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INDEPENDENT AUDITORS' REPORT

To the Directors of
CITIBANK, N.A.
[Incorporated in the U.S.A. with limited liability]

Report on the Financial Statements

We have audited the financial statements of Citibank, N.A., Jamaica Branch ("the branch"), set out on pages 3 to 56, which comprise the statement of financial position as at December 31, 2011, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the Jamaican Companies Act, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

To the Directors of
CITIBANK, N.A.
[Incorporated in the U.S.A. with limited liability]

Report on the Financial Statements (cont'd)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the branch as at December 31, 2011, and of its financial performance, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Jamaican Companies Act.

Report on additional matters as required by the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner so required.

KPMG

Chartered Accountants
Kingston, Jamaica

March 29, 2012

CITIBANK, N.A.
[Incorporated in the U.S.A. with limited liability]

JAMAICA BRANCH

Statement of Financial Position
December 31, 2011

	Notes	2011 $'000	2010 $'000
ASSETS			
Cash and cash equivalents	4	7,028,777	9,096,952
Resale agreements	5	5,695,541	1,795,660
Loans, less allowance for impairment	6	3,444,152	2,078,567
Investment securities	7	1,865,884	1,984,969
Property, plant and equipment	8	294,778	45,287
Income tax recoverable		232,336	418,392
Other assets	9	175,530	76,664
Customers' liabilities under acceptances, guarantees and letters of credit, as per contra		1,503,629	1,485,399
Employee benefit asset	10	644,703	328,689
		20,885,330	17,310,579
LIABILITIES			
Deposits:			
Customers		9,162,802	6,986,797
Other branches		3,601,778	21,967
Head office		10	10
Fellow subsidiaries		1,928,599	4,730,162
	11	14,693,189	11,738,936
Notes payable	12	258,111	44,610
Acceptances, guarantees and letters of credit, as per contra		1,503,629	1,485,399
Other liabilities	14	508,621	484,226
Employee benefit obligation	10	51,195	35,520
Deferred tax liability	14	186,499	96,584
		17,201,244	13,885,275
HEAD OFFICE'S EQUITY			
Assigned capital	15(a)	207,609	207,609
Reserve fund	15(b)	207,609	207,609
Retained earnings reserve	15(c)	1,528,592	1,528,592
Fair value reserve	15(d)	(17,892)	10,330
Loan loss reserve	15(e)	126,927	36,917
Unremitted profits		1,631,241	1,434,247
		3,684,086	3,425,304
		20,885,330	17,310,579

The financial statements on pages 3 to 56 were approved for issue by the Asset and Liability Committee on March 29, 2012, and signed on its behalf by:

Citi Country Officer
Peter H. Moses

Citi Financial Officer
Denis L. Gray

CITIBANK, N.A.
[Incorporated in the U.S.A. with limited liability]

JAMAICA BRANCH

Statement of Comprehensive Income
Year ended December 31, 2011

	Notes	2011 $'000	2010 $'000
Interest income:			
Interest on loans		242,747	170,781
Interest on deposits with banks		155,986	39,875
Interest on investment securities		144,868	451,678
		543,601	662,334
Interest expense		(109,088)	(113,030)
Net interest income	16	434,513	549,304
Fees and commissions	17	109,890	495,062
Other operating revenue:			
Foreign exchange gains/(losses)		491,112	(61,339)
Gains from securities trading		10,698	17,417
Other revenue		140,630	114,212
		1,186,843	1,114,656
Operating expenses:			
Staff costs	18	(197,526)	(307,725)
Depreciation	8	(20,773)	(7,493)
Other		(551,875)	(447,600)
		(770,174)	(762,818)
Profit before income tax	19	416,669	351,838
Income tax	20	(129,665)	(122,084)
Profit for the year		287,004	229,754
Other comprehensive loss:			
Change in fair value of available-for-sale investments, net of taxation		(28,222)	(6,244)
Total comprehensive income		258,782	223,510

The accompanying notes form an integral part of the financial statements.

CITIBANK, N.A.
[Incorporated in the U.S.A. with limited liability]

JAMAICA BRANCH

Statement of Changes in Head Office's Equity
Year ended December 31, 2011

	Assigned capital $'000 [Note 15(a)]	Reserve fund $'000 [Note 15(b)]	Retained earnings reserve $'000 [Note 15(c)]	Fair value reserve $'000 [Note 15(d)]	Loan loss reserve $'000 [Note 15(e)]	Unremitted profits $'000	Total $'000
Balances at December 31, 2009	207,609	207,609	1,016,252	16,574	25,501	1,728,249	3,201,794
Comprehensive income for the year:							
Profit for the year	-	-	-	-	-	229,754	229,754
Other comprehensive loss	-	-	-	(6,244)	-	-	(6,244)
Total comprehensive income for the year	-	-	-	(6,244)	-	229,754	223,510
Movement between reserves:							
Transfer to retained earnings reserve	-	-	512,340	-	-	(512,340)	-
Transfer to loan loss reserve	-	-	-	-	11,416	(11,416)	-
	-	-	512,340	-	11,416	(523,756)	-
Balances at December 31, 2010	207,609	207,609	1,528,592	10,330	36,917	1,434,247	3,425,304
Comprehensive income for the year:							
Profit for the year	-	-	-	-	-	287,004	287,004
Other comprehensive loss	-	-	-	(28,222)	-	-	(28,222)
Total comprehensive income for the year	-	-	-	(28,222)	-	287,004	258,782
Movement between reserves:							
Transfer to loan loss reserve	-	-	-	-	90,010	(90,010)	-
Balances at December 31, 2011	207,609	207,609	1,528,592	(17,892)	126,927	1,631,241	3,684,086

The accompanying notes form an integral part of the financial statements.

CITIBANK, N.A.
[Incorporated in the U.S.A. with limited liability]

JAMAICA BRANCH

Statement of Cash Flows
Year ended December 31, 2011

	Notes	2011 $'000	2010 $'000
Cash flows from operating activities:			
Profit for the year		287,004	229,754
Adjustments for:			
Depreciation	8	20,773	7,493
Interest income	16	(543,601)	(662,334)
Interest expense	16	109,088	113,030
Income tax charge	20	129,665	122,084
Unrealised foreign exchange loss		7,872	9,211
Loss on disposal of fixed assets		2,045	-
		12,846	(180,762)
Change in:			
Loans		(1,365,585)	(1,046,160)
Employee benefit asset/obligation, net		(300,339)	(230,054)
Other assets		137,014	70,657
Deposits from customers		2,959,941	(48,258)
Other liabilities		125,913	47,500
		1,569,790	(1,387,077)
Interest received		492,732	1,323,157
Interest paid		(102,841)	(140,136)
Income tax paid		(146,306)	(415,444)
Net cash provided/(used) by operating activities		1,813,375	(619,500)
Cash flows from investing activities:			
Investment securities		90,844	4,180,523
Resale agreements		(3,901,781)	(1,617,290)
Purchase of property, plant and equipment	8	(272,312)	(21,924)
Net cash (used)/provided by investing activities		(4,083,249)	2,541,309
Cash flows from financing activities:			
Notes payable, being net cash provided/(used) by financing activities		213,501	(40,553)
Net (decrease)/increase in cash and cash equivalents		(2,056,373)	1,881,256
Effect of exchange rate fluctuations on cash and cash equivalents		(11,802)	(22,442)
Cash and cash equivalents at beginning of year		9,096,952	7,238,138
Cash and cash equivalents at end of year	4	7,028,777	9,096,952

The accompanying notes form an integral part of the financial statements.

1. Identification

   Citibank, N.A., Jamaica Branch ("the branch") is domiciled in Jamaica and is a branch of Citibank, N.A. ("Head office"). Its ultimate holding company is Citigroup Inc. Both Citibank, N.A. and its ultimate holding company are incorporated in the United States of America. The branch operates under a licence granted under the Banking Act. The principal place of business is located at 19 Hillcrest Avenue, Kingston 6.

   The principal activities of the branch are banking and related financial services.

2. Statement of compliance and basis of preparation

   (a) Statement of compliance:

   The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, and comply with the provisions of the Jamaican Companies Act ("the Act").

   New, revised and amended standards and interpretations that became effective during the year

   Certain new, revised and amended standards and interpretations came into effect during the financial year under review. Based on the branch's current operations, none of them had any significant effect on the amounts and disclosures in the financial statements, except that the amendment to IFRS 7, Financial Instruments: Disclosures, led to some changes in the qualitative and quantitative disclosures relating to credit risk. The changes are reflected in note 24 to these financial statements, viz:

   (i) Disclosure of the amount of the branch's 'maximum exposure to credit risk without considering any collateral held' is now made only if the carrying amount of the financial asset does not already reflect such exposure.

   (ii) Previously, the branch disclosed the existence and nature of collateral held as security and other credit enhancements in respect of a financial instrument. As required by the amendment, it now, in addition, discloses the financial effect of such collateral.

   (iii) The disclosure of the nature and carrying amount of collateral obtained by the branch as a result of a debtor's default (a foreclosure), including policies for using the financial and non-financial assets that cannot be converted into cash immediately, is now required to be made only for collateral obtained and still held at the end of the reporting period.

   (iv) Where the terms of a financial asset that was not past due and not impaired were renegotiated, the carrying amount was disclosed; this is no longer required.

   (v) The disclosure of the description of collateral held as security and other credit enhancements in respect of financial assets that are past due or impaired, including an estimate of their fair value, is no longer required. The collateral for all financial assets held, not just past due or impaired, is disclosed. (See (ii) above).

