CITIBANK, N.A., JAMAICA BRANCH

FINANCIAL STATEMENTS

DECEMBER 31, 2023

KPMG
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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 Audit of the Financial Statements

Opinion

We have audited the financial statements of Citibank, N.A., Jamaica Branch ("the branch"), set out on pages 5 to 79 which comprise the statement of financial position as at December 31, 2023, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the branch as at December 31, 2023, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and the Jamaican Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the branch in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants including International Independence Standards (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT (cont'd)
To the Directors of
CITIBANK, N.A.
[Incorporated in the U.S.A. with limited liability]

Report on the Audit of the Financial Statements (cont'd)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting 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.

In preparing the financial statements, management is responsible for assessing the branch's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the branch or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the branch's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITORS' REPORT (cont'd)
To the Directors of
CITIBANK, N.A.
[Incorporated in the U.S.A. with limited liability]

Report on the Audit of the Financial Statements (cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Obtain an understanding of internal control relevant to the audit 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 branch's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the branch to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITORS' REPORT (cont'd)
To the Directors of
CITIBANK, N.A.
[Incorporated in the U.S.A. with limited liability]

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, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.

KPMG

Chartered Accountants
Kingston, Jamaica

April 2, 2024

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

JAMAICA BRANCH

Statement of Financial Position
December 31, 2023

	Notes	2023 $'000	2022 $'000
ASSETS			
Cash Resources	4	16,354,128	17,161,698
Loans, less allowance for impairment	5(a)	4,517,747	4,115,980
Investment securities	6	5,272,456	6,025,934
Property, plant and equipment	7	102,646	120,636
Right-of-use assets	8	174,015	239,540
Tax recoverable	20(d)	192,704	755,039
Other assets	9	137,127	137,576
Employee benefits asset	10	489,762	154,447
Forward exchange contracts	11	84,674	317,153
Deferred Tax asset	14	7,263	102,463
		27,332,522	29,130,466
LIABILITIES			
Deposits:			
Customers		21,931,364	24,688,287
Other branches		169,029	74,974
Head office		23,107	23,107
Affiliates		133,143	150,260
	12	22,256,643	24,936,628
Other liabilities	13	667,173	504,428
Employee benefits obligation	10	211,878	158,616
Lease liability	8	150,298	200,963
Forward exchange contract	11	2,389	4,088
		23,288,381	25,804,723
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)	2,702,432	2,702,432
Fair value reserve	15(d)	(101,849)	(262,856)
Loan loss reserve	15(e)	34,618	39,554
Other reserve	15(f)	218,125	(199,053)
Unremitted profits		775,597	630,448
		4,044,141	3,325,743
		27,332,522	29,130,466

The financial statements on pages 5 to 79 to were approved for issue by the Country Coordinating Committee on April 2, 2024 and signed on its behalf by:

Citi Country Officer
Eva Lewis

Citi Financial Officer
Sonya Barclay

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 Profit or Loss and Other Comprehensive Income
December 31, 2023

	Notes	2023 $'000	2022 $'000
Interest income calculated using the effective interest method:		351,127	196,864
Interest on deposits with banks		777,014	312,675
Interest on investment securities		400,910	194,468
		1,529,051	704,007
Interest expense	16	(193,965)	(110,151)
Net interest income	16	1,335,085	593,856
Fees and commissions	17(a)	162,537	154,326
Losses from securities trading		(2,738)	(22,957)
Other operating revenue:			
Foreign exchange gains	11(b)	878,280	655,360
Inter-company- geographic revenue attribution	17(b)	757,107	490,094
		3,130,271	1,870,679
Operating Expenses:			
Staff costs	18(a)	1,010,169	586,089
Depreciation (property, plant and equipment)	7	33,109	30,279
Depreciation – write off		(16,369)	-
Amortization of right of use asset	8	71,058	63,587
Impairment loss on financial asset	23(b)	3,694	10,901
Others	18(b)	1,304,050	940,170
		2,405,711	1,631,026
Profit before income tax	20(b)	724,560	239,653
Income tax expense	20(a)	(224,546)	(149,005)
Profit for the year		500,014	90,648
Other comprehensive income:			
Item that will not be reclassified to profit or loss:			
Remeasurement of employee benefits, net of taxation	20(c)	417,178	(896,628)
Item that is or may be reclassified subsequently profit or loss:			
Change in fair value of investment securities at fair value through other comprehensive income, net of taxation	20(c)	161,007	(248,758)
Total other comprehensive income		578,185	(1,145,386)
Total comprehensive (loss)/income		1,078,199	(1,054,738)

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 Equity
December 31, 2023

	Assigned capital $'000 [Note 15(a)]	Reserve Fund $'000 [Note 15(b)]	Retained earnings $'000 [Note 15(c)]	Fair value $'000 [Note 15(d)]	Loan loss Reserve $'000 [Note 15(e)]	Other Reserve $'000 [Note 15(f)]	Unremitted profits $'000	Total $'000
Balance as at December 31, 2021	207,609	207,609	2,702,432	(14,098)	42,091	697,575	537,263	4,380,481
Total comprehensive income:								
Profit for the year	-	-	-	-	-	-	90,648	90,648
Other comprehensive income:								
Remeasurement of defined benefit asset, net of taxation	-	-	-	-	-	(896,628)	-	(896,628)
Change in fair value of investments, net of taxation	-	-	-	(248,758)	-	-	-	(248,758)
Other comprehensive income for the year	-	-	-	(248,758)	-	(896,628)	-	(1,145,386)
Total comprehensive income for the year	-	-	-	(248,758)	-	(896,628)	90,648	(1,054,738)
Transfers	-	-	-	-	(2,537)	-	2,537	-
Balances December 31, 2022	207,609	207,609	2,702,432	(262,856)	39,554	(199,053)	630,448	3,325,743
Total comprehensive income:								
Profit for the year	-	-	-	-	-	-	500,014	500,014
Other comprehensive income:								
Remeasurement of defined benefit asset, net of taxation	-	-	-	-	-	417,178	-	417,178
Change in fair value of investments, net of taxation	-	-	-	161,007	-	-	-	161,007
Other comprehensive income for the year	-	-	-	161,007	-	417,178	-	578,185
Total comprehensive income for the year	-	-	-	161,007	-	417,178	500,014	1,078,199
Transfers	-	-	-	-	(4,936)	-	4,936	-
Profit remitted [note 16 (g)]	-	-	-	-	-	-	(359,801)	(359,801)
Balances as at December 31, 2023	207,609	207,609	2,702,432	(101,849)	34,618	218,125	775,597	4,044,141

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, 2023

	Notes	2023 $'000	2022 $'000 Restated*
Cash flows from operating activities			
Profit for the year		500,014	90,648
Adjustments for:			
Depreciation – property, plant and equipment	7	33,109	30,279
Amortised of the right-of-use asset	8	71,058	63,587
Impairment on financial assets		3,694	10,901
Interest income	16	(1,529,051)	(704,007)
Interest expense	16	193,965	110,151
Income tax expense	20(a)	224,547	149,005
Unrealised foreign exchange loss		(12,476)	7,376
Property, plant and equipment gain/loss		-	485
Right-of-use Asset Adjustment		(5,533)	-
Employee benefits asset/obligation		348,991	(36,864)
		(171,682)	(278,439)
Changes in:			
Loans		(468,665)	(65,042)
Employee benefits asset/obligation		(5,309)	(4,977)
Other assets		(201,255)	113,825
Forward exchange contract (net)		335,173	(525,968)
Cash reserves at BOJ	26	(116,243)	(543,735)*
Deposits		(2,462,023)	1,775,591
Other liabilities		159,660	(108,517)
		(2,930,344)	362,738*
Interest received		1,548,000	812,071
Interest paid		(187,966)	(100,154)
Income tax paid		143,940	(289,283)
Net cash provided by operating activities		(1,426,370)	785,372*
Cash flows from investing activities			
Investment securities proceeds		111,856,369	2,109,812
Investment securities purchases		(111,030,628)	-
Resale agreements		-	1,231,360
Purchase of property, plant and equipment		(28,958)	(40,717)
Addition to right-of-use asset		-	(25,302)
Net cash provided/(used) by investing activities		796,783	3,275,153
Cash flows from financing activities			
Payment of lease liabilities	8	(61,975)	(86,764)
Net cash used/(provided) in financing activities		(61,975)	(86,764)
Net increase (decrease) in cash and cash equivalents		(575,320)	4,517,496
Effect of exchange rate fluctuations on cash and cash equivalents		(232,251)	218,466
Cash and cash equivalents at beginning of year	26	14,687,527	10,495,300*
Cash and cash equivalents at end of year	4	13,763,714	14,687,527*

*Restated see note 26

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 in Jamaica and is licenced under the Banking Services Act 2014 (Banking Services Act). The branch is regulated by Bank of Jamaica and its principal place of business is located at 19 Hillcrest Avenue, Kingston 6. Citibank is also referred to as "Citi".

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 IFRS Accounting Standards issued by the International Accounting Standards Board (IFRS Accounting Standards) [and comply with the provisions of the Jamaican Companies Act].

Effective January 1, 2023, the Group adopted the amendments to IAS 1, which resulted in the Group disclosing *material* accounting policies, rather than *significant* accounting policies, based on the following definition from the amended standard:

> "Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements".

Other pronouncements under IFRS Accounting Standards did not result in any changes to amounts recognised or disclosed in these financial statements.

