

CITIBANK, N.A.

FINANCIAL STATEMENTS

DECEMBER 31, 2024



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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 73 which comprise the statement of financial position as at December 31, 2024, 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, 2024, 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.



Page 2

INDEPENDENT AUDITORS' REPORT (cont'd)  
To the Directors of  
CITIBANK, N.A.  

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*[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.



Page 3

INDEPENDENT AUDITORS' REPORT (cont'd)  
To the Directors of  
CITIBANK, N.A.  

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*[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.



Page 4

INDEPENDENT AUDITORS' REPORT (cont'd)  
To the Directors of  
CITIBANK, N.A.  

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*[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.

A handwritten signature in blue ink that reads 'KPMG'.

Chartered Accountants  
Kingston, Jamaica

March 31, 2025

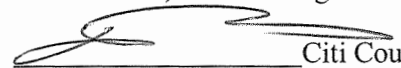
CITIBANK, N.A.


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

JAMAICA BRANCHStatement of Financial Position  
December 31, 2024

		<u>2024</u>	<u>2023</u>
	<u>Notes</u>	<u>\$'000</u>	<u>\$'000</u>
<b>ASSETS</b>			
Cash Resources	4	23,632,034	16,354,128
Loans, less allowance for impairment	5(a)	1,937,958	4,517,747
Investment securities	6	3,506,265	5,272,456
Property, plant and equipment	7	57,240	102,646
Right-of-use assets	8	106,794	174,015
Tax recoverable	20(d)	356,685	192,704
Other assets	9	746,523	137,127
Employee benefits asset	10	399,738	489,762
Forward exchange contracts	11	101,836	84,674
Deferred Tax asset	14	<u>7,020</u>	<u>7,263</u>
		<u>30,852,093</u>	<u>27,332,522</u>
<b>LIABILITIES</b>			
Deposits:			
Customers		24,828,164	21,931,364
Other branches		170,805	169,029
Head office		23,107	23,107
Affiliates		<u>107,642</u>	<u>133,143</u>
	12	25,129,718	22,256,643
Other liabilities	13	681,966	667,173
Employee benefits obligation	10	363,226	211,878
Lease liability	8	89,276	150,298
Forward exchange contract	11	<u>10,267</u>	<u>2,389</u>
		<u>26,274,453</u>	<u>23,288,381</u>
<b>HEAD OFFICE'S EQUITY</b>			
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)	29,866	( 101,849)
Loan loss reserve	15(e)	21,174	34,618
Other reserve	15(f)	69,306	218,125
Unremitted profits		<u>1,339,644</u>	<u>775,597</u>
		<u>4,577,640</u>	<u>4,044,141</u>
		<u>30,852,093</u>	<u>27,332,522</u>

The financial statements on pages 5 to 73 were approved for issue by the Country Coordinating Committee on March 31, 2025 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 BRANCHStatement of Profit or Loss and Other Comprehensive Income  
December 31, 2024

	<u>Notes</u>	<u>2024</u> \$'000	<u>2023</u> \$'000
Interest income calculated using the effective interest method:			
Interest on loans		274,011	351,127
Interest on deposits with banks		944,431	777,014
Interest on investment securities		<u>381,567</u>	<u>400,910</u>
		1,600,009	1,529,051
Interest expense	16	( <u>171,731</u> )	( <u>193,965</u> )
Net interest income	16	1,428,278	1,335,086
Fees and commissions			
	17(a)	197,327	162,537
Losses from securities trading		( <u>78,496</u> )	( <u>2,738</u> )
Other operating revenue:			
Foreign exchange gains	11(b)	1,063,762	878,280
Inter-company- geographic revenue attribution	17(b)	<u>1,196,024</u>	<u>757,107</u>
		<u>3,806,895</u>	<u>3,130,272</u>
Operating Expenses:			
Staff costs	18(a)	717,671	1,010,169
Depreciation (property, plant and equipment)	7	24,358	33,109
Depreciation – write off		-	( <u>16,369</u> )
Amortization of right of use asset	8	74,000	71,058
Impairment loss on financial asset	23(b)	642	3,694
Others	18(b)	<u>1,584,657</u>	<u>1,304,050</u>
		<u>2,401,328</u>	<u>2,405,711</u>
Profit before income tax	20(b)	1,405,567	724,561
Income tax expense	20(a)	( <u>503,031</u> )	( <u>224,547</u> )
Profit for the year		<u>902,536</u>	<u>500,014</u>
Other comprehensive income:			
Item that will not be reclassified to profit or loss:			
Remeasurement of employee benefits, net of taxation	20(c)	( <u>148,819</u> )	417,178
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)	<u>131,715</u>	<u>161,007</u>
Total other comprehensive (loss)/income		( <u>17,104</u> )	<u>578,185</u>
Total comprehensive income		<u>885,432</u>	<u>1,078,199</u>

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

CITIBANK, N.A.

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

JAMAICA BRANCHStatement of Changes in Equity  
December 31, 2024

	Assigned capital \$'000 [Note 15(a)]	Reserve Fund \$'000 [Note 15(b)]	Retained earnings \$'000 [Note 15(c)]	Fair value reserve \$'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, 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	—	—	—	—	—	—	<u>500,014</u>	<u>500,014</u>
Other comprehensive income:								
Remeasurement of defined benefit assets, net of taxation	-	-	-	-	-	417,178	-	417,178
Change in fair value of investments, net of taxation	—	—	—	<u>161,007</u>	—	—	—	<u>161,007</u>
Other comprehensive income for the year	—	—	—	<u>161,007</u>	—	<u>417,178</u>	—	<u>578,185</u>
Total comprehensive income for the year	—	—	—	<u>161,007</u>	—	<u>417,178</u>	<u>500,014</u>	<u>1,078,199</u>
Transfers	-	-	-	-	( 4,936)	-	4,936	-
Profit remitted [note 15 (g)]	—	—	—	—	—	—	( 359,801)	( 359,801)
Balances December 31, 2023	<u>207,609</u>	<u>207,609</u>	<u>2,702,432</u>	<u>(101,849)</u>	<u>34,618</u>	<u>218,125</u>	<u>775,597</u>	<u>4,044,141</u>
Total comprehensive income:								
Profit for the year	—	—	—	—	—	—	<u>902,536</u>	<u>902,536</u>
Other comprehensive income:								
Remeasurement of defined benefit assets, net of taxation	-	-	-	-	-	(148,819)	-	( 148,819)
Change in fair value of investments, net of taxation	—	—	—	<u>131,715</u>	—	—	—	<u>131,715</u>
Other comprehensive income for the year	—	—	—	<u>131,715</u>	—	<u>(148,819)</u>	—	<u>( 17,104)</u>
Total comprehensive income for the year	—	—	—	<u>131,715</u>	—	<u>(148,819)</u>	<u>902,536</u>	<u>885,432</u>
Transfers	-	-	-	-	(13,444)	-	13,444	-
Profit remitted [note 15 (g)]	—	—	—	—	—	—	( 351,933)	( 351,933)
Balances December 31, 2024	<u>207,609</u>	<u>207,609</u>	<u>2,702,432</u>	<u>29,866</u>	<u>21,174</u>	<u>69,306</u>	<u>1,339,644</u>	<u>4,577,640</u>