2. Statement of compliance and basis of preparation (cont'd)

(a) Statement of compliance (cont'd):

New, revised and amended standards and interpretations that are not yet effective

At the date of approval of the financial statements, certain new, revised and amended standards and interpretations were in issue but were not yet effective and had not been early-adopted. The branch has assessed them with respect to its operations and has concluded that the following may be relevant:

- IFRS 7, *Financial Instruments: Disclosures*, has been amended by the issue of "Amendment to IFRS 7, Disclosures – Transfer of Financial Assets", which is effective for annual reporting periods beginning on or after July 1, 2011. The amendment requires disclosure of information that enables users of financial statements to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities and to evaluate the nature of and risks associated with the entity's continuing involvement in these derecognised assets.

- IAS 1, *Presentation of Financial Statements*, has been amended by the issue of a document entitled *Presentation of Items of Other Comprehensive Income*, effective for annual reporting periods beginning on or after July 1, 2012, to require a reporting entity to present separately the items of other comprehensive income (OCI) that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. Consequently an entity that presents items of OCI before related tax effects will also have to allocate the aggregated tax amount between these sections. The existing option to present the profit or loss and other comprehensive income in two statements has not changed. The title of the statement has changed from 'Statement of Comprehensive Income' to 'Statement of Profit or Loss and Other Comprehensive Income'. However, an entity is still allowed to use other titles.

- IAS 12, *Income Taxes*, has been amended, effective for annual reporting periods beginning on or after January 1, 2012, to require an entity to measure deferred taxes relating to an asset based on whether the entity expects to recover the carrying amount of the asset through use or sale.

- IFRS 13, *Fair Value Measurement*, which is effective for annual reporting periods beginning on or after January 1, 2013, defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value and is applicable to assets, liabilities and an entity's own equity instruments that, under other IFRSs, are required or permitted to be measured at fair value or when disclosure of fair values is provided. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

2. Statement of compliance and basis of preparation (cont'd)

(a) Statement of compliance (cont'd):

New, revised and amended standards and interpretations that are not yet effective (cont'd)

- IFRS 9, *Financial Instruments*, which is effective for annual reporting periods beginning on or after January 1, 2015 (previously January 1, 2013), retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. It also includes guidance on classification and measurement of financial liabilities designated as at fair value through profit or loss and incorporates certain existing requirements of IAS 39, Financial Instruments: Recognition and Measurement, on the recognition and de-recognition of financial assets and financial liabilities.

- IAS 19, *Employee Benefits*, has been amended, effective for annual reporting periods beginning on or after January 1, 2013, to require all actuarial gains and losses to be recognised immediately in other comprehensive income. This change will remove the corridor method and eliminate the ability of entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss. The expected return on plan assets recognised in profit or loss is to be calculated based on the rate used to discount the defined benefit obligation. The amendment also includes changes to the definitions and disclosure requirements in the current standard.

The branch is assessing the impact, if any, that these new, revised and amended standards and interpretations will, when they become effective, have on its future financial statements.

(b) Basis of measurement:

The financial statements are prepared on the historical cost basis, modified for the inclusion of available-for-sale investments at fair value. In addition:

- the defined benefit asset is recognised as the value of plan assets, plus unrecognised past service cost, less the present value of the defined benefit obligation, and is limited as explained in note 3(k); and

- the defined benefit liability is the present value of the funded obligation minus unrecognised past service cost.

(c) Functional and presentation currency:

The financial statements are presented in Jamaica dollars, which is the functional currency of the branch, rounded to the nearest thousand.

2. Statement of compliance and basis of preparation (cont'd)

(d) Accounting estimates and judgements:

The preparation of the financial statements in conformity with IFRS and the Act requires management to make judgments, estimates and assumptions that affect the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended. Actual amounts could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The significant assumptions about the future and key areas of estimation uncertainty and the critical judgements made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements, and have a significant risk of material adjustment in the next financial year, are as follows:

(i) Key sources of estimation uncertainty

- Pension and other post-employment benefits:

  The amounts recognised in the statement of financial position and statement of comprehensive income for pension and other post-employment benefits are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised in the financial statements include expected long-term return on plan assets, the discount rate used to determine the present value of estimated future cash flows required to settle the pension and other post-employment obligations and the expected rate of increase in medical costs for post-retirement medical benefits.

  The expected return on plan assets assumed considers the long-term historical returns, asset allocation and future estimates of long-term investment returns. The discount rate is determined based on the estimate of yield on long-term government securities that have maturity dates approximating the terms of the branch's obligation; in the absence of such instruments in Jamaica, it has been necessary to estimate the rate by extrapolating from the longest-tenor security on the market. The estimate of expected rate of increase in medical costs is based on inflationary factors. Any changes in these assumptions will impact the amounts recorded in the financial statements for these obligations.

2. Statement of compliance and basis of preparation (cont'd)

(d) Accounting estimates and judgements (cont'd):

(i) Key sources of estimation uncertainty (cont'd)

- Allowance for loan losses:

  Allowance for loan losses represents management's estimate of losses inherent in the portfolio. Credit losses are deducted from the allowance and subsequent recoveries are added.

  In determining amounts recorded for impairment of loan losses in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from loans, for example, due to repayment default or adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired loans as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individually significant loans and loan portfolios with similar characteristics, such as credit risks.

- Useful life and residual value of property, plant and equipment:

  The residual value and useful life of property, plant and equipment are reviewed at the reporting date, and, if expectations differ from previous estimates, the change is accounted for as a change in accounting estimates. The useful life of an asset is defined in terms of the assets expected utility to the branch.

- Fair value of financial instruments:

  In the absence of quoted market prices, the fair value of a significant portion of the branch's financial instruments was determined by surveying market participants to obtain indicative prices.

  Considerable judgement is required in interpreting market data to arrive at estimates of fair value or in selecting inputs for price estimation models, particularly since pricing inputs include data not observed in actual market transactions but indicative information. Consequently, the estimates arrived at may be significantly different from the actual price of the instrument in an arm's length transaction.

- Contingent liabilities:

  The branch is the defendant in various lawsuits. The attorneys handling the cases for the branch have given their opinion on the likely outcome of these cases, based on, *inter alia*, established case law. Where the attorneys have indicated that the outcomes of cases are likely to be in the branch's favour, or where amounts to be awarded are uncertain, no provision has been included in the financial statements.

2. Statement of compliance and basis of preparation (cont'd)

(d) Accounting estimates and judgements (cont'd):

(ii) Critical accounting judgements made in applying the branch's accounting policies:

The branch's accounting policies provide scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances. In classifying financial assets as loans and receivables, the branch has determined that it has met the criteria for this designation as set out in accounting policy note 3(c).

3. Significant accounting policies

(a) Financial assets and liabilities:

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

(i) Recognition:

The branch initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date that they are originated. All other financial assets and liabilities are initially recognised on the trade date, i.e., the date at which the branch becomes a party to the contractual provisions of the instrument.

(ii) Derecognition:

The branch derecognises a financial instrument when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the branch is recognised as a separate asset or liability on the statement of financial position.

The branch enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions. The branch derecognises a financial liability when its contractual obligations expire or are discharged or cancelled.

(iii) Offsetting:

Financial assets and liabilities are offset and the net amount presented in the statement of financial position only when the branch has a legal right to set off the recognised amounts and it intends to settle on a net basis or to realise the assets and settle the liability simultaneously.

3. Significant accounting policies (cont'd)

(a) Financial assets and liabilities (cont'd):

(iv) Amortised cost:

Amortised cost is calculated using the effective interest method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

(v) Fair value measurement principles:

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.

Determination of fair value:

A financial asset or liability is measured initially at fair value. The best evidence of fair value at initial recognition is the transaction price, unless the fair value of that instrument is evidenced by comparison with other observable current market transaction in the same instrument or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss, or other comprehensive income for changes in the fair value of available-for-sale assets.

When the available-for-sale assets are impaired, sold, collected or otherwise disposed of, the cumulative gain or loss recognised in other comprehensive income is included in profit or loss.

The fair values of cash and cash equivalents, resale agreements, cheques and other items in transit, other assets, customers' liabilities under acceptances, due to other banks and financial institutions, repurchase agreements and other liabilities are considered to approximate their carrying values.

The fair values of available-for-sale securities are the amounts at which these securities are carried (see note 7) in accordance with policy note 3 (e). These values are based on quoted prices in an active market, where available, or determined by a suitable alternative method.

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Notes to the Financial Statements (Continued)
December 31, 2011

3. Significant accounting policies (cont'd)

(a) Financial assets and liabilities (cont'd):

(v) Fair value measurement principles (cont'd)

A market is regarded as active if quoted prices are readily and regularly available from an exchange dealer, broker or other agency and represent actual and regularly occurring market transactions on an arm's length basis. In the absence of an active market, other valuation techniques are used. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the branch and is consistent with accepted economic methodologies for pricing financial instruments.

Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. Any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured, is stated at cost, including transaction costs, less impairment losses. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the reporting date for an instrument with similar terms and conditions.

The estimated fair value of loans is assumed to be the principal receivable less any provision for losses, as these financial assets are generally repriced when market interest rates change.

The fair values of deposits and notes payable are considered to approximate their carrying values, as they bear rates which approximate market rates prevailing at the reporting date.

(vi) Cash and cash equivalents:

Cash and cash equivalents comprise cash on hand, cash deposited with the central bank and other short-term deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. These are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(vii) Other assets:

Other assets are stated at amortised cost less impairment losses.

