644	29,382,179	3,260,278	158,749	2,678,298	251,344	12,091,005	79,248,497
JULY	6,540,674	24,630,239	325,118	(83,025)	3,116,665	37,215,594	1,502,955	73,248,220	29,916,754	29,097,862	3,257,051	161,533	2,675,646	251,154	7,888,220	73,248,220
AUGUST	6,536,367	25,657,197	325,613	(1,926,602)	3,116,665	38,109,163	1,502,955	73,321,358	29,439,644	29,274,131	3,257,051	160,475	2,675,735	251,219	8,263,103	73,321,358
SEPTEMBER	6,568,114	27,075,750	337,294	129,603	3,116,665	37,508,350	1,546,572	76,282,348	32,205,796	27,663,772	3,257,051	161,331	2,675,735	311,021	10,007,642	76,282,348

Source: Central Bank of Trinidad and Tobago
[1] Includes Exchequer, Trust Funds and Other Public Deposits, Government SDR Allocation and Other Deposits
[2] Includes Foreign Currencies on hand

TABLE A.3

COMMERCIAL BANKS: AVERAGE DEPOSIT LIABILITIES, REQUIRED CASH RESERVES AND ACTUAL CASH

for Period Ending September 2013

Reserve Period Ending	Average Deposit Liabilities ('000)	Required Cash Reserves ('000)	Average Cash Reserves ('000)
3-Oct-12	1,403,656	126,329	128,035
10-Oct-12	1,397,244	125,752	127,830
17-Oct-12	1,381,278	124,315	125,957
24-Oct-12	1,365,444	122,890	124,505
31-Oct-12	1,350,722	121,565	123,119
7-Nov-12	1,340,022	120,602	122,044
14-Nov-12	1,338,978	120,508	121,850
21-Nov-12	1,338,300	120,447	121,686
28-Nov-12	1,338,144	120,433	121,545
5-Dec-12	1,344,322	120,989	122,001
12-Dec-12	1,350,844	121,576	154,648
19-Dec-12	1,370,522	123,347	126,412
26-Dec-12	1,388,878	124,999	125,264
2-Jan-13	1,401,389	126,125	135,648
9-Jan-13	1,425,389	128,285	128,956
16-Jan-13	1,436,556	129,290	192,395
23-Jan-13	1,445,044	130,054	130,640
30-Jan-13	1,453,756	130,838	131,350
6-Feb-13	1,451,311	130,618	131,041
13-Feb-13	1,447,656	130,289	130,686
20-Feb-13	1,465,578	131,902	132,321
27-Feb-13	1,483,756	133,538	134,005
6-Mar-13	1,488,622	133,976	134,486
13-Mar-13	1,491,322	134,219	134,779
20-Mar-13	1,477,778	133,000	133,579
27-Mar-13	1,463,978	131,758	132,344
3-Apr-13	1,462,844	131,656	132,248
10-Apr-13	1,464,156	131,774	132,400
17-Apr-13	1,466,700	132,003	132,625
24-Apr-13	1,475,933	132,834	133,360
1-May-13	1,485,278	133,675	134,087
8-May-13	1,492,489	134,324	134,649
15-May-13	1,496,656	134,699	135,186
22-May-13	1,493,611	134,425	134,931
29-May-13	1,490,711	134,164	134,701
5-Jun-13	1,487,978	133,918	134,490
12-Jun-13	1,484,800	133,632	134,318
19-Jun-13	1,484,800	133,632	134,318
26-Jun-13	1,472,022	132,482	133,029
3-Jul-13	1,474,233	132,681	133,226
10-Jul-13	1,476,144	132,853	133,398
17-Jul-13	1,482,144	133,393	133,936
24-Jul-13	1,486,022	133,742	134,284
31-Jul-13	1,482,533	133,428	134,305
7-Aug-13	1,474,589	132,713	133,592
14-Aug-13	1,465,856	131,927	132,951
21-Aug-13	1,475,867	132,828	133,854
28-Aug-13	1,488,367	133,953	134,800
4-Sep-13	1,524,689	137,222	137,974
11-Sep-13	1,567,044	141,034	171,399
18-Sep-13	1,594,122	143,471	148,624
25-Sep-13	1,622,433	146,019	146,482

Source: Central Bank of Trinidad and Tobago

TABLE A.4

NON-BANK FINANCIAL INSTITUTIONS: AVERAGE DEPOSIT LIABILITIES, REQUIRED CASH RESERVES AND ACTUAL CASH RESERVES

for Period Ending September 2013

Reserve Period Ending	Average Deposit Liabilities ('000)	Required Cash Reserves ('000)	Average Cash Reserves ('000)
3-Oct-12	1,585,956	142,736	144,342
10-Oct-12	1,573,478	141,613	143,352
17-Oct-12	1,557,956	140,216	141,954
24-Oct-12	1,552,767	139,749	142,109
31-Oct-12			
7-Nov-12	1,559,556	140,360	142,163
14-Nov-12	1,564,933	140,844	142,670
21-Nov-12	1,557,556	140,180	142,024
28-Nov-12	1,552,556	139,730	141,594
5-Dec-12	1,600,422	144,038	145,916
12-Dec-12	1,647,633	148,287	150,153
19-Dec-12	1,691,111	152,200	154,063
26-Dec-12	1,748,800	157,392	159,254
2-Jan-13	1,764,600	158,814	160,546
9-Jan-13	1,755,556	158,000	159,747
16-Jan-13	1,750,633	157,557	166,442
23-Jan-13	1,730,756	155,768	164,663
30-Jan-13			
	1,699,933	152,994	161,898
6-Feb-13	1,689,833	152,085	160,999
13-Feb-13	1,678,833	151,095	152,897
20-Feb-13	1,672,333	150,510	152,333
27-Feb-13	1,672,222	150,500	152,333
6-Mar-13	1,662,144	149,593	151,433
13-Mar-13	1,653,700	148,833	150,682
20-Mar-13	1,639,933	147,594	149,439
27-Mar-13	1,620,089	145,808	147,661
3-Apr-13	1,614,900	145,341	147,200
10-Apr-13	1,608,456	144,761	146,627
17-Apr-13	1,601,289	144,116	145,992
24-Apr-13	1,582,778	142,450	144,325
1-May-13	1,566,489	140,984	142,851
8-May-13	1,547,356	139,262	141,114
15-May-13	1,529,000	137,610	139,434
22-May-13	1,521,722	136,955	138,793
29-May-13	1,513,078	136,177	138,856
5-Jun-13	1,507,122	135,641	137,588
12-Jun-13	1,501,311	135,118	136,992
19-Jun-13	1,494,333	134,490	392,203
26-Jun-13	1,486,133	133,752	135,711
3-Jul-13	1,480,600	133,254	135,211
10-Jul-13	1,458,700	131,283	136,314
17-Jul-13	1,432,689	128,942	130,905
24-Jul-13	1,410,233	126,921	128,836
31-Jul-13			
	1,386,589	124,793	128,839
7-Aug-13	1,375,189	123,767	125,617
14-Aug-13	1,369,944	123,295	125,129
21-Aug-13	1,363,378	122,704	124,550
28-Aug-13	1,356,222	122,060	123,903
4-Sep-13	1,355,256	121,973	123,799
11-Sep-13	1,367,333	123,060	124,859
18-Sep-11	1,379,644	124,168	125,940
25-Sep-13	1,393,056	125,375	127,109

Source: Central Bank of Trinidad and Tobago

Central Bank of
Trinidad & Tobago