(b) Basis of measurement:

The financial statements are prepared on the historical cost basis, modified for the inclusion of:

(i) Investment securities classified as fair value through other comprehensive income (FVOCI) measured at fair value.
(ii) Equity Investments are classified as fair value through profit or loss (FVTPL).
(iii) The employee medical benefit/obligation is measured at the present value of the obligation [see note 3(e)(iii].

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

(b) Basis of measurement (cont'd)

(iv) The employee benefits asset is recognized as the fair value of plan assets, less the present value of the defined benefit obligation, adjusted for the effect of limiting the net defined benefit asset to the asset ceiling, [as explained in note 3(e)(ii)];
(v) Derivative financial instruments classified as fair value through profit or loss.
(vi) Loans are measured at amortized cost using the effective interest rate method.

(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.

(d) Accounting estimates and judgements:

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect accounting policies and 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 recognized 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.

(i) Key assumptions and other sources of estimation uncertainty

- Pension and other post-employment benefits:

  The amounts recognized in the statement of financial position and the statement of profit or loss and other comprehensive income for pension and other post-employment benefits are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognized in the financial statements include 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.

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

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

(i) Key assumptions and other sources of estimation uncertainty (cont'd)

The discount rate is determined based on the estimated 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.

- Allowance for impairment losses on financial assets:

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of obligors defaulting and the attendant losses). Explanation of the inputs, assumptions and estimation techniques used in measuring expected credit losses (ECL) is further detailed in notes 3(b) and 24(b).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk.
- Choosing appropriate models and assumptions (inclusive of macro-economic) for the measurement of ECL.
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the branch in the above areas is set out in note 23(b).

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

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

(i) Key assumptions and other sources of estimation uncertainty (cont'd)

- Fair value of financial instruments

  In the absence of quoted market prices, the fair value of some of the branch's financial instruments was determined by obtaining yields from recognized pricing agencies.

  Considerable judgement is required in interpreting market data to arrive at estimates of fair value 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 (see note 22).

3. Material Accounting Policies

The branch has consistently applied the accounting policies as set out below to all periods presented in these financial statements.

(a) Financial instruments – Classification, recognition, derecognition and measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. In these financial statements:

- Financial assets comprise cash resources, investment securities, loans recoverable, forward exchange contracts and other assets.

- Financial liabilities comprise deposits and other liabilities.

Financial instruments are classified, recognised and measured in accordance with the substance of the terms of the contract and the business models as set out herein.

(i) Recognition and initial measurement

The branch initially recognises loans and advances and deposits on the date that they are originated. All other financial assets and financial liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date which is the date on which the branch becomes a party to the contractual provisions of the instrument.

3. Material Accounting Policies (cont'd)

(a) Financial instruments – Classification, recognition, derecognition and measurement (cont'd)

(i) Recognition and initial measurement (cont'd)

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

(ii) Classification and subsequent remeasurement

Financial assets

a. Debt instruments

Classification and subsequent measurement of debt instruments depend on:

- the branch's business model for managing the asset; and
- the cash flow characteristics of the asset.

Based on these factors, the branch classifies its debt instruments into one of the following three measurement categories:

- *Amortised cost*: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described at note 3(b). Interest income from these financial assets is included in interest income using the effective interest method.

- *Fair value through other comprehensive income (FVOCI):* Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL are measured at fair value through other comprehensive income (FVOCI). Fair value gains and losses are recognised in other comprehensive income.

3. Material Accounting Policies (cont'd)

(a) Financial instruments – Classification, recognition, derecognition and measurement (cont'd)

(ii) Classification and subsequent remeasurement (cont'd)

Financial assets (cont'd)

a. Debt instruments (cont'd)

- *Fair value through profit or loss:* Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss.

Business model: the business model reflects how the branch manages the assets in order to generate cash flows. That is, whether the branch's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL.

Factors considered by the branch in determining the business model for a class of assets include:

- Past experience on how the cash flows for these assets were collected.
- How the asset's performance is evaluated and reported to key management personnel.
- How risks are assessed and managed; and
- How managers are compensated.

Solely payments of principal and interest (SPPI): Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the branch assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the branch considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

3. Material Accounting Policies (cont'd)

(a) Financial instruments – Classification, recognition, derecognition and measurement (cont'd)

(ii) Classification and subsequent remeasurement (cont'd)

Financial assets (cont'd)

a. Debt instruments (cont'd)

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The branch reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent, and none occurred during the period.

b. Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The branch subsequently measures all equity investments at fair value through profit or loss.

Gains and losses on equity investments at FVTPL are included in other operating revenue in the statement of profit or loss.

c. Derivative instruments

Forward exchange contracts are recognized on the statement of financial position at fair value. The forward exchange contracts are designated in a qualifying hedging relationship. Changes in fair value are recognized in profit or loss as a component of foreign exchange gains.

Financial liabilities

Financial liabilities are classified as measured at amortised cost.

(iii) Derecognition

The branch derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the branch neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

3. Material Accounting Policies (cont'd)

(a) Financial instruments – Classification, recognition, derecognition and measurement (cont'd)

(iii) Derecognition (cont'd)

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income (OCI) is recognised in profit or loss.

Any cumulative gains or losses recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the branch is recognised as a separate asset or liability.

The branch derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

(iv) Offsetting:

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

(v) Fair value measurement principles:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Determination of fair values:

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 transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets.

When a 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.

3. Material Accounting Policies (cont'd)

(a) Financial instruments – Classification, recognition, derecognition and measurement (cont'd)

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

Determination of fair values (cont'd):

The fair value of cash resources, cheques and other items in transit, other assets and other liabilities are considered to approximate their carrying value.

The fair value of FVOCI securities are the amounts at which these securities are measured (see note 6). These values are based on quoted prices in an active market, where available, or determined by a suitable alternative method.

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 measured 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.

(vi) Cash resources:

Cash resources comprise cash on hand, cash deposited with the central bank and other short-term deposits and are classified and measured at amortised cost. 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 classified and measured at amortized cost less impairment losses.

3. Material Accounting Policies (cont'd)

(a) Financial instruments – Classification, recognition, derecognition and measurement (cont'd)

(viii) Other liabilities:

Other liabilities are classified and measured at amortized cost.

(ix) Derivatives:

Derivatives are financial instruments that derive their value from the price of the underlying items such as equities, bond interest rates, foreign exchange or other indices. Derivatives enable users to increase, reduce or alter exposure to credit or market risk. The branch makes use of derivatives to manage its own exposure to foreign exchange risk. Derivatives held for risk management purposes are measured at fair value in the statement of financial position. If the derivative is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in profit or loss. The branch held foreign exchange derivatives at the end of the year.

(b) Impairment of financial assets:

The branch recognises loss allowances for financial assets that are measured at Amortized Cost (e.g., term loans) or FVOCI (e.g., debt securities/bonds) and pass the Solely Payments of Principal and Interest (SPPI) test (and not measured at FVTPL) under IFRS 9 impairment considerations are as following:

– For credit exposures where there have been significant increases in credit risk since initial recognition, provide estimates of 12-months of ECL (expected credit losses).

– For credit exposures where there has been significant increase in credit risk since initial recognition on an individual or collective basis, a loss allowance is required and provided for lifetime credit losses.

– The selected approach to estimate expected credit losses needs to reflect (a) an unbiased and probability-weighted amount for a range of possible outcomes, (b) the time value of money and (c) to incorporate reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

3. Material Accounting Policies (cont'd)

(b) Impairment of financial assets (cont'd):

Presentation of allowance for ECL in the statement of financial position

Loss allowances for expected credit loss (ECL) are presented in the statement of financial position as follows:

– financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets.

– loan commitments and financial guarantee contracts: generally, as a provision.

– where a financial instrument includes both a drawn and an undrawn component and the branch cannot distinguish the ECL separately, the branch presents a combined loss allowance for both components; and

– debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

Write-off

Loans and debt securities are written off when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the branch determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in impairment loss. Amounts are written off from the allowance whenever management has concluded that such amounts will not be recovered.

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

Impairment allowance based on regulatory requirements

3. Material Accounting Policies (cont'd)

(b) Impairment of financial assets (cont'd):

Write-off (cont'd)

The Banking Services 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 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.

The loan loss provision required under the Banking Services 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)].

(c) Property, plant and equipment:

i. Basis of measurement:

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

- Acquisition 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 assets to a working condition for their intended use. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

- Costs subsequent to acquisition of construction

  The cost of replacing part of an item of property, plant and equipment is recognized 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 recognized in profit or loss.

3. Material Accounting Policies (cont'd)

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

ii. Depreciation:

Depreciation is recognized 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 and equipment	10% and 20%
Leasehold improvement	over the lease term

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

(d) Leases

At inception of a contract, the branch assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the branch uses the definition of a lease in IFRS 16.

(i) As a lessee

At commencement or on modification of a contract that contains a lease, the branch allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The branch recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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3. Material Accounting Policies (cont'd)

(d) Leases (cont'd)

(i) As a lessee (cont'd)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of
the underlying asset to the branch by the end of the lease term or the cost of the right-of-use asset reflects that the branch will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the branch's incremental borrowing rate. Generally, the branch uses its head office's incremental borrowing rate as the discount rate.

The head office determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments.
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the branch is reasonably certain to exercise, lease payments in an optional renewal period if the branch is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the branch is reasonably certain not to terminate early.