(viii) Other liabilities:

Other liabilities are stated at amortised cost.

3. Significant accounting policies (cont'd)

(b) Resale and repurchase agreements:

Transactions involving purchases of securities under resale agreements (‘resale agreements’ or ‘reverse repos’) or sales of securities under repurchase agreements (‘repurchase agreements’ or ‘repos’) are accounted for as short-term collateralised lending and borrowing, respectively. Accordingly, securities sold under repurchase agreements remain on the statement of financial position and are measured in accordance with their original measurement principles. The proceeds of sale are reported as liabilities and are carried at amortised cost. Securities purchased under resale agreements are reported not as purchases of the securities, but as receivables and are carried in the statement of financial position at amortised cost. It is the policy of the branch to obtain possession of collateral with a market value in excess of the principal amount loaned under resale agreements.

The difference between the amount borrowed or invested and the amount repaid or collected is recognised as interest expense or interest income, respectively, in the profit or loss over the life of each agreement using the effective interest method.

(c) Loans and advances:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those which the branch classifies as held-for-trading, and those that the branch designates as at fair value through profit or loss or those that, on initial recognition, are designated as available-for-sale.

Loans are identified as impaired and placed on a cash (non-accrual) basis when it is determined that the payment of interest or principal is doubtful, or when interest or principal is 90 days past due, except when the loan is adequately collateralised and in the process of collection. Any interest accrued on impaired corporate loans is reversed after 90 days and charged against current earnings, and interest is thereafter included in earnings only to the extent actually received in cash.

When there is a doubt regarding the ultimate collectability of principal, all cash receipts are thereafter applied to reduce the recorded investment in the loan. Impaired corporate loans are written down to the extent that principal is judged to be uncollectible. Impaired collateral-dependent loans, where repayment is expected to be provided solely by the sale of the underlying collateral and there are no other available and reliable sources of repayment, are written down to the lower of cost or collateral value. Cash-basis loans are returned to accrual status when all contractual principal and interest amounts are reasonably assured of repayment and there is a sustained period of repayment performance in accordance with the contractual terms.

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Notes to the Financial Statements (Continued)
December 31, 2011

3. Significant accounting policies (cont'd)

(d) Financial guarantees:

Financial guarantees are contracts that require the branch to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are recognised initially at their fair value, and the initial fair value is amortised over the life of the financial guarantee. Financial guarantees are included in other liabilities.

Substantially all the risks and rewards of ownership of the collateral are transferred to the branch during the life of the financial guarantee. Under guarantee transactions the branch obtains collateral to cover the total of the liability. These are recognised at fair value, as a financial asset, equal to the amount of the financial guarantee liability. Financial guarantees are derecognised when they expire and the terms of contract are fulfilled.

(e) Investment securities:

Securities acquired or loans granted or other receivables that have a fixed or determinable payment and which are not quoted in an active market are classified as loans and receivables. All other investments are classified as available-for-sale instruments.

Loans and receivables are initially measured at cost and subsequently at amortised cost less impairment losses. Available-for-sale investments are non-derivative assets that are measured initially at cost and subsequently at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and, in the case of debt securities, foreign exchange gains and losses. Where fair value cannot be reliably measured, the securities are stated at cost. Where the securities are disposed of, or impaired, the related accumulated unrealised gains or losses are recognised in profit or loss. Investments are recognised/derecognised on the day they are transferred to/from the branch.

(f) Property, plant and equipment:

(i) Basis of measurement:

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

- Relevant costs

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self constructed assets includes the cost of material and direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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Notes to the Financial Statements (Continued)
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3. Significant accounting policies (cont'd)

(f) Property, plant and equipment (cont'd):

(i) Basis of measurement (cont'd):

- Costs subsequent to acquisition of construction

  The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part flow to the branch and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss.

(ii) Depreciation:

Depreciation is recognised in profit or loss on the straight-line basis at rates estimated to write-down the relevant assets, over their expected useful lives, to their residual values. Depreciation rates are as follows:

Motor vehicles	20%
Computers	33⅓%
Installation, furniture & equipment	10 and 20%

The depreciation methods, useful lives and residual values are reassessed at the reporting date and adjusted if appropriate.

(g) Interest income and expense:

Interest income and expense are recognised in profit or loss on the accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the branch estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense are recognised in profit or loss on the accrual basis using the effective interest method, except that where collection of interest income is considered doubtful or payment is outstanding for 90 days or more, the cash basis is used. Accrued interest on loans which are in arrears for 90 days and over is excluded from income in accordance with the Banking Act.

3. Significant accounting policies (cont'd)

(g) Interest income and expense (cont'd):

IFRS requires that when collection of loans becomes doubtful, such loans are to be written down to their recoverable amounts after which interest income is to be recognised based on the rate of interest that was used to discount the future cash flows in arriving at the recoverable amount. Future interest receipts are taken into account in estimating future cash flows from the instrument; if no contractual interest payments will be collected, then the only interest income recognised is the unwinding of the discount on those cash flows expected to be received. The branch has elected to comply with the Banking Act. The difference between the interest recognised under the Banking Act and that recognised under IFRS has been assessed as immaterial.

(h) Fees and commission:

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. When a loan commitment is expected to result in the drawn-down of a loan, loan commitment fees are recognised on the straight-line basis over the commitment period.

Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

(i) Allowance for impairment:

The allowance to cover specific losses on the credit portfolio is maintained at a level considered adequate to provide for potential loan losses and is based on management's evaluation of individual loans in the credit portfolio. Amounts are written off from the provision whenever management has concluded that such amounts may not be recovered.

The evaluation of individual loans takes all relevant matters into consideration, including prevailing and anticipated business and economic conditions, the collateral held, the debtor's ability to repay the loan and the requirements of section 17 of the Banking Act.

- The Banking Act requires that appropriate specific provision be made for all loans on which interest payments and principal repayments are ninety or more days in arrears. Bank of Jamaica has established guidelines/regulations for computing the specific provisions.

  Bank of Jamaica has also established regulations requiring that general provisions be made on the credit portfolio at ½% on mortgage loans and 1% on other credits.

3. Significant accounting policies (cont'd)

(i) Allowance for impairment (cont'd):

- IFRS permits only specific loan loss allowances and requires that the expected future cash flows of impaired loans be discounted and the increase in the present value be reported as interest income.

The loan loss provision required under the Banking Act that is in excess of the requirements of IFRS is treated as an appropriation of unremitted profits and included in a non-distributable loan loss reserve [note 15(e)].

(j) Foreign currency:

Transactions in foreign currencies are translated into the functional currency of the branch at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the spot exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(k) Employee benefits:

Employee benefits are all forms of consideration given by the branch in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, NIS contributions, annual vacation leave, and non-monetary benefits such as medical care and housing; post-employment benefits such as pensions; and other long-term employee benefits such as termination benefits.

3. Significant accounting policies (cont'd)

(k) Employee benefits (cont'd):

(i) General benefits:

Employee benefits that are earned as a result of past or current service are recognised in the following manner: Short-term employee benefits are recognised as a liability, net of payments made, and are expensed as the related service is provided. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave. Post employment benefits which comprise pensions and health care, are accounted for as described in paragraphs (ii) and (iii) below. Other long-term benefits, including termination benefits, which arise when either: (1) the employer decides to terminate an employee's employment before the normal retirement date, or (2) an employee decides to accept voluntary redundancy in exchange for termination benefits, are accrued as they are earned during service and charged as an expense, unless not considered material, in which case they are charged when they fall due for actual payment.

The branch has established a defined-benefit pension plan to provide post-employment pensions (see note 10).

(ii) Defined benefit pension plan

In respect of defined-benefit arrangements, employee benefits, and obligations included in the financial statements are determined by a qualified independent actuary, appointed by management. The appointed actuary's report outlines the scope of the valuation and the actuary's opinion. The actuarial valuations are conducted in accordance with IAS 19, and the financial statements reflect the branch's post-employment benefit asset and obligation as computed by the actuary. In carrying out their audit, the auditors rely on the work of the actuary and the actuary's report.

The branch's net obligation under its defined-benefit pension plan is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that value is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is determined by reference to the yield at the reporting date on long-term government securities with maturities approximating the terms of the branch's obligation. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of the plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are vested immediately, the expense is recognised immediately in profit or loss.

3. Significant accounting policies (cont'd)

(k) Employee benefits (cont'd):

(ii) Defined benefit pension plan (cont'd)

To the extent that any cumulative unrecognised gain or loss exceeds ten (10) percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the statement of comprehensive income over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised. Where the calculation results in a benefit to the branch, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

(iii) Health care

The branch's obligation in respect of unfunded long-term employee health care benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The discount rate is determined as per the defined benefit pension plan set out above. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

(iv) Employee equity compensation plans

The Head Office has certain equity compensation plans under which it administers stock options, stock awards and stock purchase programs and in which the branch participates.

Under the stock award program, a specified portion of a participant's incentive compensation is made in the form of a restricted or deferred stock award. Vesting periods for restricted and deferred stock awards generally range from 3 to 5 years. The cost of providing stock awards is charged in profit or loss as the awards become vested. The amounts involved are not considered material.

All stock options are granted on Citigroup's common stock with exercise prices equal to the fair market value at the time of the grant. Options have varying terms depending on the year they were granted. The cost of the employee's exercise of the options is borne by Citigroup.

3. Significant accounting policies (cont'd)

(l) Related parties:

A related party is a person or entity that is related to the company, also referred to as reporting entity.