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

December 31, 2024

	Notes	<u>2024</u>	<u>2023</u>
		\$'000	Restated* \$'000
<b>Cash flows from operating activities</b>			
Profit for the year		902,536	500,014
Adjustments for:			
Depreciation – property, plant and equipment	7	24,358	33,109
Amortised of the right-of-use asset	8	74,000	71,058
Impairment on financial assets		642	3,694
Interest income	16	( 1,600,009)	( 1,529,051)
Interest expense	16	171,731	193,965
Income tax expense	20(a)	503,031	224,547
Unrealised foreign exchange loss		( 12,596)	( 12,476)
Property, plant and equipment Write-off		48,332	-
Right-of-use Asset Adjustment		-	( 5,533)
Loss from securities trading		78,496	-
Employee benefits asset/obligation		<u>27,428</u>	<u>348,991</u>
		217,949	( 171,682)
Changes in:			
Loans		2,576,348	( 468,665)
Employee benefits asset/obligation		( 9,273)	( 5,309)
Other assets	26	( 660,362)	( 3,052)*
Forward exchange contract (net)		57,426	335,173
Cash reserves at BOJ	4	329,598	( 116,243)
Deposits		2,945,141	( 2,462,023)
Other liabilities		<u>15,645</u>	<u>159,660</u>
		5,472,472	( 2,732,141)*
Interest received		1,630,337	1,548,000
Interest paid		( 168,667)	( 187,966)
Income tax paid		( 658,219)	<u>143,940</u>
Net cash provided/(used) by operating activities		<u>6,275,923</u>	<u>( 1,228,167)*</u>
<b>Cash flows from investing activities</b>			
Investment securities proceeds		15,157,304	28,240,597*
Investment securities purchases		(13,260,814)	(27,253,259)*
Purchase of property, plant and equipment		( 27,283)	( 28,958)
Net cash provided by investing activities		<u>1,869,207</u>	<u>958,380*</u>
<b>Cash flows from financing activities</b>			
Payment of lease liabilities	8	( 70,578)	( 61,975)
Profits Remitted	26	( 351,933)	( 359,800)*
Net cash used in financing activities		( 422,511)	( 421,775)*
Net increase (decrease) in cash and cash equivalents		7,722,619	( 691,562)
Effect of exchange rate fluctuations on cash and cash equivalents		( 115,115)	( 232,251)
Cash and cash equivalents at beginning of year		<u>13,763,714</u>	<u>14,687,527</u>
Cash and cash equivalents at end of year	4	<u>21,371,218</u>	<u>13,763,714</u>

\*Restated (see note 26)

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

Notes to the Financial Statements

December 31, 2024

### 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].

New and amended standards that became effective during the year:

Certain new IFRS and interpretations of and amendments to existing standards came into effect for the current financial year. Their adoption did not result in any significant change in accounting policies and did not have any material effect on the amounts and disclosures in the financial statements.

New and amended standards and interpretations that are not yet effective:

At the date of authorization of these financial statements, certain new and amended standards and interpretations have been issued which were not effective for the current year and which the Branch has not early adopted. The Branch has assessed them with respect to its operations and has determined that the following is relevant:

- IFRS 18 Presentation and Disclosure in Financial Statements, is effective for annual reporting periods beginning on or after January 1, 2027. Under current IFRS Accounting Standards, the Branch use different formats to present their results, making it difficult for investors to compare financial performance across Banks. IFRS 18 promotes a more structured income statement. In particular, it introduces a newly defined ‘operating profit’ subtotal and a requirement for all income and expenses to be allocated between three new distinct categories (Operating, Investing and Financing) based on a Branch’s main business activities.

All Banks are required to report the newly defined ‘operating profit’ subtotal – an important measure for investors’ understanding of a Branch’s operating results – i.e. investing and financing activities are specifically excluded. This means that the results of equity-accounted investees are no longer part of operating profit and are presented in the ‘investing’ category.

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 2024

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

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

New and amended standards and interpretations that are not yet effective:

- IFRS 18 Presentation and Disclosure in Financial Statements(cont'd).

IFRS 18 also requires Banks to analyze their operating expenses directly on the face of the income statement – either by nature, by function or using a mixed presentation. Under the new standard, this presentation provides a ‘useful structured summary’ of those expenses. If any items are presented by function on the face of the income statement (e.g. cost of sales), then a Branch provides more detailed disclosures about their nature.

IFRS 18 requires some ‘non-GAAP’ measures to be reported in the financial statements. It introduces a narrow definition for management performance measures (MPMs), requiring them to be a subtotal of income and expenses, used in public communications outside the financial statements and reflective of management’s view of financial performance. For each MPM presented, companies will need to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards.

Banks are discouraged from labelling items as ‘other’ and will now be required to disclose more information if they continue to do so.

The Branch is assessing the impact that this standard will have on its future financial statements.

(b) Basis of measurement:

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

- (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)].
- (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.

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 2024

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

(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.

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.

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 2024

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)

- 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 23(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).

- 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).

CITIBANK, N.A.

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

## JAMAICA BRANCH

Notes to the Financial Statements

December 31, 2024

### 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.

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.

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 2024

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)

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.
- *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.

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 2024

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)

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.

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.

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 2024

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)**

b. Equity instruments(cont'd)

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.

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.

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 2024

3. Material Accounting Policies (cont'd)

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

(iii) Derecognition (cont'd)

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.

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.

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 2024

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):

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.

(viii) Other liabilities:

Other liabilities are classified and measured at amortized cost.

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 2024

3. Material Accounting Policies (cont'd)

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

(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.

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.

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 2024

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 (cont'd):

- 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.

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.

CITIBANK, N.A.

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

## JAMAICA BRANCH

Notes to the Financial Statements

December 31, 2024

### 3. Material Accounting Policies (cont'd)

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

##### Write-off (cont'd)

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.

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 2024

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.

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 2024

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.

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.

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 2024

3. Material Accounting Policies (cont'd)

(d) Leases (cont'd)

(i) As a lessee (cont'd)

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.