3. Material Accounting Policies (cont'd)

(d) Leases (cont'd)

(i) As a lessee (cont'd)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the head office's estimate of the amount expected to be payable under a residual value guarantee, if the head office changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The branch presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in the statement of financial position.

Short-term leases and leases of low-value assets

The branch has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The branch recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(e) Employee benefits:

Employee benefits are all forms 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; post-employment benefits such as pensions; and other long-term employee benefits such as termination benefits.

(i) General benefits:

Employee benefits that are earned as a result of past or current service are recognized in the following manner: Short-term employee benefits are recognized 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 recognized when the employee becomes entitled to the leave.

3. Material Accounting Policies (cont'd)

(e) Employee benefits (cont'd):

(i) General benefits (cont'd):

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 service 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 payment.

(ii) Defined benefit pension plan

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

In respect of defined-benefit arrangements, employee benefits and obligations included in the financial statements are determined annually 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 changed or when the plan is contracted, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The branch recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Where the calculation results in a net benefit to the branch, the recognized asset is limited to the net present value of economic benefits available in the form of reductions in future contributions to the plan.

3. Material Accounting Policies (cont'd)

(e) Employee benefits (cont'd):

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

Remeasurements of the net defined benefit asset, which comprise actuarial gains and losses, and the effect of the asset ceiling (if any, excluding interest), are recognized in other comprehensive income. The branch determines the net interest income on the net defined benefit asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit asset, taking into account any changes in the net defined benefit asset during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

(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 in a similar manner to the defined benefit pension plan set out above. The calculation is performed using the projected unit credit method.

Remeasurements of the defined obligation and net interest expense are recognized in the same manner as described above for defined benefit pension plan.

(f) Interest income and expense:

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

(a) Purchased or originated credit-impaired (POCI) financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.

(b) Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e., net of the expected credit loss provision).

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 Services Act, 2014.

3. Material Accounting Policies (cont'd)

(f) 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 recognised using the original effective interest rate, but based on the net carrying amount, rather than the gross carrying amount. This method results in the recognition of only those cash flows (principal or contractual interest) which are expected to be received in the future, discounted to the reporting date. The branch has no loan on which the collection is doubtful.

(g) Fees and commission:

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The branch recognises revenue when it transfers control over a service to a customer.

Fee and commission income including account service fees are recognised as the related services are performed.

A contract with a customer that results in a recognised financial instrument in the branch's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the branch first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

The nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies are as follows:

Type of Service :

- Nature and timing of satisfaction of performance obligations, including significant payment terms.
- Revenue recognition under IFRS 15.

Service Fees :

- The branch provides banking related services to customers including account management, foreign currency transactions and servicing fees.
- Revenue from account services and servicing fees is recognised over time as the services are provided.
- Servicing fees are charged monthly and are based on fixed rates determined by the branch.
- Revenue related to transactions is recognised at the point in time when the transaction takes place.

3. Material Accounting Policies (cont'd)

(h) Foreign currency:

Transactions in foreign currencies are translated into the branch's functional currency at the spot exchange rate at the date of the transactions. 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 amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized 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 recognized in profit or loss. Non-monetary assets and liabilities are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(i) Income tax expense:

Income tax on the profit or loss for the year comprises current and deferred income tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income, in which case it is also recognized 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 or substantially 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 assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plan for the branch.

3. Material Accounting Policies (cont'd)

(i) Income tax expense (cont'd):

(ii) Deferred income tax:

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; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted at the reporting date.

(j) Impairment of non-financial assets:

The carrying amounts of the branch's non-financial 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. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

(i) Calculation of recoverable amount:

The recoverable amount of non-financial assets 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 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 asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3. Material Accounting Policies (cont'd)

(k) Related parties:

A related party is a person or entity that is related to the branch.

(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 (1).

(vii) A person identified in (1)(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).

(viii) The entity, or any member of a group of which it is part, provides key management personnel services to the branch or to the parent of the branch.

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

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4. Cash resources

	2023	2022
	$'000	$'000
		Restated*
Accounts with other branches	61,468	12,502
Accounts with other financial institutions	69	1,300,055
Notes and coins, money at call, and deposits and cash reserves at Bank of Jamaica	6,930,474	6,253,761
Due from fellow affiliates	1,358	1,640
Accounts with head office	9,348,102	9,570,178
Cheques and other items in transit	12,657	23,562
	16,345,128	17,161,698
Cash and cash equivalent		
Cash resource	16,354,128	17,161,698
Less cash reserves at bank of Jamaica	(2,590,414)	(2,474,171)
	13,763,714	14,687,527*

Of the total deposits held with Bank of Jamaica, $2,590,414,000 (2022: $2,474,171,000) was held in compliance with Section 43 of the Banking Services 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 and is therefore treated as restricted cash. The specified percentage in force at the end of the year was 6% (2022: 5%) for Jamaican currency and 14% (2022: 13%) for foreign currency.

5. Loans, less expected credit losses (ECL)

(a) Loans, net of expected credit losses, are due from the reporting date as follows:

	2023	2022
	$'000	$'000
Within 3 months	2,067,135	1,764,455
3 - 12 months	320,932	2,049,678
1-5 years	2,129,680	301,847
	4,517,747	4,115,980

The branch's three most significant customers are in the Manufacturing, Distribution and Electricity, Gas and Water Sectors (2022: manufacturing, agriculture and electricity and gas sectors) and account for $3.98 billion (2022: $3.6 billion) representing 88% (2022: 96%) of total loans.

5. Loans, less expected credit losses (ECL) (cont'd)

(b) Expected credit losses:

The aging of loans, net of expected credit losses, is as follows:

	2023		2022	
	Gross	Expected credit losses	Gross	Expected credit losses
	$'000	$'000	$'000	$'000
Balances	4,536,818	(19,071)	4,129,970	(13,990)

Allowance for ECL:	2023	2022
	$'000	$'000
Balance at beginning of year	(13,990)	(4,779)
Remeasurement of ECL allowance during the year [note	(5081)	(9,211)
At end of year	(19,071)	(13,990)

(c) At the reporting date, there are no loans receivable on which interest is no longer being accrued.

6. Investment securities

	2023	2022
	$'000	$'000
Fair value through OCI:		
Securities issued or guaranteed by Government of Jamaica:		
Debentures	3,971,364	3,819,547
Bonds (denominated in United States dollars)	1,284,000	2,189,295
	5,255,364	6,008,842
Fair value through profit or loss:		
Unquoted equities:		
Interest in Automated Payments Limited [see below]	17,092	17,092
	5,272,456	6,025,934
Loss allowance on financial instruments at FVOCI [(23)(b)(v)(iv)]	11,982	11,636

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6. Investment securities (cont'd)

The interest in Automated Payments Limited represents a 12.50% (2022: 12.50%) holding by the branch. That investee is established and co-owned by commercial banks operating in Jamaica to provide automated clearing facilities to the commercial banking system.

7. Property, plant and equipment

	Motor vehicles $'000	Leasehold improvements $'000	Computers, furniture & equipment $'000	Total $'000
Cost:				
December 31, 2021	17,030	228,855	327,297	573,182
Additions	-	36,594	4,154	40,748
Reclassification to profit or loss	-	-	(31)	(31)
Disposals	-	-	(22,761)	(22,761)
December 31, 2022	17,030	265,449	308,659	591,138
Additions	16,437	4,452	8,069	28,959
Write-offs	-	(30,209)	-	(30,209)
Disposals	-	-	(2,939)	(2,939)
December 31, 2023	33,467	239,692	313,788	586,948
Depreciation:				
December 31, 2021	14,476	222,217	225,806	462,499
Depreciation charge	2,554	7,770	19,955	30,279
Eliminated upon disposal	-	-	(22,277)	(22,277)
December 31, 2022	17,030	229,987	223,483	470,501
Depreciation Charge	1,644	17,839	13,627	33,109
Write-offs	-	(16,369)	-	(16,369)
Eliminated upon disposal	-	-	(2,939)	(2,939)
December 31, 2023	18,674	231,457	234,170	484,301
Net book value:				
December 31, 2023	14,793	8,235	79,618	102,646
December 31, 2022	-	35,462	85,174	120,636
December 31, 2021	2,554	6,638	101,491	110,683

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8. Leases

The branch has entered into lease agreements for the provision of land and buildings for office space. For the property located at 19 Hillcrest Avenue, Kingston 5, the lease term is for five (5) years commencing June 2021 and includes an option to renew for one (1) additional period of five (5) years.

The other property is located at 78a Hagley Park Road and has a three-year lease term which commenced on December 1, 2021 and includes a three-year renewal option.

Right-of-use assets – Property

	2023	2022
	$'000	$'000
Balance at 1 January	239,540	240,509
Addition due to exercise of lease extensions	5,533	37,316
Additions	-	25,302
Depreciation charge for the year	(71,058)	(63,587)
Balance at 31 December	174,015	239,540

Lease liabilities

	2023	2022
	$'000	$'000
Maturity analysis – contractual undiscounted cash flows:		
Less than one year	62,686	59,542
One to five years	88,879	143,892
	151,617	203,434
less future interest payments	(1,319)	(2,471)
Lease liabilities included in the statement of the financial	150,298	200,963
Current	61,884	58,322
Non-current	88,414	142,641
	150,298	200,963

	2023	2022
Amounts recognised in profit or loss	$'000	$'000
Interest on lease liabilities	(1,263)	(1,623)
Total cash outflow for leases	61,975	86,764

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9. Other assets

	2023	2022
	$'000	$'000
Amortised cost:		
Interest receivable	109,005	110,664
Prepayments and items in course of clearing	24,621	22,049
Other	3,500	4,863
	137,127	137,576

10. Employee benefits asset/obligation

The branch operates a defined benefit pension plan [see note 3(e)] which is open to all permanent employees and is managed by Scotia Investments Jamaica Limited. The pension plan is funded by employee contributions at rates varying from 5% to 10% of pensionable salary, and employer contributions at rates recommended by independent actuaries from time to time. Pension benefits are based on average salary for the final 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 both pensioners and employees.