(1) A person or a close member of that person's family is related to the branch if that person:

(i) has control or joint control over the branch;

(ii) has significant influence over the branch; or

(iii) is a member of the key management personnel of the branch or of a parent of the branch.

(2) An entity is related to the branch if any of the following conditions applies:

(i) The entity and the branch are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the branch or an entity related to the branch.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

3. Significant accounting policies (cont'd)

(m) Income tax expense:

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

(i) Current income tax

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred income tax:

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on laws that have been enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be realised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3. Significant accounting policies (cont'd)

(n) Impairment:

The carrying amounts of the branch's assets are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such evidence exists, the asset's recoverable amount is estimated at each reporting date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

(i) Calculation of recoverable amount:

The recoverable amount of loans receivable is determined as indicated in accounting policy 3(c). The recoverable amount of the branch's investment securities and other assets is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset.

The recoverable amount of assets other than loans or receivables is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment:

An impairment loss in respect of a loan or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an equity instrument classified as available-for-sale is not reversed through profit or loss if the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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4. Cash and cash equivalents

	2011 $'000	2010 $'000
Notes and coins, money at call, and deposits and cash reserves at Bank of Jamaica	1,793,410	1,546,524
Due from fellow subsidiary	6,161	5,789
Accounts with head office	5,002,152	6,903,228
Accounts with other branches	32,592	42,885
Cheques and other items in transit	64,947	233,526
Accounts with other financial institutions	129,515	365,000
	7,028,777	9,096,952

Of the total deposits held with the Bank of Jamaica, $1,103,903,000 (2010: $1,083,603,000) is held in compliance with section 14(1) of the Banking Act, which requires that every licensee maintains a cash reserve, in the form of a deposit with Bank of Jamaica, of a specified percentage of its deposit liabilities. No portion of the cash reserves is available for investment or other use by the branch. The specified percentage in force at the end of the year for Jamaican currency was 12% (2010: 12%) and for foreign currency 9% (2010: 9%).

5. Resale agreements

At the reporting date, the fair value of the underlying securities held for resale agreements was $6,347,548,000 (2010: $1,809,215,000).

6. Loans, less allowance for impairment

(a) Loans, net of allowance for impairment, are due, from the reporting date as follows:

	2011 $'000	2010 $'000
Within 3 months	2,135,760	986,636
3 months -12 months	521,763	6,490
1-5 years	760,273	1,053,249
5 years & over	26,356	32,192
	3,444,152	2,078,567

The branch's four most significant customers (in the manufacturing and financial insitution sectors*)* account for $2,871,440,000 representing 83.37% of total loans.

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6. Loans, less allowance for impairment (cont'd)

(b) Impairment losses

The aging of loans, net of allowance for impairment losses, is as follows:

	2011 $'000		2010 $'000	
	Gross	Allowance for impairment	Gross	Allowance for impairment
Not past due and not impaired	3,366,069	-	1,972,590	-
Past due and not impaired	-	-	105,977	-
Past due and impaired	106,750	28,667	-	-
	3,472,819	28,667	2,078,567	-

The portion of the provision for credit losses in excess of that required by *IAS 39* is determined under Bank of Jamaica regulatory requirements and reflected as a non-distributable loan loss reserve in equity, as follows:

	2011 $'000	2010 $'000
At beginning of year	36,917	25,501
Recognised during the year	90,010	11,416
At end of year	126,927	36,917
Provision made in accordance with IAS 39	28,667	-
Additional provision made in accordance with regulatory requirements	126,927	36,917
	155,594	36,917

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Notes to the Financial Statements (Continued)
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6. Loans, less provision for probable losses (cont'd)

(c) The maximum exposure to credit risk for loans is the amount in the statement of financial position. Loans are concentrated by industry sector as follows:

	Number of loans 2011	Number of loans 2010	2011 $'000	2010 $'000
Financial institutions	5	-	1,424,820	-
Professional and other services	1	5	2	18,387
Individuals	132	161	71,941	70,270
Manufacturing	8	9	1,002,111	1,051,054
Distribution	3	3	940,000	928,300
Public sector	1	1	5,278	10,556
	150	179	3,444,152	2,078,567

(d) At the reporting date, loans receivable on which interest is no longer being accrued amounted to $106,751,000 (2010: $105,977,000).

(e) At the reporting date, there were no renegotiated loans (2010: None).

7. Investment securities

	2011 $'000	2010 $'000
Available for sale securities:		
Corporate bond	816,814	-
Securities issued or guaranteed by Government of Jamaica:		
Debentures	684,628	395,866
Bonds (denominated in United States dollars)	346,409	340,226
Investment bond	13,013	643,801
Certificates of deposit	-	600,056
	1,044,050	1,979,949
Unquoted equities:		
Interest in Automated Payments Limited [see (a) below]	5,020	5,020
	1,865,884	1,984,969

(a) This represents a 14.29% (2010: 14.29%) holding by the branch in Automated Payments Limited, a company established and co-owned by commercial banks operating in Jamaica to provide automated clearing facilities to the commercial banking system.

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8. Property, plant and equipment

	Motor vehicles	Computers and installation	Work-in-progress	Furniture & equipment	Total
	$'000	$'000	$'000	$'000	$'000
Cost:					
December 31, 2009	6,130	21,868	16,667	93,239	137,904
Additions	-	-	14,488	7,436	21,924
December 31, 2010	6,130	21,868	31,155	100,675	159,828
Additions	-	172,144	-	100,168	272,312
Reclassifications	-	24,311	(31,155)	6,844	-
Disposals	-	(16,992)	-	(19,734)	(36,726)
December 31, 2011	6,130	201,331	-	187,953	395,414
Depreciation:					
December 31, 2009	3,167	18,180	-	85,701	107,048
Charge for year	1,226	971	-	5,296	7,493
December 31, 2010	4,393	19,151	-	90,997	114,541
Eliminated on disposal	-	(15,622)	-	(19,056)	(34,678)
Charge for year	1,226	7,118	-	12,429	20,773
December 31, 2011	5,619	10,647	-	84,370	100,636
Net book values:					
December 31, 2011	511	190,684	-	103,583	294,778
December 31, 2010	1,737	2,717	31,155	9,678	45,287
December 31, 2009	2,963	3,688	16,667	7,538	30,856

9. Other assets

	2011	2010
	$'000	$'000
Interest receivable	76,164	25,293
Prepayments and items in course of clearing	53,415	13,520
Foreign currency contracts	187	-
Other	45,764	37,851
	175,530	76,664

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10. Employee benefits

The branch operates a defined benefit pension plan [see note 3(k)] which is open to all permanent employees and is managed by Scotia Investments Jamaica Limited (formerly Scotia DBG Investments Limited). The pension plan is funded by employee contributions at rates varying between 5% and 10% of salary, and employer contributions at rates recommended by independent actuaries from time to time. Pension benefits are based on average salary for the last three years of pensionable service. The branch also operates an insured health plan covering employees and pensioners. The employer contributes 80% of the premium for the pensioners and 80% for employees.

(a) Employee benefit asset/(obligation):

	Pension asset		Health care obligation	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Present value of obligations	(752,307)	(415,224)	(130,995)	(82,844)
Fair value of plan assets	1,479,822	1,274,415	-	-
Asset not recognised	-	(409,514)	-	-
Unrecognised actuarial (gains)/losses	(82,812)	(120,988)	79,800	47,324
Net asset/(obligation) at end of year	644,703	328,689	(51,195)	(35,520)

(b) Movements in the net asset/(obligation) recognised in the statement of financial position:

	Pension asset		Health care obligation	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Net asset/(obligation) at January 1	328,689	92,846	(35,520)	(29,731)
Contributions	85	86	944	834
Credit/(expense) recognised in statement of comprehensive income	315,929	235,757	(16,619)	(6,623)
Net asset/(obligation) at December 31	644,703	328,689	(51,195)	(35,520)

(c) (i) Movements in the present value of obligations:

	Pension asset		Health care obligation	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Balance at January 1	415,224	249,387	(82,844)	(30,965)
Benefits paid	(13,541)	(13,584)	944	1,158
Service and interest costs	79,125	56,962	(15,100)	(7,301)
Employees Contribution	14,614	-	-	-
Past Service Cost – vested & non-vested	120,953	-	-	-
Actuarial gain	135,932	122,459	(33,995)	(45,736)
Balance at December 31	752,307	415,224	(130,995)	(82,844)

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Notes to the Financial Statements (Continued)
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10. Employee benefits (cont'd)

(c) (ii) Movements in fair value of pension plan assets:

	2011 $'000	2010 $'000
Fair value of plan assets at January 1	1,274,415	1,131,646
Contributions paid	14,699	13,599
Expected return on plan assets	105,651	123,124
Benefits paid	(13,541)	(13,584)
Actuarial gain	98,598	19,630
Fair value of plan assets on December 31	1,479,822	1,274,415

(iii) Plan assets consist of the following:

	2011 $'000	2010 $'000
Equities	407,779	245,345
Fixed income securities	1,072,043	1,029,070
	1,479,822	1,274,415

(d) (Credit)/expense recognised in profit or loss:

	Pension asset		Health care obligation	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Current service costs	18,347	2,500	5,435	2,152
Interest on obligation	60,778	40,949	9,665	5,150
Actuarial gains recognised	-	(4,424)	1,493	(7)
Income not eligible for recognition due to limitation	(409,813)	(150,435)	-	-
Past service cost – vested & non-vested	120,953	-	-	-
Expected return on plan assets	(106,194)	(124,347)	-	-
Expense/(credit) recognised in profit (note 19)	(315,929)	(235,757)	16,593	7,295
Actual return on plan assets	8.28%	11.30%		

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Notes to the Financial Statements (Continued)
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10. Employee benefits (cont'd)

(e) Principal actuarial assumptions at the reporting date (expressed as weighted averages)

	Pension plan		Health benefit obligation	
	2011	2010	2011	2010
	%	%	%	%
Discount rate	10.00	11.00	10.00	11.00
Expected return on plan assets at December 31	8.00	8.00	-	-
Future salary increases	8.50	8.50	-	-
Future pension increases	3.75	4.25	-	-
Future health cost increases	-	-	9.00	8.50

The overall expected long-term rate of return on assets is 8% (2011: 8%). The expected long-term rate of return is based on the experience of the plan and represents the best estimate of anticipated experience under the plan.