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.

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 2024

3. Material Accounting Policies (cont'd)

(e) Employee benefits (cont'd):

(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.

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.

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 2024

3. Material Accounting Policies (cont'd)

(e) Employee benefits (cont'd):

(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.

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.

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.

CITIBANK, N.A.

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

## JAMAICA BRANCH

Notes to the Financial Statements

December 31, 2024

### 3. Material Accounting Policies (cont'd)

#### (g) Fees and commission (Cont'd):

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.

#### (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.

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 2024

3. Material Accounting Policies (cont'd)

(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.

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.

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 2024

3. Material Accounting Policies (cont'd)

(j) Impairment of non-financial assets (cont'd):

(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.

(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.

A related party is a person or entity that is related to the branch (cont'd).

(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.

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 20243. Material Accounting Policies (cont'd)

## (k) Related parties (cont'd):

A related party is a person or entity that is related to the branch (cont'd).

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

- (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.

4. Cash resources

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
Accounts with other branches	50,044	61,468
Accounts with other financial institutions	1,500,054	69
Notes and coins, money at call, and deposits and cash reserves at Bank of Jamaica	10,391,560	6,930,474
Due from fellow affiliates	1,055	1,358
Accounts with head office	11,700,575	9,348,102
Cheques and other items in transit	( 11,254)	12,657
	<u>23,632,034</u>	<u>16,354,128</u>
Cash and cash equivalent		
Cash resource	23,632,034	16,354,128
Less cash reserves at Bank of Jamaica	( 2,260,816)	( 2,590,414)
	<u>21,371,218</u>	<u>13,763,714</u>

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 20244. Cash resources (cont'd)

Of the total deposits held with Bank of Jamaica, \$2,260,816,000 (2023: \$2,590,414,000) 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% (2023: 6%) for Jamaican currency and 14% (2023: 14%) 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:

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
Within 3 months	640,671	2,067,135
3 - 12 months	1,297,287	320,932
1-5 years	-	2,129,680
	<u>1,937,958</u>	<u>4,517,747</u>

The branch's three most significant customers are in the Manufacturing, Distribution and Electricity, Gas and Water Sectors (2023: manufacturing, distribution and electricity, gas and water sectors) and account for \$1.83 billion (2023: \$3.98 billion) representing 94% (2023: 88%) of total loans.

(b) Expected credit losses:

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

	<u>2024</u>		<u>2023</u>	
	<u>Gross</u>	<u>Expected credit losses</u>	<u>Gross</u>	<u>Expected credit losses</u>
	\$'000	\$'000	\$'000	\$'000
Balances	<u>1,949,212</u>	<u>(11,254)</u>	<u>4,536,818</u>	<u>(19,071)</u>
Allowance for ECL:				
		<u>2024</u>		<u>2023</u>
		\$'000		\$'000
Balance at beginning of year		(19,071)		(13,990)
Remeasurement of ECL allowance during the year		<u>7,817</u>		<u>( 5,081)</u>
At end of year		<u>(11,254)</u>		<u>(19,071)</u>

(c) At the reporting date, there are no Past Due Loans on which interest is no longer being accrued.

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 20246. Investment securities

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
Fair value through OCI:		
Securities issued or guaranteed by Government of Jamaica:		
Debentures	2,830,087	3,971,364
Bonds (denominated in United States dollars)	<u>644,729</u>	<u>1,284,000</u>
	3,474,816	5,255,364
Fair value through profit or loss:		
Unquoted equities:		
Interest in Automated Payments Limited [see below]	<u>31,449</u>	<u>17,092</u>
	<u>3,506,265</u>	<u>5,272,456</u>
Loss allowance on financial instruments at FVOCI [(23)(b)(iii)(iv)]	<u>11,250</u>	<u>11,982</u>

The interest in Automated Payments Limited represents a 12.50% (2023: 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

	<u>Motor vehicles</u>	<u>Leasehold improvements</u>	<u>Computers, furniture &amp; equipment</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000
Cost:				
December 31, 2022	17,030	265,449	308,659	591,138
Additions	16,437	4,452	8,069	28,958
Write-offs	-	( 30,209)	-	(30,209)
Disposals	<u>-</u>	<u>-</u>	<u>( 2,939)</u>	<u>( 2,939)</u>
December 31, 2023	33,467	239,692	313,789	586,948
Additions	-	9,659	17,624	27,283
Write-offs	<u>-</u>	<u>-</u>	<u>( 48,332)</u>	<u>( 48,332)</u>
December 31, 2024	<u>33,467</u>	<u>249,351</u>	<u>283,081</u>	<u>565,899</u>
Depreciation:				
December 31, 2022	17,030	229,987	223,484	470,501
Depreciation Charge	1,644	17,839	13,626	33,109
Write-offs	-	( 16,369)	-	(16,369)
Eliminated upon disposal	<u>-</u>	<u>-</u>	<u>( 2,939)</u>	<u>( 2,939)</u>
December 31, 2023	18,674	231,457	234,171	484,302
Depreciation Charge	<u>3,287</u>	<u>10,958</u>	<u>10,112</u>	<u>24,357</u>
December 31, 2024	<u>21,961</u>	<u>242,415</u>	<u>244,283</u>	<u>508,659</u>
Net book value:				
December 31, 2024	<u>11,506</u>	<u>6,936</u>	<u>38,798</u>	<u>57,240</u>
December 31, 2023	<u>14,793</u>	<u>8,235</u>	<u>79,618</u>	<u>102,646</u>
December 31, 2022	<u>-</u>	<u>35,462</u>	<u>85,175</u>	<u>120,637</u>

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 20248. 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 6, 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, 2024.

**Right-of-use assets – Property**

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
Balance at 1 January	174,015	239,540
Addition due to exercise of lease extensions	6,779	5,533
Depreciation charge for the year	( 74,000)	( 71,058)
Balance at 31 December	<u>106,794</u>	<u>174,015</u>

**Lease liabilities**

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
Maturity analysis – contractual undiscounted cash flows:		
Less than one year	65,997	62,738
One to five years	<u>23,733</u>	<u>88,879</u>
	89,730	151,617
less future interest payments	( 454)	( 1,319)
Lease liabilities included in the statement of the financial	<u>89,276</u>	<u>150,298</u>
Current	65,584	61,884
Non-current	<u>23,692</u>	<u>88,414</u>
	<u>89,276</u>	<u>150,298</u>

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
<b>Amounts recognised in profit or loss</b>		
Interest on lease liabilities	( 863)	( 1,263)
Total cash outflow for leases	<u>70,578</u>	<u>61,975</u>

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 20249. Other assets

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
Amortised cost:		
Interest receivable	64,846	109,005
Prepayments and items in course of clearing	17,278	24,622
Accounts Receivables – Intercompany	658,083	-
Other	<u>6,316</u>	<u>3,500</u>
	<u>746,523</u>	<u>137,127</u>

## 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 11% in 2023 to 9.5% in 2024. This has affected the future benefit the branch expects to derive from surplus in the plan, to the extent of \$1,298,690,000 (2023: \$1,179,258,000) 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 9.5% (2023: 11%).