The discount rate moved from 13% in 2022 to 11% in 2023. This has affected the future benefit the branch expects to derive from surplus in the plan, to the extent of $1,179,258,000 (2022: $2,078,804,000) which is recognized as asset ceiling in OCI. The asset ceiling is applied where the present value of the employer future contributions to the plan is less than the amount of the plan asset. This is on the basis that the entity can only recover the asset by reducing its contributions to that extent. The change in the asset ceiling arose as the present value of the future employer contributions changes as a result of the discount rate of 11% (2022: 13%).

During the year, Citi, as the Sponsor of the Plan, embarked on a de-risking initiative which includes a hybrid structure. This includes both a defined benefit and defined contribution Plan. This has led to annuities purchased for pensioners. Pensioners will continue to benefit from the Health Insurance Plan. For the upcoming year, active members will be given the option to select a conversion to a defined contribution, or to remain as is. New members as of January 2024 will be part of the defined contribution.

Regulatory Framework and Governance

The assets of the pension Fund are held independently of the Branch's assets in a separate trustee administered fund. The pension Fund is regulated by the Financial Services Commission and the Tax Administration Jamaica. The nominated and appointed Trustees manage the pension Fund and are required by law and the Trust Deed to act in the interest of the pension Fund and all relevant stakeholders. The Trustees of the Fund are responsible for the investment policy with respect to the assets of the Fund and are required to comply with other governance regulations under the Pensions Act.

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10. Employee benefits asset/obligation (cont'd)

(a) Employee benefits asset/(obligation):

	Pension plan asset		Health care obligation	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Present value of obligation	(1,052,751)	(1,112,672)	(211,878)	(158,616)
Fair value of plan assets	2,721,771	3,345,923	-	-
Effect of asset ceiling	(1,179,258)	(2,078,804)	-	-
Net asset/(obligation)	489,762	154,447	(211,878)	(158,616)

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

	Pension plan asset		Health care obligation	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Net asset/obligation at January 1	154,447	1,564,495	(158,616)	(265,630)
Contributions	66	63	5,243	4,914
Credit/(expense) recognized in profit or loss	(322,579)	71,042	(26,412)	(34,178)
Remeasurement gain/(loss) recognized in OCI	657,828	(1,481,135)	(32,093)	136,278
Net asset/(obligation) at December 31	489,762	154,447	(211,878)	(158,616)

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10. Employee benefits asset/obligation (cont'd)

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

	Pension plan obligation		Health care obligation	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Balances at January 1	1,112,672	1,662,917	158,616	265,630
Benefits paid	(44,575)	(51,708)	(5,243)	(4,913)
Interest cost	121,151	130,848	20,155	20,995
Current service cost	12,903	40,057	6,257	13,182
Employees' contribution	43,536	41,780	-	-
Settlement Liability	(493,872)	-	-	-
Actuarial gain/(loss) arising from:				
Demographic Assumptions	-	-	11,489	-
Experience adjustment	89,476	18,371	4,852	3,723
Economic assumptions	211,460	(729,593)	48,434	(140,001)
Balance at December 31	1,052,751	1,112,672	211,878	158,616

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

	2023	2022
	$'000	$'000
Balances at January 1	3,345,923	3,227,412
Employees' contributions	43,536	41,780
Benefits paid	(44,575)	(51,708)
Employer's contributions	66	63
Interest income	387,357	256,994
Administrative expenses	(18,705)	(15,047)
Remeasurement loss on plan assets included in other comprehensive income	(185,337)	(113,571)
Purchase of Annuities (Settlement)	(806,494)	-
Balance on December 31	2,721,771	3,345,923

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10. Employee benefits asset/obligation (cont'd)

(i) Plan assets consist of the following:

	2023	2022
	$'000	$'000
Equities	938,801	970,758
Government of Jamaica	221,354	604,547
Real estate	354,488	338,630
CPI notes	370,234	445,111
Corporate bonds	331,194	392,166
BOJ securities	100,277	84,232
Other	369,890	411,006
US notes and bonds	35,533	99,473
	2,721,771	3,345,923

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

	Pension plan asset		Health care obligation	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Current service costs	12,903	40,057	6,257	13,183
Purchase of Annuities	312,622	-	-	-
Administrative expenses	18,705	15,047	-	-
Interest on obligation	121,151	130,848	20,155	20,995
Interest income on plan asset	(387,357)	(256,994)	-	-
Interest on effect of asset Ceiling	244,554	-	-	-
	322,579	(71,042)	26,412	34,178

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10. Employee benefits asset/obligation (cont'd)

(e) Actuarial gains/(losses) recognized in other comprehensive income:

	Pension plan asset		Health care obligation	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Remeasurement (loss)/gain on Obligation	(300,936)	711,222	(32,093)	136,278
Remeasurement gain on asset	(185,337)	(113,571)	-	-
Change in effect on asset ceiling	1,144,101	(2,078,804)	-	-
	657,828	(1,481,153)	(32,093)	136,278

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

	Pension plan asset		Health care obligation	
	2023	2022	2023	2022
	%	%	%	%
Discount rate	11.0	13.0	11.0	13.0
Future salary increases	7.0	7.0	-	-
Future pension increases	3.0	3.0	-	-
Future health cost increases	0.0	0.0	7.5	7.5

(g) The estimated pension contribution expected to be paid into the plan for the next financial year is $65,500.

(h) Sensitivity analysis on projected benefit obligation:

The calculation of the projected benefit obligation is sensitive to the assumptions used. The table below summarizes how the projected benefit obligation measured at the reporting date would have increased/(decreased) as a result of a change in the respective assumptions by one percentage point. In preparing the analyses for each assumption, all others were held constant. The economic assumptions are somewhat linked as they are all related to inflation. Hence, for example, a 1% reduction in the long-term discount rate, would cause some reduction in the medical trend rate.

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10. Employee benefits asset/obligation (cont'd)

(h) Sensitivity analysis on projected benefit obligation (cont'd):

	Pension plan asset				Health care obligation			
	2023		2022		2023		2022	
	1% increase $'000	1% decrease $'000	1% increase $'000	1% decrease $'000	1% Increase $'000	1% Decrease $'000	1% Increase $'000	1% Decrease $'000
Discount rate	(118,858))	151,357	(88,097)	108,942	(26,748)	33,425	(17,836)	21,808
Future salary	44,185	(38,627)	27,402	(23,979)	767	(681)	594	(534)
Medical/Dental	-	-	-	-	32,961	(26,604)	21,832	(17,959)
Future pension Increases	91,679	(76,216)	71,574	(61,301)	-	-	-	-

(i) As mortality continues to improve, estimates of life expectancy are expected to increase. The effect on the projected benefit and obligation of an increase of one year in the life expectancy is approximately $12.4 million. (2022: $16.5 million).

(j) Liability duration (Years):

	Pension plan asset		Health care obligation	
	2023	2022	2023	2022
Active members	14.0	12.1	20.3	18.8
Deferred pensioners	14.8	8.0	8.8	-
Retirees	-	6.5	-	7.9
All participants	14.1	9.9	15.6	14.0

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11. Forward exchange contracts

	2023 $'000	2022 $'000
(a) Fair value through profit or loss:		
Foreign currency forward contracts (asset)	84,674	317,153
Foreign currency forward contracts (liability)	2,389	4,088

At the reporting date, the branch had foreign exchange forward contracts of $5,983,762,200 (2022: $6,593,903,753), with varying maturity dates. The contracts were reflected at fair value using a forward rate as at year end. Gains or losses on the contracts were reflected in profit or loss.

(b) Foreign Exchange gain/loss

	2023 $'000	2022 $'000
Foreign Exchange Revaluation	1,104,861	436,022
Gain/Loss from FX Forwards	(230,891)	(12,159)
Capital Translation & Other FX MVA	4,309	231,497
	878,280	655,360

The foreign exchange revaluation is as a result of movement in foreign currency holdings as well as the foreign exchange rates balances during the year.