(f) Historical information for pension plan:

	2011	2010	2009	2008	2007
	$'000	$'000	$'000	$'000	$'000
Present value of the defined benefit obligation	(752,307)	(415,224)	(249,387)	(181,950)	(214,768)
Fair value of plan assets	1,479,822	1,274,415	1,131,646	950,760	907,472
Surplus in plan	727,515	859,191	882,259	768,810	692,704
Experience adjustments arising on plan liabilities	24,941	20,058	17,881	13,740	137,647
Experience adjustments arising on plan assets	97,667	19,630	89,771	55,057	12,727

(g) Assumed health care cost trend rates have a significant effect on the amounts recognised in profit or loss. A one percentage point change in assumed healthcare cost trend rates would have the following effects:

	One percentage point decrease		One percentage point increase	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Effect on the aggregate service and interest cost	(65,854)	(5,802)	19,673	8,787
Effect on the defined benefit obligation	(11,380)	(24,983)	102,608	35,775

(h) The estimated pension contribution expected to be paid into the plan for the next financial year is $87,600 (2011: $84,100).

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11. Deposits

Depositors fall into the following groups:

	2011 $'000	2010 $'000
Public authorities	68,355	17,264
Financial institutions	7,600,992	5,491,198
Commercial and business enterprises	7,000,847	6,210,131
Others	22,995	20,343
	14,693,189	11,738,936

12. Notes payable

These represent unsecured promissory notes, repayable by March 31, 2012 and bearing interest at rates between 6.5% & 10% per annum.

13. Other liabilities

	2011 $'000	2010 $'000
Manager's cheques	232,434	180,263
Interest payable	14,899	1,733
Other	261,288	302,230
	508,621	484,226

14. Deferred taxation

Deferred taxation is attributable to the following:

	Assets		Liabilities		Net	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Investments	8,945	-	-	(5,165)	8,946	(5,165)
Property, plant and equipment	-	-	(1,875)	(1,064)	(1,875)	(1,064)
Employee benefit asset	-	-	(214,901)	(109,563)	(214,901)	(109,563)
Other liabilities	1,705	1,702	-	-	1,705	1,702
Unrealised foreign exchange gain	2,562	5,666	-	-	2,562	5,666
Employee benefit obligation	17,065	11,840	-	-	17,065	11,840
Net assets/(liabilities)	30,277	19,208	(216,776)	(115,792)	(186,498)	(96,584)

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14. Deferred taxation (cont'd)

Movements in temporary differences during the year were as follows:

	2011			
	Balance at January 1 $'000	Recognised in profit for year $'000 (note 21)	Recognised in other comprehensive income $'000	Balance at December 31 $'000
Investments	(5,165)	-	14,111	8,946
Property, plant and equipment	(1,064)	(812)	-	(1,876)
Employee benefit asset	(109,563)	(105,338)	-	(214,901)
Other liabilities	1,702	3	-	1,705
Unrealised foreign exchange gain	5,666	(3,104)	-	2,562
Employee benefit obligation	11,840	5,225	-	17,065
	(96,584)	(104,026)	14,111	(186,499)

	2010			
	Balance at January 1 $'000	Recognised in profit for year $'000 (note 21)	Recognised in other comprehensive income $'000	Balance at December 31 $'000
Investments	(8,285)	-	3,120	(5,165)
Property, plant and equipment	5,413	(6,477)	-	(1,064)
Employee benefit asset	(30,949)	(78,614)	-	(109,563)
Other liabilities	1,303	399	-	1,702
Unrealised foreign exchange gain	-	5,666	-	5,666
Employee benefit obligation	9,910	1,930	-	11,840
	(22,608)	(77,096)	3,120	(96,584)

15. Assigned capital and reserves

(a) Assigned capital:

This represents the portion of the capital of Citibank, N.A., consisting of unencumbered assets, specifically assigned to the financing of its Jamaican operations.

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15. Assigned capital and reserves (cont'd)

(b) Reserve fund:

Under the Banking Act, the branch is required to transfer at least 15% of its profit after income tax to the reserve fund until the amount of the reserve fund is equal to 50% of the assigned capital; thereafter, it is required to transfer 10% of profit after tax until the amount of the reserve fund is equal to the assigned capital. No transfer was made to this fund during the year as it is equal to the assigned capital.

(c) Retained earnings reserve:

Under Section 8 of the Banking Act, the branch may transfer a portion of its net profit to a retained earnings reserve. This reserve constitutes a part of the capital base for the purpose of determining the maximum level of deposit liabilities and lending to customers. Transfers to retained earnings reserve are made at the discretion of the senior management of the branch; however, for it to be effective, the decision must be communicated to the Supervisor. There was no transfer to this reserve during the current year (2010: transfer of $512,340,000).

(d) Fair value reserve:

This represents unrealised gains/(losses), net of taxation, on the revaluation of available-for-sale investments.

(e) Loan loss reserve:

This is a non-distributable reserve representing allowance for impairment of credits [note 6(b)] as follows:

	2011 $'000	2010 $'000
Loans [note 6(b)]	111,891	22,063
Customers' liabilities under acceptances, guarantees and letters of credit, per contra	15,036	14,854
	126,927	36,917

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16. Net interest income

	2011 $'000	2010 $'000
Interest revenue		
Loans and receivables	398,733	210,656
Available-for-sale securities	144,868	451,678
Total interest income	543,601	662,334
Interest expense		
Deposits	72,315	54,182
Repurchase agreements	2,657	219
Short-term debt and other liabilities	34,116	58,629
Total interest expense	109,088	113,030
Net interest income	434,513	549,304

17. Fees and commissions

Fees and commissions include charges to customers, processing fees and annual fees; advisory, and equity and debt underwriting services; lending and deposit-related transactions, such as loan commitments, standby letters of credit, and other deposit and loan servicing activities; investment management-related fees including brokerage services, and custody and trust services; insurance fees; and commissions.

	2011 $'000	2010 $'000
Trade related	39,816	37,735
Cheque related	27,524	25,930
Corporate finance	10,644	15,599
Loan servicing	144	161
Cash management	31,762	29,749
Other	-	58
Investment management	-	385,830
Total fees and commissions	109,890	495,062

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18. Staff costs

	2011 $'000	2010 $'000
Salaries and wages	341,604	316,150
Statutory payroll contributions	53,475	41,694
Contributions for pension and other plans	12,329	18,783
Employee benefit credit [note 10(d)]	(315,929)	(235,757)
Employee benefit obligation expense [note 10(d)]	16,593	7,295
Other staff costs	89,454	159,560
	197,528	307,725

19. Profit before income tax

Profit before income tax is stated after charging:

	2011 $'000	2010 $'000
Impairment loss on loans	28,667	-
Auditors' remuneration	6,321	6,020

20. Income tax

(a) The income tax charge is computed at 33⅓% of the results for the year as adjusted for taxation purposes and comprises:

	2011 $'000	2010 $'000
(i) Current income tax:		
Provision based on current year's profit	26,111	46,748
Prior year over-provision	(472)	(1,760)
	25,639	44,988
(ii) Deferred income tax:		
Origination and reversal of temporary differences (note 14)	104,026	77,096
	129,665	122,084

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20. Income tax (cont'd)

(b) Reconciliation of effective tax charge:

The effective tax rate for 2011 was 31.12% (2010: 34.70%) of pre-tax profits compared to a statutory tax rate of 33⅓% (2010: 33⅓%). The actual expense differed from the "expected" tax expense for those years as follows:

	2011		2010	
	%	$'000	%	$'000
Profit before income tax		416,669		351,838
Computed "expected" tax charge at 33⅓%	33.33	138,890	33.33	117,279
Effect on tax of treating the following items differently for tax purposes than for financial statement purposes:				
Depreciation and capital allowances	(1.63)	(6,796)	1.87	6,565
Others	(0.47)	(1,957)	-	-
		130,137		123,844
Over provision of prior year's charge	(0.11)	(472)	(0.50)	(1,760)
Actual tax charge	31.12	129,665	34.70	122,084

(c) Income tax recognised in other comprehensive income (note 14):

	2011			2010		
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
Available-for-sale investment securities	42,333	(14,111)	28,222	9,364	(3,120)	6,244

21. Related party transactions

(a) Identity of related parties:

The branch has a related party relationship with its head office, parent, ultimate parent, fellow subsidiaries and other branches. Related parties include the directors and senior management of its head office, parent, ultimate parent, and fellow subsidiaries, and the executive members of the Country Coordinating Committee of the branch who are collectively referred to as "key management personnel".