In 2023, 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. In light of this, annuities were purchased in 2023 for pensioners. Pensioners continue to benefit from the Health Insurance Plan. For the upcoming year, the approved changes of the Trust Deed will be implemented, and 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 2025 will be part of the defined contribution plan.

## 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.

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 202410. Employee benefits asset/obligation (cont'd)

## (a) Employee benefits asset/(obligation):

	<u>Pension asset</u>		<u>Health care obligation</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
	\$'000	\$'000	\$'000	\$'000
Present value of obligations	(1,288,007)	(1,052,751)	(363,226)	(211,878)
Fair value of plan assets	2,986,435	2,721,771	-	-
Effect of asset ceiling	(1,298,690)	(1,179,258)	-	-
Net asset/(obligation)	<u>399,738</u>	<u>489,762</u>	<u>(363,226)</u>	<u>(211,878)</u>

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

	<u>Pension asset</u>		<u>Health care obligation</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
	\$'000	\$'000	\$'000	\$'000
Net asset/(obligation) at January 1	489,762	154,447	(211,878)	(158,616)
Contributions	55	66	9,218	5,243
Credit/expense) recognized in profit or loss	4,867	(322,579)	( 32,295)	( 26,412)
Remeasurement gain/(loss) recognized in other comprehensive income	( 94,946)	657,828	(128,271)	( 32,093)
Net asset/(obligation) at December 31	<u>399,738</u>	<u>489,762</u>	<u>(363,226)</u>	<u>(211,878)</u>

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

	<u>Pension asset</u>		<u>Health care obligation</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
	\$'000	\$'000	\$'000	\$'000
Balances at January 1	1,052,751	1,112,672	(211,878)	158,616
Benefits paid	( 48,405)	( 44,575)	9,218	( 5,243)
Interest cost	112,472	121,151	( 22,900)	20,155
Current service cost	23,865	12,903	( 9,396)	6,257
Employees' contribution	39,463	43,536	-	-
Settlement Liability	-	(493,872)	-	-
Actuarial gain/(loss) arising from:				
Remeasurement: Experience Adjustment	( 28,865)	89,476	5,838	( 4,852)
Remeasurement: Demographic Assumptions	-	-	(110,439)	( 11,489)
Remeasurement: Actuarial (gain)/loss - economic assumption	<u>136,726</u>	<u>211,460</u>	<u>( 23,669)</u>	<u>48,434</u>
Balance at December 31	<u>1,288,007</u>	<u>1,052,751</u>	<u>(363,226)</u>	<u>211,878</u>

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 202410. Employee benefits asset/obligation (cont'd)

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

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
Balances at January 1	2,721,771	3,345,923
Employees' contributions	39,463	43,536
Benefits paid	( 48,405)	( 44,575)
Employer's contributions	55	66
Interest income	297,342	387,357
Administrative expenses	( 26,420)	( 18,705)
Remeasurement gain on plan assets included in other comprehensive income	2,629	( 185,337)
Purchase of Annuities (Settlement)	-	( 806,494)
Balance on December 31	<u>2,986,435</u>	<u>2,721,771</u>

## (c) (iii) Plan assets consist of the following:

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
Equities	1,002,643	938,801
Government of Jamaica	235,279	221,354
Real estate	361,283	354,488
CPI notes	387,814	370,234
Corporate bonds	323,353	331,194
BOJ securities	267,054	100,277
Other	304,332	369,890
US notes and bonds	<u>104,677</u>	<u>35,533</u>
	<u>2,986,435</u>	<u>2,721,771</u>

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

	<u>Pension asset</u>		<u>Health care obligation</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
	\$'000	\$'000	\$'000	\$'000
Current service costs	23,865	12,903	9,395	6,257
Effect of Settlements (Purchase of Annuities)	-	312,622	-	-
Administrative expenses	26,420	18,705	-	-
Interest on obligation	112,472	121,151	22,900	20,155
Interest income on plan asset	(297,342)	(387,357)	-	-
Interest on effect of asset ceiling	<u>129,718</u>	<u>244,555</u>	-	-
	<u>( 4,867)</u>	<u>322,579</u>	<u>32,295</u>	<u>26,412</u>

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 202410. Employee benefits asset/obligation (cont'd)

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

	<u>Pension asset</u>		<u>Health care obligation</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
	\$'000	\$'000	\$'000	\$'000
Remeasurement gain/(loss) on obligation	(107,861)	( 300,936)	(128,271)	(32,093)
Remeasurement gain on asset	2,629	( 185,337)	-	-
Change in effect on asset ceiling	<u>10,286</u>	<u>1,144,101</u>	<u>-</u>	<u>-</u>
	<u>94,946</u>	<u>657,828</u>	<u>(128,271)</u>	<u>(32,093)</u>

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

	<u>Pension asset</u>		<u>Health care obligation</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
	%	%	%	%
Discount rate	9.5	11.0	9.5	11.0
Future salary increases	6.0	7.0	-	-
Future pension increases	2.5	3.0	-	-
Future health cost increases	<u>-</u>	<u>0.0</u>	<u>6.5</u>	<u>7.5</u>

(g) The estimated pension contribution expected to be paid into the plan for the next financial year is \$55,800.

(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.

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 202410. Employee benefits asset/obligation (cont'd)

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

	<u>Pension asset</u>				<u>Health care obligation</u>			
	<u>2024</u>		<u>2023</u>		<u>2024</u>		<u>2023</u>	
	<u>1%</u> <u>increase</u> \$'000	<u>1%</u> <u>decrease</u> \$'000	<u>1%</u> <u>increase</u> \$'000	<u>1%</u> <u>decrease</u> \$'000	<u>1%</u> <u>increase</u> \$'000	<u>1%</u> <u>decrease</u> \$'000	<u>1%</u> <u>increase</u> \$'000	<u>1%</u> <u>decrease</u> \$'000
Discount rate	151,834	195,721	118,858	151,357	(46,684)	58,624	(26,748)	33,425
Future salary increases	50,449	( 44,383)	44,185	(38,627)	58,340	(46,952)	767	(681)
Medical/Dental	-	-	-	-	838	( 741)	32,961	(26,604)
Future pension increases	<u>127,582</u>	<u>103,318</u>	<u>91,679</u>	<u>(76,216)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(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 \$18.0 million (2023: \$12.4 million).