12. Deposits

	2023 $'000	2022 $'000
Commercial and business enterprises	14,464,848	15,864,265
Financial institutions	6,233,513	9,015,954
Public authorities	1,558,282	56,409
	22,256,643	24,936,628

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13. Other liabilities

	2023	2022
	$'000	$'000
Managers' cheques	113,426	164,891
Interest payable	14,605	8,606
Accruals	182,912	198,833
Other	356,230	132,098
	667,173	504,428

14. Deferred taxation

Deferred taxation is attributable to the following:

	Assets		Liabilities		Net	
	2023	2022	2023	2022	2023	2022
	$'000	$'000	$'000	$'000	$'000	$'000
Investments	46,893	127,385	-	-	46,893	127,385
Property, plant equipment	71,295	67,625	-	-	71,295	67,625
Employee benefits asset	-	-	(163,237)	(51,477)	(163,237)	(51,477)
Employee benefits Obligation	70,618	52,866	-	-	70,618	52,866
Unrealized FX gain/loss	-	-	(21,147)	(90,592)	(21,147)	(90,592)
Right-of-use lease asset	-	-	(57,999)	(79,838)	(57,999)	(79,838)
Lease liability	50,094	66,981	-	-	50,094	66,981
Others	10,746	9,513	-	-	10,746	9,513
Net assets/(liabilities)	249,646	324,370	(242,383)	(221,907)	7,263	102,463

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14. Deferred taxation (cont'd)

Movements in temporary differences during the year were as follows:

	2023			
	Balance at January 1	Recognized in profit or loss	Recognized in OCI	Balance at December 31
	$'000	$'000	$'000	$'000
		(note 20)		
Investments	127,385	-	(80,492)	46,893
Property, plant and equipment	67,625	3,670	-	71,295
Employee benefits asset	(51,477)	107,494	(219,254)	(163,237)
Employee benefits obligation	52,866	7,055	10,697	70,618
Unrealised FX gain/loss	(90,592)	69,445	-	(21,147)
Right-of-use asset	(79,838)	21,839	-	(57,999)
Lease liability	66,981	(16,887)	-	50,094
Others	9,513	1,233	-	10,745
	102,463	193,849	(289,049)	7,263

	2022			
	Balance at January 1	Recognized in profit or loss	Recognized in OCI	Balance at December 31
	$'000	$'000	$'000	$'000
		(note 21)		
Investments	2,741	-	124,644	127,385
Property, plant and equipment	68,041	(416)	-	67,625
Employee benefits asset	(521,446)	(23,699)	493,668	(51,477)
Employee benefits obligation	88,534	9,753	(45,421)	52,866
Unrealized FX gain/loss	39,747	(130,339)	-	(90,592)
Right-of-use asset	(80,162)	324	-	(79,838)
Lease liability	82,921	(15,940)	-	66,981
Other	8,217	1,296	-	9,513
	(311,407)	(159,021)	572,891	102,463

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.

(b) Reserve fund:

Under the Banking Services 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 the reserve fund is equal to the assigned capital.

(c) Retained earnings reserve:

Under Section 42 of the Banking Services 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 were no transfers to this reserve during the current and prior year.

(d) Fair value reserve:

This represents unrealised gains (losses), net of taxation, on the revaluation of FVOCI investments.

(e) Loan loss reserve

This is a non-distributable reserve representing allowance for impairment of credits. It represents the portion of the provision for credit losses in excess of that required by IFRS 9 as determined under the Bank of Jamaica regulatory requirements and reflected as a non-distributable loan loss reserve, as follows:

	2023	2022
	$'000	$'000
Loans	19,693	25,891
Acceptances, guarantees and letters of credit	14,925	13,663
	34,618	39,554

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15. Assigned capital and reserves (cont'd)

(f) Other reserves:

Other reserves represent accumulated actuarial gains and losses arising from the remeasurement of the employee benefits plan and the effect of the asset ceiling, net of deferred taxes.

(g) Profit remitted:

On June 26, 2023, $359,801,000 (US$ 2,333,333) was remitted to Citibank, N.A, New York (2022: Nil).

16. Net interest income

	2023	2022
	$'000	$'000
Interest income calculated using the effective interest method:		
Loans and deposits (Excluding Reverse Repo)	1,127,409	508,344
Reverse repurchase agreements	732	1,195
FVOCI securities	400,910	194,468
Total interest income	1,529,051	704,007
Interest expense:		
Deposits	191,697	75,937
Repurchase agreements	16	436
Short-term debt and other liabilities	989	32,155
Lease interest expense	1,263	1,623
Total interest expense	193,965	110,151
Net interest income	1,335,085	593,856

17. Fees and commissions

(a) Fees and commissions include charges to customers, processing, and annual fees; deposit-related fees and standby letters of credit. Fees charged on short term transactions are considered to be immaterial and taken directly to the income statement. All other amounts are amortized over the period of the transaction.

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17. Fees and commissions (cont'd)

	2023	2022
	$'000	$'000
Trade related	47,964	38,096
Cheque related	23,785	22,648
Cash management	90,788	93,582
Total fees and commissions	162,537	154,326

(b) In 2016, Head office implemented the Geographic Revenue Attribution ("GRA") Project in order to simplify and standardize the intercompany pricing policies creating even more transparency for businesses and legal entities operating in countries across the world. Under GRA, prescribed attribution revenue percentages are assigned to transactions based on the product type, but all on an arm's- length basis and in keeping with the OECD transfer pricing principles.

(c) The implementation also intends to align the transfer pricing policies and satisfy regulatory and tax requirements by having a centralized process and governance associated with intercompany transactions. The implementation of this project generated the following inter-company revenue for the branch:

	2023	2022
	$'000	$'000
Treasury and trade solutions	695,272	472,942
Corporate portfolio management	23,281	17,152
Debt capital markets	38,554	-
	757,107	490,094

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18. Operating expenses

(a) Staff costs

	2023	2022
	$'000	$'000
Salaries and wages	434,859	434,324
Statutory payroll contributions	57,985	55,109
Pension benefits credit [note 10(d)]	322,579	(71,042)
Health benefits obligation expense [note 10(d)]	26,412	34,178
Incentive	56,624	44,428
Car allowance, Travelling, Uniform	40,213	44,025
Other staff costs	71,496	45,067
	1,010,169	586,089

(b) Other operating expenses

	2023	2022
	$'000	$'000
Advertising and public relations	10,295	6,461
Asset tax	64,689	63,709
Audit, legal and professional fees	64,027	42,943
Insurance	35,892	29,618
Irrecoverable General Consumption Tax	67,643	59,773
License, fees and commission	28,899	40,690
Other operating costs	80,856	78,683
Processing and other support services - intercompany	737,030	421,024
Repairs and maintenance	49,343	30,841
Security and utilities	13,188	15,241
Stationery, postage and freight	5,798	6,469
Cash handling/processing	123,363	126,808
IT/Telecommunications expense	23,027	17,910
	1,304,050	940,170

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19. Profit before income tax

Profit before income tax is stated after charging:

	2023	2022
	$'000	$'000
Directors' emoluments	Nil	Nil
Auditors' remuneration	21,200	18,433

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:

	2023	2022
	$'000	$'000
(i) Current income tax:		
Provision based on current year's profit	410,192	(10,582)
Prior-year under provision	8,203	-
	418,395	(10,582)
(ii) Deferred taxation:		
Origination and reversal of other temporary differences (note 14)	(193,849)	159,587
	224,546	149,005

(b) Reconciliation of effective tax charge:

The effective tax rate for 2023 was 22.60% (2022: 62.30%) of pre-tax profits compared to a statutory tax rate 33.33% (2022: 33.33%). The actual expense differed from the "expected" tax expense as follows:

20. Income tax (cont'd)

(b) Reconciliation of effective tax charge (cont'd)

	2023		2022	
	%	$'000	%	$'000
Profit before income tax		724,560		239,653
Computed "expected" tax charge	33.33	241,520	33.33	79,884
Effect on tax of treating the following items differently for tax purposes than for financial statement purposes:				
Asset tax disallowed	2.98	21,563	8.86	21,236
Disallowed items	(5.32)	(38,537)	13.90	33,304
Tax losses	-	-	6.08	14,581
Actual tax charge/(credit)	30.99	224,546	62.16	149,005

(c) Income tax recognized in other comprehensive income (note 15):

	2023			2022		
	Gross	Tax	Net	Gross	Tax	Net
Investments at OCI	241,499	(80,492)	161,007	(373,969)	124,644	(249,325)
Actuarial gains	625,735	(208,557)	417,178	(1,344,875)	448,247	(896,628)

(d) Tax recoverable represents tax withheld at source by the Government of Jamaica on interest income and is recoverable against withholding tax payable on interest expense. Also included is estimated income tax, which can be offset against income tax charge.

21. Related party transactions

(a) Identity of related parties:

The branch has related party relationships with its head office, parent, ultimate parent, affiliates, and other branches in the form of demand deposit accounts. 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".

(b) The statement of financial position includes balances arising from transactions with related parties, which are payable on demand, unsecured and bear interest, as follows:

	2023	2022
	$'000	$'000
Cash resources:		
Other branches (1)	9,162,264	9,584,320
Forward exchange contract – affiliates (4)	77,471	315,801
Deposits (2):		
Head office	23,107	23,107
Other branches	169,029	74,974
Fellow affiliates	133,143	150,260
	325,279	248,341
Forward exchange contract (liability) – other branches	251	750

(1) Interest on deposits with Head office was paid on the daily ending balance at market rates ranging from 3.8% - 5.4%.

(2) The deposit balances due from and to head office and other branches are demand deposits with no fixed maturity

(3) There were no loans extended to or received from related parties during the year. The interest expense relates to an overdraft balance on demand deposit account.

(4) The foreign exchange forward contracts are with Citibank London with maturity periods ranging to September 2024.

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21. Related party transactions (cont'd)

(b) The statement of profit or loss and other comprehensive income includes income earned from, and expenses incurred in, transactions with related parties, as follows:

	2023	2022
	$'000	$'000
Interest revenue:		
Other branches	1,732	105
Head Office	570,224	179,902
	571,956	180,007
Interest expense:		
Head Office	1	6

	2023	2022
	$'000	$'000
Other operating revenue:		
Fellow affiliates - geographic revenue attribution	757,107	490,094
Other operating expenses:		
Head office - administrative expenses	6,111	5,674
Branches - service level agreement	7,750	8,553
Fellow affiliates - processing and support services	746,322	413,955
	760,183	428,182
Key management personnel:		
Short-term employee benefits	177,269	192,379
Post-employment benefits	608,245	406,669
	785,514	599,048

22. Fair value of financial instruments

The fair value of FVOCI securities is set out in note 7. The fair values of other financial assets and financial liabilities shown in the statement of financial position approximate their carrying amounts and are therefore not included in the table.