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21. Related party transactions (cont'd)

(b) The statement of financial position includes balances arising from transactions with related parties as follows:

	2011 $'000	2010 $'000
Cash and cash equivalents:		
Other branches	5,040,905	8,661,901
Deposits:		
Other branches	3,601,788	21,977
Fellow subsidiaries	1,928,599	4,730,162
	5,530,387	4,752,139

(c) The statement of comprehensive income includes income earned from, and expenses incurred in, transactions with the head office, other branches and fellow subsidiaries, as follows:

	2011 $'000	2010 $'000
Interest revenue:		
Other branches	10,749	21,887
Fellow subsidiary	44,948	9,028
	55,697	30,915
Interest expense:		
Head office	5621	19,546
Other branches	-	8
Fellow subsidiaries	9,778	2,396
	15,399	21,950
Other operating revenue:		
Head office	23,442	20,076
Branches	80,599	85,043
Fellow subsidiaries	25,477	9,031
	129,518	114,150
Other operating expenses:		
Head office - administration expenses	31,277	27,112
Branches - service level agreement	4,993	5,478
Fellow subsidiary	181,522	181,393
	217,792	213,983

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21. Related party transactions (cont'd)

(c) (Cont'd)

	2011 $'000	2010 $'000
Key management personnel:		
Short-term employee benefits	127,039	172,539
Post-employment benefits	360,484	206,200
Other long-term benefits	21,304	13,556
	508,827	392,295

22. Fair value of financial instruments

The fair value of available-for-sale securities is set out in note 7. The fair value of other financial assets and financial liabilities shown in the statement of financial position approximate their carrying amounts.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: discounted cash flow technique using inputs from observable market data, i.e. average of several broker/dealer market indicative yields in active markets for identical assets or liabilities
- Level 3: valuation techniques using significant unobservable inputs.

	2011			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Available-for-sale investment securities	-	1,044,050	816,814	1,860,864

	2010			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Available-for-sale investment securities	-	1,979,949	-	1,979,949

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Notes to the Financial Statements (Continued)
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23. Financial risk management

(a) Introduction and overview:

The branch has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

These risks are managed through an established risk management framework for the branch. The branch has a risk management framework which seeks to balance strong corporate oversight with well-defined independent risk management functions within the business. An effective risk management culture is embedded in the organization, supported by this framework as well as by appropriate documented strategies, policies and processes, and by authority delegated throughout the organization.

The Country Coordinating Committee (CCC) has overall responsibility for the establishment and oversight of the branch's risk management framework. The CCC has established the Asset and Liability Committee (ALCO), Credit Committee and the Business Risk Compliance and Control Committee (BRCC), which are responsible for developing and monitoring branch risk management policies in specified areas, as follows:

- The ALCO has the responsibility for managing market and liquidity risks on an ongoing basis. It also has responsibility for capital management and to ensure prudential and regulatory compliance.

- The Credit Committee establishes and monitors credit limits, approves credit facilities and manages and reviews major risk exposures and concentrations across the organisation in accordance with best practices and regulatory requirements.

- The BRCC has primary responsibility for managing operational risk. This committee also has the broader mandate of monitoring compliance with the risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the branch.

The risk management policies and procedures are established to identify, evaluate and analyse the risks faced by the branch, to set appropriate controls, and to monitor adherence to standards set. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The branch, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

23. Financial risk management (cont'd):

(b) Credit risk:

Credit risk is the risk of financial loss to the branch if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It arises principally from the branch's loans and advances to customers and other banks and investment securities. For risk management reporting purposes, the branch considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

Corporate Credit Risk

For corporate clients and investment banking activities across the organisation, the credit process is grounded in a series of fundamental policies, including:

- joint business and independent risk management responsibility for managing credit risks;
- single center of control for each credit relationship that coordinates credit activities with that client;
- portfolio limits to ensure diversification and maintain risk/capital alignment;
- a minimum of two authorised credit officer-signatures are required on extensions of credit (one from a sponsoring credit officer in the business and one from a credit officer in independent credit risk management);
- risk rating standards, applicable to every obligor and facility; and
- consistent standards for credit origination documentation and remedial management.

(i) Credits to customers

Credits to customers include loans and letters of credit and guarantees. The management of credit risk in respect of credits to customers is executed by the management of the branch. The Credit Risk Unit has the responsibility for the oversight of the branch credit risk and the development of credit policies. There is a documented credit policy in place, which guides the branch's credit process.

Collateral

The branch holds collateral against credits to customers in the form of mortgage interests over property, liens over motor vehicles, other registered securities over assets and over savings held in the branch, and guarantees. Estimates of fair values are based on value of collateral assessed at the time of borrowing and are generally not updated, except when credits to customers are individually assessed as impaired.

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Notes to the Financial Statements (Continued)
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23. Financial risk management (cont'd):

(b) Credit risk (cont'd)

(i) Credits to customers (cont'd)

Impaired credits to customers

Impaired credits to customers are credits for which the branch determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the credit. The branch had impaired credit to one customer.

Past due but unimpaired credits to customers

These are credits where contractual interest or principal payments are past due but they are not considered impaired based on the quality and value of security available or the stage of collection of amounts owed to the branch. The branch had no such credits to customers.

Credits to customers with renegotiated terms

Credits to customers with renegotiated terms are credits that have been restructured due to deterioration in the borrower's financial position and where the branch has made concessions that it would not otherwise consider. Once the credit is restructured, it would be classified and monitored.

Allowances for impairment

The branch maintains an allowance for impairment losses that represents its estimate of incurred losses in its portfolio of credits to customers. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established on a portfolio basis, based on requirements of the Banking Act.

Write-off policy

The branch writes off credits to customers (and any related allowances for impairment losses) when it determines that the credits are uncollectible. This determination is usually made after considering information such as changes in the borrower's financial position, or that proceeds from collateral will not be sufficient to pay back the entire exposure, or the credit is more than twelve (12) months in arrears. Credits to customers for write-off must be submitted to the Credit Committee for approval.

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23. Financial risk management (cont'd):

(b) Credit risk (cont'd):

(ii) Investment securities and resale agreements

The branch limits its exposure to credit risk on investment securities and resale agreements by investing only with counterparties that have high credit ratings and in Government of Jamaica and Bank of Jamaica securities. Therefore, management does not expect any counterparty to fail to meet its principal obligations.

The branch has documented investment policies in place, which guide in managing credit risk on investment securities and resale agreements. The branch's exposure and the credit ratings of its counterparties are continually monitored and the aggregate value of investment transactions is spread amongst approved counterparties.

(iii) Cash and cash equivalents

Management manages this risk by placing amounts or contracting with financial institutions determined to be financially strong. Except for amounts which are held with other Citigroup entities, there is no significant concentration of cash and cash equivalents.

(iv) Exposure to credit risk

Credit risk exposure is the amount of loss that the branch would suffer if all counterparties to which the branch was exposed were to default at once; all of the branch's financial assets are carried on the statement of financial position, therefore, this exposure is represented substantially by the carrying amount of financial assets shown thereon, without taking account of the value of any collateral held.

The branch's significant concentrations of credit exposure by industry areas are as follows:

	2011				
	Cash and cash equivalents $'000	Loans $'000	Guarantees and letters of credit $'000	Investment securities $'000	Total $'000
Financial institutions	5,235,367	1,424,820	396,007	-	7,056,194
Manufacturing and distribution	-	1,970,779	16,137	-	1,986,916
Tourism	-	-	270,680	-	270,680
Public sector/ government	1,695,743	5,278	-	1,044,050	2,745,071
Other	97,667	71,942	820,805	821,834	1,812,248
Total	7,028,777	3,472,819	1,503,629	1,865,884	13,871,109

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Notes to the Financial Statements (Continued)
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23. Financial risk management (cont'd):

(b) Credit risk (cont'd)

(iv) Exposure to credit risk (cont'd)

	2010				
	Cash and cash equivalents $'000	Loans $'000	Guarantees and letters of credit $'000	Investment securities $'000	Total $'000
Financial institutions	7,550,428	-	450,764	-	8,001,192
Manufacturing and distribution	-	1,979,354	50,087	-	2,029,441
Tourism	-	-	270,680	-	270,680
Public sector/ government	1,317,092	10,556	500	1,979,949	3,308,097
Other	229,432	88,657	713,368	5,020	1,036,477
Total	9,096,952	2,078,567	1,485,399	1,984,969	14,645,887

All the branch's financial assets are held in Jamaica, except for cash and cash equivalents. The significant concentrations of credit exposure by geographical areas (based on the issuer's/borrower's region of ownership) for cash and cash equivalents are as follows:

	2011 $'000	2010 $'000
North America	5,002,152	6,903,296
Canada	2,642	8,151
Europe	29,951	34,734
Asia Pacific	5,853	5,488
Caribbean	308	301
Jamaica	1,987,871	2,144,982
	7,028,777	9,096,952

There was no significant change to the branch's exposure to credit risk or the manner in which it manages and measures the risk during the year under review.

(c) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the branch will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed facilities. Due to the nature of the business, the management of the branch aims at maintaining flexibility in funding by having adequate credit facilities and marketable financial instruments. The branch also has in place the appropriate limits with regard to liquid instruments and total assets and continues to apply the appropriate gapping strategy.

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23. Financial risk management (cont'd):

(c) Liquidity risk (cont'd):

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of the branch. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

The following table sets out an analysis of the assets and liabilities of the branch by relevant maturity groupings, based on the remaining period to the contractual maturity dates.