(j) Liability duration (Years):

	<u>Pension asset</u>		<u>Health care obligation</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Active members	14.2	14.0	20.7	20.3
Deferred pensioners	16.7	14.8	9.1	8.8
Retirees	-	-	-	-
All participants	<u>14.6</u>	<u>14.1</u>	<u>15.7</u>	<u>15.6</u>

11. Forward exchange contracts

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
a) Fair value through profit or loss:		
Foreign currency forward contracts (asset)	<u>101,836</u>	<u>84,674</u>
Foreign currency forward contracts (liability)	<u>10,267</u>	<u>2,389</u>

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 202411. Forward exchange contracts

## (b) Foreign Exchange gain/loss

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
Foreign Exchange Revaluation	1,022,007	1,104,861
Gain/Loss from FX Forwards	9,422	( 230,891)
Capital Translation & Other FX MVA	<u>32,333</u>	<u>4,310</u>
	<u>1,063,762</u>	<u>878,280</u>

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

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
Commercial and business enterprises	15,280,896	14,464,848
Financial institutions	8,438,540	6,233,513
Public Authorities	<u>1,410,282</u>	<u>1,558,282</u>
	<u>25,129,718</u>	<u>22,256,643</u>

13. Other liabilities

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
Managers' cheques	236,638	113,426
Interest payable	16,806	14,605
Accruals	208,698	182,912
Other	<u>219,824</u>	<u>356,230</u>
	<u>681,966</u>	<u>667,173</u>

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 202414. Deferred taxation

Deferred taxation is attributable to the following:

	<u>Assets</u>		<u>Liabilities</u>		<u>Net</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Investments	( 23,740)	46,893	-	-	( 23,740)	46,893
Property, plant and equipment	70,913	71,295	-	-	70,913	71,295
Employee benefits asset	-	-	(133,233)	(163,237)	(133,233)	(163,237)
Employee benefits obligation	121,063	70,618	-	-	121,063	70,618
Unrealized foreign exchange loss	-	-	( 35,710)	(21,147)	( 35,710)	( 21,147)
Right-of-use lease asset	-	-	( 35,594)	(57,999)	( 35,594)	( 57,999)
Lease Liability	29,756	50,094	-	-	29,756	50,094
Others	<u>13,565</u>	<u>10,746</u>	<u>-</u>	<u>-</u>	<u>13,565</u>	<u>10,746</u>
Net assets/(liabilities)	<u>211,557</u>	<u>249,646</u>	<u>(204,537)</u>	<u>(242,383)</u>	<u>7,020</u>	<u>7,263</u>

Movements in temporary differences during the year were as follows:

	2024			
	Balance at January 1	Recognized in profit or loss	Recognized in OCI	Balance at December 31, profit or loss
	\$'000	\$'000	\$'000	\$'000
		(note 20)		
Investments	46,893	( 4,786)	(65,847)	( 23,740)
Property, plant and equipment	71,295	( 382)	-	70,913
Employee benefits asset	(163,237)	( 1,642)	31,644	(133,233)
Employee benefits obligation	70,618	7,692	42,753	121,063
Unrealised foreign exchange gain	( 21,147)	(14,563)	-	( 35,710)
Right-of-use asset	( 57,999)	22,405	-	( 35,594)
Lease Liability	50,094	(20,338)	-	29,756
Other	<u>10,746</u>	<u>2,821</u>	<u>-</u>	<u>13,565</u>
	<u>7,263</u>	<u>( 8,793)</u>	<u>8,550</u>	<u>7,020</u>

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 202414. Deferred taxation (cont'd)

Movements in temporary differences during the year were as follows (cont'd) :

	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	<u>9,513</u>	<u>1,233</u>	<u>-</u>	<u>10,746</u>
	<u>102,463</u>	<u>193,849</u>	<u>(289,049)</u>	<u>7,263</u>

15. Assigned capital and reserves

## (a) Assigned capital:

This represents the portion of the capital of Citibank, N.A. Jamaica Branch, 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.

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 202415. Assigned capital and reserves (cont'd)

## (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:

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
Loans	6,258	19,693
Acceptances, guarantees and letters of credit	<u>14,916</u>	<u>14,925</u>
	<u>21,174</u>	<u>34,618</u>

## (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 October 31, 2024, \$351,933,000 (US\$2,222,222) was remitted to Citibank, N.A, New York (2023: \$359,801,000/US\$ 2,333,333), net of taxes.

16. Net interest income

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
Interest income calculated using the effective interest method:		
Loans and deposits (Excluding Reverse Repo)	1,215,598	1,127,409
Reverse repurchase agreements	2,844	732
FVOCI securities	<u>381,567</u>	<u>400,910</u>
Total interest income	<u>1,600,009</u>	<u>1,529,051</u>
Interest expense:		
Deposits	143,973	191,697
Repurchase agreements	20	16
Short-term debt and other liabilities	26,875	989
Lease Interest expense	<u>863</u>	<u>1,263</u>
Total interest expense	<u>171,731</u>	<u>193,965</u>
Net interest income	<u>1,428,278</u>	<u>1,335,086</u>

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 202417. 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.

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
Trade related	34,122	47,964
Cheque related	39,160	23,785
Cash management	<u>124,045</u>	<u>90,788</u>
Total fees and commissions	<u>197,327</u>	<u>162,537</u>

- (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:

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
Treasury and trade solutions	739,050	695,272
Corporate portfolio management	35,064	23,281
Debt capital markets	<u>421,910</u>	<u>38,554</u>
	<u>1,196,024</u>	<u>757,107</u>

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 202418. Operating expenses

## (a) Staff costs

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
Salaries and wages	402,787	434,859
Statutory payroll contributions	61,284	57,985
Pension benefits credit [note 10(d)]	( 4,867)	322,579
Health benefits obligation expense [note 10(d)]	32,295	26,412
Incentive	62,833	56,624
Car allowance, Travelling, Uniform	35,590	40,213
Restructuring	60,512	-
Other staff costs	<u>67,237</u>	<u>71,497</u>
	<u>717,671</u>	<u>1,010,169</u>