The unquoted equity investment is carried at fair value. The fair value movement was assessed using the net asset approach, and deemed not to be material. The investee provides automated clearing facilities to the commercial banking sector on a pricing basis intended to recover operating costs. There is no market for this investee. The branch does not intend to dispose of these equities.

The fair value of cash resources, cheques and other items in transit, other assets, repurchase agreements and other liabilities are considered to approximate their carrying value.

Loans are all short term and less than 12 months. Fair value would approximate the amortized cost based on the short term nature of the instruments.

(a) Fair value hierarchy

Financial instruments that are measured at fair value are grouped into levels based on the degree to which the fair value is observable as follows:

- Level 1: includes quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: includes inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

- Level 3: includes inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(b) Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

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22. Fair value of financial instruments (cont'd)

(b) Accounting classifications and fair values (cont'd)

		2023				
		Carrying Amount			**Fair Value**	
	Notes	Fair value through OCI $'000	Fair value through profit or loss $'000	Total $'000	Level 2 $'000	Level 3 $'000
Financial assets measured at fair value:						
Investment securities	6	5,255,364	17,092	5,272,456	5,255,364	17,092
Foreign currency forward contracts	11	-	84,674	84,674	84,674	-
		5,255,364	101,766	5,357,130	5,340,038	17,092

		2022				
		Carrying Amount			**Fair Value**	
	Notes	Fair value through OCI $'000	Fair value through profit or loss $'000	Total $'000	Level 2 $'000	Level 3 $'000
Financial assets measured at fair value:						
Investment securities	6	6,008,842	17,092	6,025,934	6,008,842	17,092
Foreign currency forward contracts	11	-	317,153	317,153	317,153	-
		6,008,842	334,245	6,343,087	6,325,995	17,092

22. Fair value of financial instruments (cont'd)

(c) Valuation technique and for investment securities classified as level 2.

The following table shows the valuation technique used in measuring fair value. There were no significant unobservable inputs used.

Financial assets	**Method**
Government of Jamaica J$ securities and Bank of Jamaica securities	• Obtain bid yield from yield curve provided by a recognized pricing source which uses market-supplied indicative bids. • Using this yield, determine price using accepted formula. • Apply price to estimate fair value.
Government of Jamaica US$ Global bonds	Prices of bonds at reporting date as quoted by broker/dealer.
Forward exchange contracts	Market comparison technique: The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

Unquoted equities are valued using the net asset valuation method.

The fair value of other financial instruments carried at amortised cost is deemed to approximate carrying value as these balances attract interest rates and terms comparable to market interest rates and terms for similar instruments in the market.

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

23. Financial risk management (cont'd)

(a) Introduction and overview (cont'd):

The Country Coordinating Committee (CCC) has overall responsibility for the establishment and oversight of the branch's risk management framework. The other committees include the Asset and Liability Committee (ALCO), 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 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.

(b) Credit risk:

Credit risk exposures are established, approved, monitored and renewed against the risk management framework prescribed for the branch and consistent with the risk management policies and procedures. 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.

(i) Management of credit risk

The Credit Risk management area, is responsible for oversight of the Bank's credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

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23. Financial risk management (cont'd)

(b) Credit risk:

(i) Management of credit risk (cont'd)

The Credit Risk management area, is responsible for oversight of the Bank's credit risk, including (cont'd):

- Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are also allocated to business unit Credit Officers. Larger facilities require additional approvals including senior credit officers and industry specialists, as appropriate.

- Reviewing and assessing credit risk. Credit assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.

- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances), and by issuer, credit rating band, market liquidity and country (for investment securities).

- Developing and maintaining the Bank's risk gradings in order to categorize exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The responsibility for setting risk grades and final approval lies with the Credit Risk management officers. Risk grades are subject to regular reviews by the Credit Risk area.

- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to the various internal committees on the credit quality of local portfolios and appropriate corrective action is taken.

- Providing advice, guidance and specialist skills to business units to promote best practice in the management of credit risk. Regular audits of business units and credit processes are undertaken by Fundamental Credit Review.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, groups of borrowers and industry segments.

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23. Financial risk management (cont'd)

(b) Credit risk (cont'd):

(i) Management of credit risk (cont'd)

The Bank monitors its concentration of credit exposure so that no single borrower or industry default will have a material impact on the Bank. These limits are implemented and monitored by the Credit Risk Management Unit via the stipulations of the credit policies.

(ii) Exposure to credit risk

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

	2023					
	Cash resources $'000	Loans $'000	Investment securities $'000	Guarantees and letters $'000	Interest receivable $'000	Total $'000
Financial institutions	9,418,456	52	-	-	-	9,418,508
Agriculture	-	430,135	-	-	322	430,457
Manufacturing and Distribution	-	3,457,984	-	1,457,757	5,962	4,921,703
Public sector/ Government	5,897,295	-	5,255,364	-	102,310	11,254,969
Others	1,038,377	629,576	17,092	34,777	411	1,720,233
Total	16,354,12	4,517,747	5,272,456	1,492,534	109,005	27,745,870

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23. Financial risk management (cont'd)

(b) Credit risk (cont'd):

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

	2022					
	Cash resources	Loans	Investment securities	Guarantees and letters of credit	Interest receivable	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Financial	10,900,465	43,032	-	-	2,339	10,945,836
Agriculture	-	1,414,510	-	-	-	1,414,510
Manufacturing and Distribution	-	2,184,204	-	1,272,524	-	3,456,728
Public sector/ Government	5,466,518	-	6,008,842	-	108,147	11,583,507
Others	794,715	474,234	17,092	93,103	178	1,379,322
Total	17,161,698	4,115,980	6,025,934	1,365,627	110,664	28,779,903

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

	2023	2022
	$'000	$'000
North America	9,350,392	9,580,042
Canada	14,425	3,977
Europe	47,044	8,525
Asia Pacific	1,358	1,640
Jamaica	6,940,909	7,567,514
	16,354,128	17,161,698

Credit quality:

The following tables set out information about the credit quality of certain financial instrument measured at amortised cost and FVOCI debt securities. Unless otherwise indicated, for financial assets, the amounts are carrying amounts. All loans are graded as standard, which is the highest regulatory rating.

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23. Financial risk management (cont'd)

(b) Credit risk (cont'd)

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

	2023 Stage 1 $'000	2022 Stage 1 $'000
Credit grade		
Standard rating (scale of 1)	4,536,818	4,129,970
Loss allowance	(19,071)	(13,990)
	4,517,747	4,115,980

Other financial assets at amortised cost:

	2023 Stage 1 $'000	2022 Stage 1 $'000
Credit grade		
Investment grade	9,099,438	9,570,178
Non-investment grade	7,216,203	7,725,009
Loss allowance	1,186	2,919

Debt securities at FVOCI:

	2023 Stage 1 $'000	2022 Stage 1 $'000
Credit grade		
Investment grade	5,255,364	6,008,842
Loss allowance	11,982	11,636

23. Financial risk management (cont'd)

(b) Credit risk (cont'd)

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

Guarantees & LCs	2023	2022
Standard rating	1,492,534	1,365,627
Loss Allowance	1,048	1,472

(iii) Impairment

Under IFRS-9, the estimation of an asset's impairment – as determined by the Expected Credit Losses (ECL) – is a critical concept for assets under Amortized Cost (AC) and Fair Value through Other Comprehensive Income (FVOCI). More precisely, expected credit losses are probability weighted estimates of the present value of all cash shortfalls over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract (i.e., contractual cash flows) and the cash flows expected to be received (i.e., expected cash flows).

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- Financial assets where 12-month ECL is recognized are considered to be in Stage 1 has its credit risk continuously monitored by the branch.
- Financial assets which are considered to have experienced a significant increase in credit risk since origination or purchase are in Stage 2.
- Finally, financial assets for which there is objective evidence of impairment after origination or purchase (e.g., in default or otherwise credit impaired) are in Stage 3.
- The assessment of whether credit risk has increased significantly since initial recognition is performed for each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument, Stage 2 and Stage 3 assets recognize a lifetime current expected credit loss.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

23. Financial risk management (cont'd)

(b) Credit risk (cont'd)

(iii) Impairment (cont'd)

Significant increase in credit risk (SICR)

IFRS 9 requirement for credit exposure which have undergone a significant increase in credit risk (SICR), the branch must reserve for losses that may take place over the full lifetime of the exposure, while those that have not undergone such an increase need only to reserve for 12 months of losses.

When determining whether the credit risk on a financial instrument has increased significantly since initial recognition, the branch uses the change in the risk of default occurring over the expected life of a financial instrument instead of the change for losses, by considering reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition and available without undue cost or effort. The assessment of significant credit deterioration is implemented based on the selected credit risk 1 drivers, both quantitative and qualitative and based on the branch's historical information and analysis, policies, includes forward-looking information and reflect a view of a financial asset's credit risk over the remaining life.

Credit risk grades:

The Branch uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. The Branch uses internal rating models tailored to the various categories of counterparty.