	2011					
	Within 3 months	Three to 12 months	1 to 5 years	Over 5 years	No specific maturity	Total
	$'000	$'000	$'000	$'000	$'000	$'000
ASSETS						
Cash and cash equivalents	851,043	-	-	-	6,177,734	7,028,777
Resale agreements	5,695,541	-	-	-	-	5,695,541
Loans	2,135,760	521,763	760,273	26,356	-	3,444,152
Investment	-	-	1,860,864	-	5,020	1,865,884
Property, plant and equipment	-	-	-	-	294,778	294,778
Income tax recoverable	-	-	-	-	232,336	232,336
Other assets	166,369	9,161	-	-	-	175,530
Guarantees	63,096	1,376,290	2,156	-	62,087	1,503,629
Employee benefits asset	-	-	-	-	644,703	644,703
Total assets	8,911,809	1,907,214	2,623,293	26,356	7,416,658	20,885,330
LIABILITIES & HEAD OFFICE EQUITY						
Deposits	713,377	4,818,955	-	-	9,160,857	14,693,189
Note payable	258,111	-	-	-	-	258,111
Guarantees	63,096	1,376,290	2,156	-	62,087	1,503,629
Other liabilities	169,648	45,403	38,627	-	254,943	508,621
Employee benefits obligation	-	-	-	-	51,195	51,195
Deferred tax liability	-	-	-	-	186,499	186,499
Head office equity	-	-	-	-	3,684,086	3,684,086
Total liabilities and Head Office equity	1,204,232	6,240,648	40,783	-	13,399,667	20,885,330
Total liquidity gap	7,707,577	(4,333,434)	2,582,510	26,356	(5,983,009)	-
Cumulative gap	7,707,577	3,374,143	5,956,653	5,983,009	-	-

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Notes to the Financial Statements (Continued)
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23. Financial risk management (cont'd):

(c) Liquidity risk (cont'd)

	2010					
	Within 3 months	Three to 12 months	1 to 5 years	Over 5 years	No specific maturity	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Total assets	4,370,174	2,193,751	1,823,824	207,539	8,715,291	17,310,579
Total liabilities and Head Office equity	9,535,902	2,523,796	8,111	-	5,242,770	17,310,579
Total liquidity gap	(5,165,728)	(330,045)	1,815,713	207,539	3,472,521	-
Cumulative gap	(5,165,728)	(5,495,773)	(3,680,060)	(3,472,521)	-	-

The tables below present the undiscounted cash flows (both interest and principal cash flows) to settle financial liabilities, based on contractual repayment obligations.

	2011					
	Carrying amount	Within 3 months	Three to 12 months	1 to 5 years	Over 5 years	Gross nominal outflow
	$'000	$'000	$'000	$'000	$'000	$'000
Deposits	14,693,189	9,800,149	4,895,531	-	-	14,695,680
Notes payable	258,111	261,650	-	-	-	261,650
Guarantees	1,503,629	63,096	1,376,290	2,156	62,087	1,503,629
Other liabilities	508,622	424,592	45,403	38,627	-	508,622
Total liabilities	16,963,551	10,549,487	6,317,224	40,783	-	16,969,581

	2010					
	Carrying amount	Within 3 months	Three to 12 months	1 to 5 years	Over 5 years	Gross nominal outflow
	$'000	$'000	$'000	$'000	$'000	$'000
Deposits	11,738,936	12,189,965	965,240	-	-	13,155,205
Notes payable	44,610	11,238	28,997	10,708	-	50,943
Guarantees	1,485,399	8,138	1,406,423	-	70,838	1,485,399
Other liabilities	484,226	89,173	130,349	-	264,704	484,226
Total liabilities	13,753,171	12,298,514	2,531,009	10,708	335,542	15,175,773

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange and interest rates, will affect the branch's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising returns. Market risk exposures are measured using sensitivity analysis.

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Notes to the Financial Statements (Continued)
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23. Financial risk management (cont'd):

(d) Market risk (cont'd)

There has been no significant change to the branch's exposure to market risk or the manner in which it manages and measures the risk.

(i) Foreign currency risk

Foreign currency risk is the risk that market value of, or the cash flows from, financial instruments will fluctuate because of changes in foreign exchange rates.

The branch is exposed to foreign currency risk on transactions that are denominated in currencies other than the Jamaica dollar. The main currencies giving rise to this risk are the US Dollar, Euro and Pound Sterling. The branch ensures that the net exposure is kept to an acceptable level by monitoring its value at risk exposure (daily) against approved limits.

The table below summarises exposure to foreign currency risk at their equivalent JMD values:

	2011						
	JMD '000	USD '000	GBP '000	CAD '000	JPYEN '000	EURO '000	TOTAL '000
Cash and equivalents	1,118,854	5,866,484	21,657	4,497	5,853	11,432	7,028,777
Resale agreements	200,000	5,495,541	-	-	-	-	5,695,541
Loans	1,964,372	1,479,780	-	-	-	-	3,444,152
Investments	1,519,475	346,409	-	-	-	-	1,865,884
Income tax recoverable	227,670	4,666	-	-	-	-	232,336
Property, plant and equipment	294,778	-	-	-	-	-	294,778
Other assets	73,802	101,728	-	-	-	-	175,530
Guarantees	349,058	1,140,815	-	-	-	13,756	1,503,629
Employee benefits asset	644,703	-	-	-	-	-	644,703
Total assets	6,392,712	14,435,423	21,657	4,497	5,853	25,188	20,885,330
Deposits	5,660,739	9,032,450	-	-	-	-	14,693,189
Notes payable	258,111	-	-	-	-	-	258,111
Guarantees	349,058	1,140,815	-	-	-	13,756	1,503,629
Other liabilities	294,093	214,528	-	-	-	-	508,621
Employee benefits obligation	51,195	-	-	-	-	-	51,195
Deferred taxation	186,499	-	-	-	-	-	186,499
Shareholder's equity	3,632,282	51,804	-	-	-	-	3,684,086
Total liabilities and head office equity	10,431,977	10,439,597	-	-	-	13,756	20,885,330
Net assets/(liabilities)	(4,039,265)	3,995,826	21,657	4,497	5,853	11,432	-

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JAMAICA BRANCH

Notes to the Financial Statements (Continued)
December 31, 2009

23. Financial risk management (cont'd):

(d) Market risk (cont'd)

(i) Foreign currency risk (cont'd)

	2010						
	JMD '000	USD '000	GBP '000	CAD '000	JPYEN '000	EURO '000	TOTAL '000
Cash and equivalents	1,227,578	7,819,718	27,548	9,435	5,488	7,185	9,096,952
Resale agreements	1,710,000	85,660	-	-	-	-	1,795,660
Loans	1,124,402	954,165	-	-	-	-	2,078,567
Investments	1,644,742	340,227	-	-	-	-	1,984,969
Income tax recoverable	418,392	-	-	-	-	-	418,392
Property, plant and equipment	45,287	-	-	-	-	-	45,287
Other assets	43,270	33,210	-	-	-	184	76,664
Guarantees	353,104	1,118,198	-	-	-	14,097	1,485,399
Employee benefits asset	328,689	-	-	-	-	-	328,689
Total assets	6,895,464	10,351,178	27,548	9,435	5,488	21,466	17,310,579
Deposits	6,037,519	5,701,417	-	-	-	-	11,738,936
Notes payable	44,610	-	-	-	-	-	44,610
Guarantees	353,104	1,118,198	-	-	-	14,097	1,485,399
Income tax payable	-	-	-	-	-	-	-
Other liabilities	291,010	193,216	-	-	-	-	484,226
Employee benefits obligation	35,520	-	-	-	-	-	35,520
Deferred taxation	96,584	-	-	-	-	-	96,584
Shareholder's equity	3,373,908	51,396	-	-	-	-	3,425,304
Total liabilities and head office equity	10,232,255	7,064,227	-	-	-	14,097	17,310,579
Net assets/(liabilities)	(3,336,791)	3,286,951	27,548	9,435	5,488	7,369	-

Spot rates for the Jamaica dollar at the reporting date were as follows:

	2011	2010
USD	86.34	85.66
GBP	133.73	133.04
CAN	84.56	85.81
JPY	1.12	1.05
EUR	111.77	114.54

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Notes to the Financial Statements (Continued)
December 31, 2011

23. Financial risk management (cont'd):

(d) Market risk (cont'd):

(i) Foreign currency risk (cont'd):

Sensitivity to exchange rate movements:

A (weakening)/strengthening of the JMD against the currencies indicated, at December 31, 2011, would have increased/(decreased) profit and equity by the amounts shown below. This analysis is performed on the same bases as for 2010 and has been computed on the basis that all other variables remain constant.

	2011		2010	
Currency	strengthening/ (weakening) %	Effect on profit and equity $'000	strengthening/ (weakening) %	Effect on profit and equity $'000
USD	2	(79,917)	2	(65,739)
	(10)	399,583	(10)	328,695
GBP	2	(433)	2	(551)
	(10)	2,166	(10)	2,755
CAN	2	(90)	2	(189)
	(10)	450	(10)	944
JPY	2	(117)	2	(110)
	(10)	585	(10)	549
EUR	2	(229)	2	(147)
	(10)	1,143	(10)	737

(ii) Interest rate risk

Interest rate risk is the risk of loss from fluctuations in future cash flows or fair values of financial instruments due to changes in market interest rates.

Various quantitative models are used to manage interest rate risks, including stress testing and DV01 (dollar value change as a result of one basis point movement).