## (b) Other operating expenses

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
Advertising and public relations	4,784	10,295
Asset tax	59,975	64,689
Audit, legal and professional fees	54,207	64,027
Insurance	33,176	35,892
Irrecoverable General Consumption Tax	72,599	67,643
License, fees and commission	24,731	28,899
Other operating costs	56,189	49,828
Processing & other support services - intercompany	956,317	737,030
Property Expenses	50,441	13,743
Furniture and equipment maintenance	51,926	17,285
Repairs and maintenance	42,901	49,343
Security and utilities	8,200	13,188
Stationery, postage and freight	12,146	5,798
Cash handling/processing	135,496	123,363
IT/Telecommunications expense	<u>21,569</u>	<u>23,027</u>
	<u>1,584,657</u>	<u>1,304,050</u>

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 202419. Profit before income tax

Profit before income tax is stated after charging:

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
Directors fee	-	-
Auditors' remuneration		
Current	26,171	21,200
Prior	<u>8,000</u>	<u>-</u>

20. Income tax

- (a) The income tax charge is computed at 33 $\frac{1}{3}$ % of the results for the year as adjusted for taxation purposes and comprises:

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
(i) Current income tax:		
Provision based on current year's profit	473,221	410,192
Prior-year under provision	<u>21,017</u>	<u>8,204</u>
	494,238	418,396
(ii) Deferred taxation:		
Origination and reversal of other temporary differences (note 14)	<u>8,793</u>	<u>(193,849)</u>
	<u>503,031</u>	<u>224,547</u>

- (b) Reconciliation of effective tax charge:

The effective tax rate for 2024 was 35.78% (2023: 22.60%) of pre-tax profits compared to a statutory tax rate 33.33% (2023: 33.33%). The actual expense differed from the "expected" tax expense as follows:

		<u>2024</u>		<u>2023</u>
	%	\$'000	%	\$'000
Profit before income tax		<u>1,405,567</u>		<u>724,560</u>
Computed "expected" tax charge	33.33	468,522	33.33	241,520
Effect on tax of treating the following items differently for tax purposes than for financial statement purposes:				
Asset tax disallowed	1.42	19,992	2.98	21,563
Disallowed items	<u>1.03</u>	<u>14,517</u>	<u>( 5.32)</u>	<u>( 38,536)</u>
Actual tax charge	<u>35.78</u>	<u>503,031</u>	<u>30.99</u>	<u>224,547</u>

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 202420. Income tax (cont'd)

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

	<u>2024</u>			<u>2023</u>		
	<u>Gross</u>	<u>Tax</u>	<u>Net</u>	<u>Gross</u>	<u>Tax</u>	<u>Net</u>
Investments at OCI	197,562	(65,847)	131,715	241,499	( 80,492)	161,007
Actuarial gains	<u>(223,218)</u>	<u>74,399</u>	<u>(148,819)</u>	<u>625,735</u>	<u>(208,557)</u>	<u>417,178</u>

- (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:

	<u>2024</u>	<u>2023</u>
	<u>\$'000</u>	<u>\$'000</u>
Cash and cash equivalents:		
Other branches	<u>11,751,674</u>	<u>9,162,264</u>
Other Asset:		
Other branches	<u>658,083</u>	<u>-</u>
Forward exchange contract - affiliates	<u>82,168</u>	<u>77,471</u>
Deposits:		
Head office	23,107	23,107
Other branches	170,805	169,029
Fellow subsidiaries	<u>107,642</u>	<u>133,143</u>
	<u>301,554</u>	<u>325,279</u>
Forward exchange contract (liability) - other branches	<u>10,267</u>	<u>251</u>

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 202421. Related party transactions (cont'd)

- (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 (cont'd):
- (1) Interest on deposits with Head office was paid on the daily ending balance at market rates ranging from 3.8% - 5.31%.
  - (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 2025.
  - (5) Other assets are interest free amounts receivable from other branches and are due within two months
- (c) The statement of profit or loss and other comprehensive income includes income earned from, and expenses incurred in, transactions with related parties, as follows:

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
Interest revenue:		
Other branches	2,655	1,732
Head Office	<u>689,704</u>	<u>570,224</u>
	<u>692,359</u>	<u>571,956</u>
Interest expense:		
Head Office	<u>23,493</u>	<u>1</u>
	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
Other operating revenue:		
Fellow affiliates - geographic revenue attribution	<u>1,196,024</u>	<u>757,107</u>
Other operating expenses:		
Head office - administrative expenses	5,360	6,111
Branches - service level agreement	13,197	7,750
Fellow affiliates - processing and support services	<u>937,760</u>	<u>746,322</u>
	<u>956,317</u>	<u>760,183</u>
Key management personnel:		
Short-term employee benefits	168,532	177,269
Post-employment benefits	<u>686,853</u>	<u>608,245</u>
	<u>855,385</u>	<u>785,514</u>

## JAMAICA BRANCH

Notes to the Financial Statements  
December 31, 2024

## 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.

(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.

		2024				
		Carrying Amount		Fair Value		
		Fair value through profit or loss	Fair value through OCI	Total	Level 2	Level 3
	Notes	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial assets measured at fair value:</b>						
Investment securities	6	3,474,816	31,449	3,506,265	3,474,816	31,449
Foreign currency forward	11	-	101,836	101,836	101,836	-
		<u>3,474,816</u>	<u>133,285</u>	<u>3,608,101</u>	<u>3,576,652</u>	<u>31,449</u>
<b>Financial Liability</b>						
<b>fair value:</b>						
Foreign currency forward	11	-	10,267	10,267	10,267	-

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 202422. Fair value of financial instruments (cont'd)

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

		2023				
		<u>Carrying Amount</u>		<u>Fair Value</u>		
			Fair value through profit or loss			
	<u>Notes</u>	<u>Available for-sale</u> \$'000	<u>or loss</u> \$'000	<u>Total</u> \$'000	<u>Level 2</u> \$'000	<u>Level 3</u> \$'000
<b>Financial assets</b>						
<b>fair value:</b>						
Investment securities	6	5,255,364	17,092	5,272,456	5,255,364	17,092
Foreign currency forward	11	<u>-</u>	<u>84,674</u>	<u>84,674</u>	<u>84,674</u>	<u>-</u>
		<u>5,255,364</u>	<u>101,766</u>	<u>5,357,130</u>	<u>5,340,038</u>	<u>17,092</u>
<b>Financial Liability</b>						
<b>fair value:</b>						
Foreign currency forward	11	<u>-</u>	<u>2,389</u>	<u>2,389</u>	<u>2,389</u>	<u>-</u>

## (c) Valuation techniques 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.

<u>Financial assets</u>	<u>Method</u>
Government of Jamaica J\$ securities and Bank of Jamaica securities	<ul style="list-style-type: none"> <li>Obtain bid yield from yield curve provided by a recognized pricing source which uses market-supplied indicative bids.</li> <li>Using this yield, determine price using accepted formula.</li> <li>Apply price to estimate fair value.</li> </ul>
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.