Borrower and loan specific information collected at the time of application is fed into this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers. In addition, the models enable expert judgement from the Credit Risk Officer to be fed into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

The assessment of whether credit risk has increased (or decreased) significantly since initial recognition is performed for each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument, rather than by considering an increase in ECL.

23. Financial risk management (cont'd)

(b) Credit risk (cont'd)

(iii) Impairment (cont'd)

Credit risk grades (cont'd):

(i) *Definition of default and credit-impaired assets*

The branch defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

The borrower is more than 90 days past due on its contractual payments.

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower formally files for bankruptcy or there is a commencement of foreclosure proceedings.

- The obligation is classified doubtful or worse as per the branch's classification process.

- A modification to the terms and conditions of the original agreement that would not normally be considered is executed.

The criteria above has been applied to all financial instruments held by the branch and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) throughout the branch's expected loss calculations.

(ii) *Measurement of the expected credit loss (ECL)*

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month).

23. Financial risk management (cont'd)

(b) Credit risk (cont'd)

(iii) Impairment (cont'd)

Credit risk grades (cont'd):

(ii) *Measurement of the expected credit loss (ECL)*

This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12 month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.

The assumptions underlying the ECL calculation - such as how the maturity profile of the PDs and how collateral values change, etc. - are monitored and reviewed on a quarterly basis.

No expected credit loss provisions were modelled on a collective basis. If required, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. As necessary, the appropriateness of groupings is monitored and reviewed on a periodic basis by the Credit Risk management team.

Corporate and commercial loans and investments exposures are assessed individually.

23. Financial risk management (cont'd)

(b) Credit risk (cont'd)

(iii) Impairment (cont'd)

Credit risk grades (cont'd):

(iii) *Incorporation of forward-looking information*

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The branch has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

The branch uses a forward-looking model to estimate the potential of future economic conditions. It formulates three economic scenarios: a base case, which is the median scenario assigned a 61% probability of occurring, and two less likely scenarios, one optimistic (upside) and one pessimistic (downside), each assigned 8% and 31% probability of occurring, respectively. Each scenario considers the expected impact of gross domestic product (GDP), interest rates, and unemployment rates. External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in Jamaica, supranational organizations and selected private-sector forecasters.

There are three basic scenario-dependent parameters in the ECL calculation: (1) Probability of Default and Rating Migration (PD/RM) derived on an Obligor level utilizing a model segmented by industry and geography; (2) Loss Given Default (LGD) which is a facility level model segmented by product, and geography and (3) Exposure at Default driven by Credit Conversion Factors (CCF) and Facility Incremental Use. Model drivers are forward-looking economic forecasts.

Macroeconomic scenarios-based parameter models are used for the first 9 quarters and long-term averages are used afterwards to cover the life of the asset.

23. Financial risk management (cont'd)

(b) Credit risk (cont'd)

(iii) Impairment (cont'd)

Credit risk grades (cont'd):

(iii) *Incorporation of forward-looking information (cont'd)*

The impact of these economic variables on the PD, EAD and LGD has been determined by performing a trend analysis and compared historical information with forecast macro-economic data to determine whether the indicator describes a positive, negative or stable trend and to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD. For the purpose of the ECL, the branch applies country-specific metrics for the key macro-economic factors:

- Gross Domestic Product
- Unemployment
- Interest rate and

The following tables show key macroeconomic variables applied by the branch when calculating modeled estimates for ECL expressed as averages through the reasonable and supportable period (9 quarters).

Key Macroeconomic Variables	**Scenario**	**2023**	**2022**
Gross Domestic Product	Base	1.24%	1.00%
	Optimistic	3.07%	1.00%
	Pessimistic	-0.44%	1.00%
Unemployment	Base	6.83%	6.65%
	Optimistic	6.23%	7.00%
	Pessimistic	9.15%	8.06%
Interest Rate	Base	7.03%	3.45%
	Optimistic	7.03%	4.09%
	Pessimistic	7.32%	4.4%
Scenario Weight Applied	Base	61%	56%
	Optimistic	8%	9%
	Pessimistic	31%	35%

23. Financial risk management (cont'd)

(b) Credit risk (cont'd)

(iii) Impairment (cont'd)

(iii) *Incorporation of forward-looking information (cont'd)*

The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of.

(iv) *Loss allowance*

The Branch's allowance calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs.

Some of the key drivers include the following:

- Changes in risk ratings of the borrower or instrument reflecting changes in their credit quality.
- Changes in the forward-looking macroeconomic variables used in the models such as GDP growth rates, which are closely related with credit losses in the relevant portfolio.
- Changes in macroeconomic scenarios and the probability weights assigned to each scenario
- There was no migration of borrowers among the three stages and as such this did not have an impact on changes to any of the above inputs and assumptions.

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

	2023	2022
	$'000	$'000
Loans receivable at amortised cost:		
Balance at January 1	13,990	4,779
New loans originated	19,071	13,990
Loans Matured	(13,990)	(4,779)
Balance at December 31	19,071	13,990
Debt securities at FVOCI:		
Balance at January 1	11,636	12,005
Remeasurement of loss allowance during the year	346	(369)
Balance at December 31	11,982	11,636

23. Financial risk management (cont'd)

(b) Credit risk (cont'd)

(iii) Impairment (cont'd)

(iv) *Loss allowance*

	2023 $'000	2022 $'000
Other financial assets		
(Includes receivables and deposits with banks)		
Balance at January 1	2,920	861
Remeasurement of loss allowance during the year	(1,733)	2,059
Balance at December 31	1,187	2,920
Total impairment recognized in profit or loss	(3,694)	10,901
Guarantees		
Balance at January 1	1,472	663
Remeasurement of loss allowance during the year	(424)	809
Balance at December 31	1,048	1,472

(c) Liquidity risk:

Liquidity 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 ensuring 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.

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. Internal liquidity policies and procedures are subject acknowledged by ALCO to validate if fit for purpose. Daily reports cover the liquidity position of the branch. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

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23. Financial risk management (cont'd)

(c) Liquidity risk (cont'd):

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

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

The branch's assets are managed on a short-term basis. See also note 23(d)(i) below.

	2023					
	Within 3 months	Three to 12 Months	1 to 5 Years	Over 5 years	Total contractual outflows	Carrying amount
	$'000	$'000	$'000	$'000	$'000	$'000
Cash resources	16,354,128	-	-	-	16,354,128	16,354,128
Loans	2,388,067	2,129,680	-	-	4,517,747	4,517,747
Investments	700,003	826,324	2,821,583	924,546	5,272,456	5,272,456
Other Assets	1,458	135,669	-	-	137,127	137,127
FX Contracts	82,719	1,955	-	-	84,674	84,674
	19,526,375	3,093,628	2,821,583	924,546	26,366,132	26,366,132
Deposits	22,245,719	10,924	-	-	22,256,643	22,256,643
Lease	15,418	46,415	88,465	-	150,298	150,298
FX Contracts	902	1,487	-	-	2,389	2,389
Guarantees	60,757	23,777		1,408,000	1,492,534	1,492,534
Other	478,991	113,425	-	74,757	667,173	667,173
Total	22,801,787	196,028	88,465	1,482,757	24,569,037	24,569,037
Gap	(3,275,412)	2,897,600	2,733,118	(558,211)	1,797,095	1,797,095
Cumulative	(3,275,412)	(377,812)	2,335,306	1,797,095	3,594,190	3,594,190

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23. Financial risk management (cont'd)

(c) Liquidity risk (cont'd):

	2022					
	Within 3 months	Three to 12 Months	1 to 5 Years	Over 5 years	Total contractual outflows	Carrying amount
	$'000	$'000	$'000	$'000	$'000	$'000
Cash resources	17,161,698	-	-	-	17,161,698	17,161,698
Loans	2,351,525	1,764,455	-	-	4,115,980	4,115,980
Investments	2,345,249	-	2,829,517	851,168	6,025,934	6,025,934
Other Assets	134,194	3,382	-	-	137,576	137,576
FX Contracts	315,198	1,955	-	-	317,153	317,153
	22,307,864	1,769,792	2,829,517	851,168	27,758,341	27,758,341
Deposits	24,934,588	2,040	-	-	24,936,628	24,936,628
Lease	14,886	44,656	143,892	-	203,434	
FX Contracts	4,088	-	-	-	4,088	4,088
Guarantees	-	117,627	-	1,248,000	1,365,627	1,365,627
Other liabilities	496,737	529	-	7,162	504,428	504,428
Total liabilities	25,450,299	164,852	143,892	1,255,162	27,014,205	27,011,734
Gap	(3,142,435)	1,604,940	2,685,625	(403,994)	744,136	746,007
	(3,142,435)	(1,537,495)	1,148,130	744,136	1,488,272	1,490,743

(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 optimizing returns. Market risk exposures are measured using sensitivity analysis. 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.

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23. Financial risk management (cont'd)

(d) Market risk

(i) Foreign currency risk

Foreign currency risk is the risk that the fair value 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 United States 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.