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Notes to the Financial Statements (Continued)
December 31, 2011

23. Financial risk management (cont'd):

(d) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

The following table summarises the carrying amounts of assets, liabilities and equity to arrive at the branch's interest rate gap based on the earlier of contractual repricing and maturity dates.

	2011					
	Immediately rate sensitive	1 to 3 months	3 to 12 months	Greater than 12 months	Non-rate sensitive	Total
	$'000	$'000	$'000	$'000	$'000	$'000
ASSETS						
Cash and cash equivalents	6,382,247	-	-	-	646,530	7,028,777
Resale agreements	2,660,690	3,034,851	-	-	-	5,695,541
Loans, less allowance for impairment losses	58,292	2,131,648	521,763	731,440	1,009	3,444,152
Investment securities	-	1,804,399	56,465	-	5,020	1,865,884
Property, plant and equipment	-	-	-	-	294,778	294,778
Income tax recoverable	-	-	-	-	232,336	232,336
Other assets	-	-	-	-	175,530	175,530
Customers' liabilities under acceptances, guarantees and letters of credit, per contra	-	-	-	-	1,503,629	1,503,629
Employee benefit asset	-	-	-	-	644,703	644,703
Total assets	9,101,229	6,970,898	578,228	731,440	3,503,535	20,885,330
LIABILITIES AND HEAD OFFICE'S EQUITY						
Deposits	3,395,555	560,000	1,576,777	-	9,160,857	14,693,189
Notes payable	-	258,111	-	-	-	258,111
Acceptances, guarantees and letters of credit, per contra	-	-	-	-	1,503,629	1,503,629
Other liabilities	-	-	-	-	508,621	508,621
Employee benefit obligation	-	-	-	-	51,195	51,195
Deferred taxation	-	-	-	-	186,499	186,499
Head Office's equity	-	-	-	-	3,684,086	3,684,086
Total liabilities and Head office's equity	3,395,555	818,111	1,576,777	-	15,094,887	20,885,330
Total interest rate sensitivity gap	5,705,674	6,152,787	(998,549)	731,440	(11,591,352)	-
Cumulative gap	5,705,674	11,858,461	10,859,912	11,591,352	-	-

	2010					
	Immediately rate sensitive	1 to 3 months	Three to 12 months	Greater than 12 months	Non-rate sensitive	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Total assets	4,818,364	1,128,424	114,265	1,050,048	10,199,478	17,310,579
Total liabilities and Head office's equity	8,877,527	1,769,713	987,024	8,111	5,668,204	17,310,579
Total interest rate sensitivity gap	(4,059,163)	(641,289)	(872,759)	1,041,937	4,531,274	-
Cumulative gap	(4,059,163)	(4,700,452)	(5,573,211)	(4,531,274)	-	-

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Notes to the Financial Statements (Continued)
December 31, 2011

23. Financial risk management (cont'd):

(d) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

Average effective yields by the earlier of the contractual repricing and maturity dates:

	2011			
	Immediately rate sensitive	1 to 3 months	Three to 12 months	Greater than 12 months
	%	%	%	
Cash and cash equivalents - USD	4.05	-	-	-
- JMD	0.25	-	-	-
Resale agreement - USD	4.06	4.20	-	-
- JMD	6.50	-	-	-
Investment securities - USD	-	7.07	-	-
- JMD	-	10.27	12.00	-
Loans - USD	-	4.15	11.35	-
- JMD	9.93	8.42	8.56	7.93
Deposits - USD	0.26	0.58	-	1.00
- JMD	6.05	2.79	6.41	5.76
Notes payable - JMD				

	2010			
	Immediately rate sensitive	1 to 3 months	Three to 12 months	Greater than 12 months
	%	%	%	
Cash and cash equivalents - USD	0.01	-	-	-
- JMD	2.23	-	-	-
Resale agreement - USD	3.50	-	-	-
- JMD	6.00	-	-	-
Investment securities - USD	-	7.07	-	-
- JMD	8.06	11.93	12.00	-
Loans - USD	6.00	-	-	7.93
- JMD	17.69	11.00	9.25	11.38
Deposits - USD	1.14	0.31	0.48	-
- JMD	2.19	4.57	7.17	-
Notes payable - JMD	-	10.00	10.00	10.00

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Notes to the Financial Statements (Continued)
December 31, 2011

23. Financial risk management (cont'd):

(d) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

At the reporting date the interest rate profile of the branch's interest-bearing financial instruments was:

	2011 $'000	2010 $'000
Fixed rate instruments:		
Financial assets		
Cash and cash equivalents	6,382,247	1,256,934
Resale agreements	5,695,541	1,795,660
Loans	3,336,392	1,972,581
Investment securities	1,031,038	1,336,148
Financial liabilities		
Deposits	5,532,332	11,597,765
Notes payable	258,111	44,610
Variable rate instruments:		
Financial assets		
Loans	106,751	105,977
Investment securities	829,826	643,801

Fair value sensitivity analysis for fixed rate instruments:

The branch does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at December 31, 2011 and 2010 would not affect profit or loss.

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Notes to the Financial Statements (Continued)
December 31, 2011

23. Financial risk management (cont'd):

(d) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

Cash flow sensitivity of fair value financial instruments:

A change of +500 or -800 basis points in interest rates for Jamaica and United States dollars financial instruments at December 31, 2011 would have increased or (decreased) profit and equity by the amounts shown below.

The analysis assumes that all other variables, in particular, foreign currency rates, remain constant. The analysis is performed on the same basis as for 2010.

		2011		2010	
Change in basis points		Effect on profit or loss $'000	Effect on equity $'000	Effect on profit or loss $'000	Effect on equity $'000
USD Interest rates	+500bps	57,144	10,022	2,052	10,126
	-800bps	64,447	(772)	99,870	(780)
JMD Interest rates	+500bps	126,898	62,493	70,827	39,182
	-800bps	9,351	9,917	31,624	6,101

(e) Operational risk:

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the branch's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the branch's operations.

The branch's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the branch's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall branch standards for the management of operational risk in the following areas:

- requirement for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;

23. Financial risk management (cont'd):

(e) Operational risk (cont'd):

- documentation of controls and procedures;
- requirement for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

Compliance with the branch's standards is supported by a programme of periodic reviews undertaken by the internal audit unit. The results of internal audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the BRCC Committee and senior management of the branch.

(f) Capital management:

Regulatory capital

The branch's lead regulator, Bank of Jamaica, sets and monitors capital requirements for the branch as a whole.

In implementing current capital requirements, Bank of Jamaica requires the branch to maintain a prescribed ratio of capital to total risk-weighted assets.

The branch's regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes ordinary share capital, retained earnings reserve, statutory reserve fund less the aggregate of accumulated operating losses, any net loss position on revaluation reserves arising from fair value accounting and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes. Core capital must be at least 50% of capital base.

- Tier 2 capital, which includes qualifying subordinated liabilities, and general provisions for losses up to a maximum of 1.25% of branch's risk-weighted assets.

Risk-weighted assets for the branch are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and to exposures not carried on the statement of financial position.

The branch's policy is to maintain a strong capital base so as to maintain investors, creditors and market confidence and to sustain future development of the business.

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Notes to the Financial Statements (Continued)
December 31, 2011

23. Financial risk management (cont'd):

(f) Capital management (cont'd):

Regulatory capital (cont'd)

The branch's regulatory capital position at December 31, was as follows:

	2011 $'000	2010 $'000
Tier 1 Capital before deductions		
Assigned capital	207,609	207,609
Statutory reserve fund	207,609	207,609
Retained earnings reserve	1,528,592	1,528,592
Total before deductions	1,943,810	1,943,810
Less deduction from tier 1		
Fair value reserve	(17,892)	-
Total Tier 1 Capital after deductions	1,925,918	1,943,810
Tier 2 Capital		
Collective allowances for impairment, being total Tier 2	49,911	35,858
Total regulatory capital	**1,975,829**	**1,979,668**
Total risk-weighted assets	13,467,218	8,425,582
Capital ratios		
Total regulatory capital expressed as a percentage of total risk-weighted assets – Actual	15.00%	23.50%
– Required	10.00%	10.00%
Total tier 1 capital expressed as a percentage of risk-weighted assets – Actual	14.30%	23.07%
– Required	10.00%	10.00%

The branch complied with all externally imposed capital requirements throughout, and at the end of the year. There were no material changes in the branch's management of capital during the year.

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Notes to the Financial Statements (Continued)
December 31, 2011

24. Commitments

Rental is incurred by the branch under the extension of two operating lease agreements, expiring on November 30, 2012 and April 31, 2016. Payments of $62,754,130 (2010: $14,125,000) are due within one year of the reporting date. Lease Rentals are payable as follows:

	2011	2010
	$'000	$'000
One year following the reporting date	62,754	14,125
Subsequent years through April, 30, 2016	207,154	-
	269,908	14,125

25. Contingent liabilities

(i) The branch is a defendant in a lawsuit in which the plaintiff is claiming damages in the sum of $6,838,000 and interest at a commercial bank rate, for inducement of a breach and/or repudiation of a lease agreement made on or about June 1, 1997. On January 12, 2009, judgement was delivered against Citibank. However, no award of damages was made in favour of the plaintiff. Citibank has filed a cross-appeal against the finding.

No provision has been made in the financial statements for this claim.

(ii) At the reporting date, the branch has foreign exchange forward contracts of $1,359,559,587(2010: $6,501,935,085), which are perfectly hedged, with varying maturity dates. The contracts are marked to the spot rate daily and any gains and losses are taken to profit or loss.