CITIBANK, N.A.

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

## JAMAICA BRANCH

Notes to the Financial Statements

December 31, 2024

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

- (c) Valuation techniques for investment securities classified as level 2.

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

Country Coordinating Committee “CCC or The Committee” is established with a primary purpose of governing and overseeing the management of all Enterprise Risk Management Framework (ERMF) namely Reputation, Compliance, Operational, Liquidity, Market (Non-Trading and Trading), Credit and Strategic risks.

The CCC is empowered to:

- Franchise-wide coverage of all the ERMFs.
- Decision-making: the Committee takes decisions on risk-related matters and thereby promotes risk management in keeping with ERMF and country’s Appetite.
- Challenge Management: challenge CCC members and presenters to promote the oversight role and decision-making processes of the Committee.
- Escalation: the Committee provides guidance and direction on, and further escalates to Cluster/Regional Committees as appropriate, events and/or matters involving in-scope risk categories.

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.

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 2024

23. Financial risk management (cont'd)

(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.
- 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.

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 202423. Financial risk management (cont'd)

## (b) Credit risk (cont'd):

## (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):

- 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.

The Bank monitors its concentration of credit exposure so that no single borrower or industry default will have a material impact on the Bank.

## (i) Exposure to credit risk

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

	2024					
	Cash & Cash equivalents	Loans	Investment securities	Guarantees and letters of credit	Interest receivable	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial institutions	13,240,115	-	-	-	236	13,240,351
Manufacturing and distribution	-	1,619,217	-	1,458,283	557	3,078,057
Public sector/Government	9,907,517	-	3,474,816	-	64,021	13,446,354
Other	<u>484,402</u>	<u>318,741</u>	<u>31,449</u>	<u>33,286</u>	<u>32</u>	<u>867,910</u>
Total	<u>23,632,034</u>	<u>1,937,958</u>	<u>3,506,265</u>	<u>1,491,569</u>	<u>64,846</u>	<u>30,632,672</u>

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 202423. Financial risk management (cont'd)

## (b) Credit risk (cont'd):

## (ii) Management of credit risk (cont'd)

	2023					
	Cash & Cash equivalents	Loans	Investment securities	Guarantees and letters of credit	Interest receivable	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'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
Other	<u>1,038,377</u>	<u>629,576</u>	<u>17,092</u>	<u>34,777</u>	<u>411</u>	<u>1,720,233</u>
Total	<u>16,354,128</u>	<u>4,517,747</u>	<u>5,272,456</u>	<u>1,492,534</u>	<u>109,005</u>	<u>27,745,870</u>

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

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
North America	12,359,691	9,350,392
Canada	8,811	14,425
Europe	41,234	47,044
Asia Pacific	1,055	1,358
Jamaica	<u>11,944,173</u>	<u>6,940,909</u>
	<u>24,354,964</u>	<u>16,354,128</u>

## 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.

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

JAMAICA BRANCH

Notes to the Financial Statements  
December 31, 2024

23. Financial risk management (cont'd)

(b) Credit risk (cont'd):

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

Credit quality (cont'd):

	<u>2024</u>	<u>2023</u>
	<u>Stage 1</u>	<u>Stage 1</u>
	\$'000	\$'000
<b>Credit grade</b>		
Standard rating (scale of 1)	1,949,212	4,536,818
Loss allowance	( 11,254)	( 19,071)
	<u>1,937,958</u>	<u>4,517,747</u>

Other financial assets at amortised cost:

	<u>2024</u>	<u>2023</u>
	<u>Stage 1</u>	<u>Stage 1</u>
	\$'000	\$'000
<b>Credit grade</b>		
Investment grade	11,700,575	9,099,438
Non-investment grade	12,677,982	7,216,203
Loss allowance	<u>10,378</u>	<u>1,187</u>

Debt securities at FVOCI:

	<u>2024</u>	<u>2023</u>
	<u>Stage 1</u>	<u>Stage 1</u>
	\$'000	\$'000
<b>Credit grade</b>		
Investment grade	3,474,816	5,255,364
Loss allowance	<u>11,250</u>	<u>11,982</u>

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
<b>Guarantees &amp; LCs</b>		
Standard rating	1,491,569	1,492,534
Loss Allowance	<u>5,539</u>	<u>1,048</u>

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 2024

23. Financial risk management (cont'd)

(b) Credit risk (cont'd)

(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.

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.

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 2024

23. Financial risk management (cont'd)

(b) Credit risk (cont'd)

(iii) Impairment (cont'd)

Significant increase in credit risk (SICR) (Cont'd)

The assessment of significant credit deterioration is implemented based on the selected credit risk 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.

(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.

CITIBANK, N.A.

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

## JAMAICA BRANCH

Notes to the Financial Statements

December 31, 2024

### 23. Financial risk management (cont'd)

#### (b) Credit risk (cont'd)

##### (iii) Impairment (cont'd)

Credit risk grades (cont'd):

##### (ii) *Definition of default and credit-impaired assets (Cont'd)*

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 credit 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).

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.

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 2024

23. Financial risk management (cont'd)

(b) Credit risk (cont'd)

(iii) Impairment (cont'd)

Credit risk grades (cont'd):

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

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.

(iv) *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 63% probability of occurring, and two less likely scenarios, one optimistic (upside) and one pessimistic (downside), each assigned 9% and 28% probability of occurring, respectively. Each scenario considers the expected impact of gross domestic product (GDP), interest rates, and unemployment rates.

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 2024

23. Financial risk management (cont'd)

(b) Credit risk (cont'd)

(iii) Impairment (cont'd)

Credit risk grades (cont'd):

(v) *Incorporation of forward-looking information*

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.

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).

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 202423. 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)*

Key Macroeconomic Variables	Scenario	2024	2023
<b>Gross Domestic Product</b>	Base	1.69 %	1.24%
	Optimistic	3.32 %	3.07%
	Pessimistic	(1.68) %	(0.44)%
<b>Unemployment</b>	Base	7.58 %	6.83%
	Optimistic	6.57 %	6.23%
	Pessimistic	8.31 %	9.15%
<b>Interest Rate</b>	Base	6.51 %	7.03%
	Optimistic	6.51 %	7.03%
	Pessimistic	6.21 %	7.32%
<b>Scenario Weight Applied</b>	Base	63 %	61%
	Optimistic	9 %	8%
	Pessimistic	28 %	31%

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.