	2023						
	JMD	USD	GBP	CAD	JPY	EUR	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash resources	5,160,822	11,112,170	41,063	17,318	1,358	21,397	16,354,128
Loans	2,167,363	2,350,384	-	-	-	-	4,517,747
Investments	3,988,457	1,283,999	-	-	-	-	5,272,456
Forward exchange contracts	84,674	-	-	-	-	-	84,674
Other assets	89,342	47,785	-	-	-	-	137,127
Total financial assets	11,490,658	14,794,338	41,063	17,318	1,358	21,397	26,366,132
Deposits	11,936,353	10,320,290	-	-	-	-	22,256,643
Lease liabilities	-	150,298	-	-	-	-	150,298
Forward exchange	2,389	-	-	-	-	-	2,389
Other liabilities	476,084	191,089	-	-	-	-	667,173
Total	12,414,826	10,661,677	-	-	-	-	23,076,503
	(924,168)	4,132,661	41,063	17,318	1,358	21,397	3,289,629

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23. Financial risk management (cont'd)

(d) Market risk

(i) Foreign currency risk (cont'd)

The table below summarises exposure to foreign currency risk at their equivalent JMD values (cont'd):

	2022						
	JMD	USD	GBP	CAD	JPY	EUR	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash resources	5,711,612	11,430,209	7,365	5,663	1,640	5,209	17,161,698
Loans	1,130,260	2,985,720	-	-	-	-	4,115,980
Investments	3,838,076	2,187,858	-	-	-	-	6,025,934
Forward Exchange contracts	317,153	-	-	-	-	-	317,153
Other assets	62,959	74,617	-	-	-	-	137,576
Total financial assets	11,060,060	16,678,404	7,365	5,663	1,640	5,209	27,758,342
Deposits	12,782,630	12,153,998	-	-	-	-	24,936,628
Lease	-	200,963	-	-	-	-	200,963
Forward	4,088	-	-	-	-	-	4,088
Other liabilities	477,493	26,935	-	-	-	-	504,428
Total liabilities	13,264,211	12,381,896	-	-	-	-	25,642,107
Net exposure	(2,204,149)	4,296,508	7,365	5,663	1,640	5,209	2,112,235

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

	2023	2022
USD	154.2681	151.01
GBP	194.2333	179.50
CAD	116.9034	108.20
JPY	1.09	1.15
EUR	170.36	161.88

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23. Financial risk management (cont'd)

(d) Market risk

(i) Foreign currency risk (cont'd)

Sensitivity to exchange rate movements:

A (weakening)/strengthening of the JMD against the currencies indicated, at the reporting date, would have increased/(decreased) profit and equity by the amounts shown below. This analysis is performed on the same basis as for 2022 and has been computed on the basis that all other variables remain constant.

	2023		2022	
Currency	strengthening/ (weakening)	Effect on profit and equity	strengthening/ (weakening)	Effect on profit and equity
	%	$'000	%	$'000
USD	6	(247,960)	6	(257,942)
	-3	123,980	-6	257,942
GBP	6	(2,464)	6	(442)
	-3	1,232	-6	442
CAD	6	(1,039)	6	(340)
	-3	520	-6	340
JPY	6	(8)	6	(98)
	-3	41	-6	98
EUR	6	(1,284)	6	(313)
	-3	642	-6	313

(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 dollar value change as a result of one basis point movement (DV01).

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23. Financial risk management (cont'd)

(d) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

The following table summarizes 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.

	2023					
	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 resources	12,654,984	-	-	-	3,699,144	16,354,128
Loans, less allowance for impairment losses	320,932	2,067,135	2,129,680	-	-	4,517,747
Investment securities	700,003	-	826,324	3,729,037	17,092	5,272,456
Forward exchange	-	-	-	-	84,674	84,674
Other asset	-	-	-	-	137,127	137,127
Total financial assets	13,675,919	2,067,135	2,956,004	3,729,037	3,938,037	26,366,132
LIABILITIES						
Deposits	9,002,891	1,275,746	10,924	-	11,967,082	22,256,643
Forward exchange	-	-	-	-	2,389	2,389
Lease liability	-	15,418	46,415	88,465	-	150,298
Other liabilities	-	-	-	-	667,173	667,173
Total financial liabilities	9,002,891	1,291,164	57,339	88,465	12,636,644	23,076,503
Total interest rate sensitivity	4,673,028	775,971	2,898,665	3,640,572	(8,698,607)	3,289,629
Cumulative gap	4,673,028	5,448,999	8,347,664	11,988,236	3,289,629	-

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23. Financial risk management (cont'd)

(d) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

	2022					
	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 resources	13,862,526	-	-	-	3,299,172	17,161,698
Loans, less allowance for impairment losses	301,847	2,049,678	1,764,455	-	-	4,115,980
Investment securities	1,799,133	546,116	-	3,663,594	17,092	6,025,935
Forward exchange contracts	-	-	-	-	317,153	317,153
Other asset	-	-	-	-	137,576	137,576
Total financial assets	15,963,506	2,595,794	1,764,455	3,663,594	3,770,993	27,758,342
LIABILITIES						
Deposits	11,030,773	2,034,072	2,040	-	11,869,743	24,936,628
Forward exchange contracts	-	-	-	-	4,088	4,088
Lease liability	-	14,542	43,780	142,641	-	200,963
Other liabilities	-	-	-	-	504,428	504,428
Total financial liabilities	11,030,773	2,048,614	45,820	142,641	12,378,259	25,646,107
Total interest rate sensitivity Gap	4,932,733	547,180	1,718,635	3,520,953	(8,607,265)	2,112,236
Cumulative gap	4,932,733	5,479,913	7,198,548	10,719,501	2,112,236	-

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:

	2023	2022
	$'000	$'000
Fixed rate instruments:		
Financial assets		
Cash resources	12,406,320	13,862,526
Loans	4,517,747	4,115,980
Investment securities	5,272,456	6,025,934
Financial liability		
Deposits	10,289,561	13,066,885

Fair value sensitivity to interest rate movements:

A change of +25 and -25 (2022: +100 and -50) in basis points in interest rates for Jamaica and +25 and -25 (2022: +100 and -50) in United States dollar financial instruments at the reporting date would have increased or (decreased) equity and profit 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 for 2022.

The branch continues to monitor interest-rate movements and to position its investment portfolio accordingly. The branch establishes limits to monitor any mismatch in interest rate repricing.

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23. Financial risk management (cont'd)

(d) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

Cash flow sensitivity of variable rate financial instruments:

A change of +25 and -25 (2022: +100 and -50) basis points in interest rates for Jamaica and a change of +25 and -25 (2022: +100 and -50) basis points in interest rates for United States dollar financial instruments at the reporting date would have increased or (decreased) profit and equity by the amounts shown below. The branch does not have any variable rate financial instruments denominated in United States dollars.

	2023	2022
Change in basis points	Effect on equity	Effect on equity
	$'000	$'000
USD interest rates		
+25bps/100bps	29	277
-25bps/50bps	(29)	(41)
JMD Interest rates		
+25bps/100bps	17,437	50,290
-25bps/50bps	(17,647)	(26,371)

The analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for 2022.

23. Financial risk management (cont'd)

(e) Operational risk:

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. This definition of operational risk includes legal risk — which is the risk of loss (including litigation costs, settlements, and regulatory fines) resulting from the failure of Citi to comply with laws, regulations, prudent ethical standards, and contractual obligations in any aspect of the Citi business — but excludes strategic and reputation. Nevertheless, Citi recognizes the impact of operational risk on the reputation risk associated with its business activities.

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:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- documentation of procedures including controls;
- requirements 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;
- 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.

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24. Capital management

Regulatory capital

The branch's 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 assigned share capital, retained earnings reserve, statutory reserve fund less 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 general provisions for losses up to a maximum of 1.25% of the 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 the confidence of investors, creditors and the market, and to sustain future development of the business.

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

	2023	2022
	$'000	$'000
Tier 1 Capital before deductions		
Assigned capital	207,609	207,609
Reserve fund	207,609	207,609
Retained earnings reserve	2,702,432	2,702,432
Total Tier 1 Capital	3,117,650	3,117,650
Adjustments to tier 1 capital		
Fair value reserve	(101,849)	(262,856)
Total tier 1 Capital after adjustments	3,015,801	2,854,794

24. Capital management (cont'd)

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

		2023	2022
		$'000	$'000
Tier 2 Capital			
General provision for losses on assets, being total Tier 2 capital		34,618	39,554
Total regulatory capital		3,050,419	2,894,348
Total risk-weighted assets		15,341,473	15,176,346
Capital ratios			
Total regulatory capital expressed as a percentage of total risk-weighted assets	-Actual	19.88%	19.07%
	-Required	10.00%	10.00%
Total tier 1 capital expressed as a percentage of total risk-weighted assets	-Actual	20.32%	20.54%
	-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.

25. Commitments

At the reporting date, the branch had commitments for guarantees and letters of credit issued on behalf of clients amounting to $1,492,534,000 (2022: $1,365,627,000). Expected credit losses on these guarantees and letters of credit are insignificant.

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26. Prior Year Adjustments

During 2023, the presentation of some items in the statement of cash flow were changed to achieve a more appropriate presentation as required by the applicable financial reporting framework.

Statement of Cash Flow

Cash and cash equivalents were amended to remove the cash reserve balances with the Bank of Jamaica, to operating activities, as the balances do not meet the definition of cash and cash equivalent as per IAS 7. Maintaining cash reserve balances is a regulatory requirement for all deposit taking institution and is considered as a part of the operating activities of the bank.

The impact on the statement of cash flow is as follows:

	As Previously Reported	Adjustments	As Restated
Cash and cash equivalents opening at December 2021	12,425,736	(1,930,436)	10,495,300
Cash and cash equivalents Closing at December 2022	17,161,698	(2,473,671)	14,687,527
Cash flows from operating activities			
Cash Reserves at Bank of Jamaica	0	(543,735)	(543,735)
Net cash provided by operating activities	1,329,107	(543,735)	785,372