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 202423. Financial risk management (cont'd)

## (b) Credit risk (cont'd)

## (iii) Impairment (cont'd)

(iv) *Loss allowance (cont'd)*

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

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
Loans receivable at amortised cost:		
Balance at January 1	19,071	13,990
New loans originated	11,254	19,071
Loans Matured	(19,071)	(13,990)
Balance at December 31	<u>11,254</u>	<u>19,071</u>
Debt securities at FVOCI:		
Balance at January 1	11,982	11,636
Net remeasurement of loss allowance	( 732)	346
Balance at December 31	<u>11,250</u>	<u>11,982</u>
	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
Other financial assets at amortised cost:		
Balance at January 1	1,187	2,920
Remeasurement of loss allowance during the year	<u>9,191</u>	(1,733)
Balance at December 31	<u>10,378</u>	<u>1,187</u>
Total impairment recognized in profit or loss	<u>642</u>	<u>3,694</u>
Guarantees:		
Balance at January 1	1,048	1,472
Remeasurement of loss allowance during the year	<u>4,491</u>	( 424)
Balance at December 31	<u>5,539</u>	<u>1,048</u>

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 202423. Financial risk management (cont'd)

## (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 CCC 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 CCC.

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.

	2024					
	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	23,632,034	-	-	-	23,632,034	23,632,034
Loans	640,671	1,297,287	-	-	1,937,958	1,937,958
Investments	390,575	1,677,353	1,406,888	31,449	3,506,265	3,506,265
Other Assets	740,731	4,794	-	998	746,523	746,523
FX Contracts	<u>96,435</u>	<u>5,401</u>	<u>-</u>	<u>-</u>	<u>101,836</u>	<u>101,836</u>
Total financial asset	<u>25,500,446</u>	<u>2,984,835</u>	<u>1,406,888</u>	<u>32,447</u>	<u>29,924,616</u>	<u>29,924,616</u>
Deposits	24,018,165	1,111,553	-	-	25,129,718	25,129,718
Lease	14,240	51,756	23,733	-	89,729	89,276
Forward exchange contracts	5,270	4,997	-	-	10,267	10,267
Guarantees	61,283	23,786	-	1,406,500	1,491,569	1,491,569
Other liabilities	<u>347,995</u>	<u>248,889</u>	<u>-</u>	<u>85,082</u>	<u>681,966</u>	<u>681,966</u>
Total liabilities	24,446,953	1,440,981	23,733	1,491,582	27,403,249	27,402,796
Gap	<u>1,053,493</u>	<u>1,543,854</u>	<u>1,383,155</u>	<u>(1,459,135)</u>	<u>2,521,367</u>	<u>2,521,820</u>
Cumulative Gap	<u>1,053,493</u>	<u>2,597,347</u>	<u>3,980,502</u>	<u>2,521,367</u>		

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 202423. Financial risk management (cont'd)

## (c) Liquidity risk (cont'd):

	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	<u>82,719</u>	<u>1,955</u>	<u>-</u>	<u>-</u>	<u>84,674</u>	<u>84,674</u>
Total financial asset	<u>19,526,375</u>	<u>3,093,628</u>	<u>2,821,583</u>	<u>924,546</u>	<u>26,366,132</u>	<u>26,366,132</u>
Deposits	22,245,719	10,924	-	-	22,256,643	22,256,643
Lease	15,518	47,220	88,879	-	151,617	150,298
Forward exchange contracts	902	1,487	-	-	2,389	2,389
Guarantees	60,757	23,777	-	1,408,000	1,492,534	1,492,534
Other liabilities	<u>478,991</u>	<u>113,425</u>	<u>-</u>	<u>74,757</u>	<u>667,173</u>	<u>667,173</u>
Total liabilities	<u>22,801,887</u>	<u>196,833</u>	<u>88,879</u>	<u>1,482,757</u>	<u>24,570,356</u>	<u>24,569,037</u>
Gap	<u>( 3,275,512)</u>	<u>2,896,795</u>	<u>2,732,704</u>	<u>( 558,211)</u>	<u>1,795,776</u>	<u>1,797,095</u>
Cumulative Gap	<u>( 3,275,512)</u>	<u>( 378,717)</u>	<u>2,353,987</u>	<u>1,795,776</u>		

## (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.

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 202423. Financial risk management (cont'd)

## (d) Market risk (cont'd)

## (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.

	2024						
	<u>JMD</u>	<u>USD</u>	<u>GBP</u>	<u>CAD</u>	<u>JPY</u>	<u>EUR</u>	<u>TOTAL</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash resources	10,394,196	13,185,161	22,272	9,426	1,055	19,924	23,632,034
Loans	622,975	1,314,983	-	-	-	-	1,937,958
Investments	2,861,536	644,729	-	-	-	-	3,506,265
Forward exchange	101,836	-	-	-	-	-	101,836
Other assets	<u>63,522</u>	<u>683,001</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>746,523</u>
Total financial assets	<u>14,044,065</u>	<u>15,827,874</u>	<u>22,272</u>	<u>9,426</u>	<u>1,055</u>	<u>19,924</u>	<u>29,924,616</u>
Deposits	16,306,468	8,823,250	-	-	-	-	25,129,718
Lease Liabilities	-	89,276	-	-	-	-	89,276
Forward exchange	10,267	-	-	-	-	-	10,267
Other liabilities	<u>569,246</u>	<u>112,720</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>681,966</u>
Total financial liabilities	<u>16,885,981</u>	<u>9,025,246</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,911,227</u>
Net exposure	<u>( 2,841,916)</u>	<u>6,802,628</u>	<u>22,272</u>	<u>9,426</u>	<u>1,055</u>	<u>19,924</u>	<u>4,013,389</u>

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 202423. Financial risk management (cont'd)

## (d) Market risk (cont'd)

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

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

	2023						
	JMD	USD	GBP	CAD	JPY	EUR	
	\$'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	84,674	-	-	-	-	-	84,674
Other assets	<u>89,342</u>	<u>47,785</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>137,127</u>
Total financial assets	<u>11,490,658</u>	<u>14,794,338</u>	<u>41,063</u>	<u>17,318</u>	<u>1,358</u>	<u>21,397</u>	<u>26,366,132</u>
Deposits	11,936,353	10,320,290	-	-	-	-	22,256,643
Lease liabilities	-	150,298	-	-	-	-	150,298
Forward exchange	2,389	-	-	-	-	-	2,389
Other liabilities	<u>476,084</u>	<u>191,089</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>667,173</u>
Total financial liabilities	<u>12,414,826</u>	<u>10,661,677</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,076,503</u>
	<u>( 924,168)</u>	<u>4,132,661</u>	<u>41,063</u>	<u>17,318</u>	<u>1,358</u>	<u>21,397</u>	<u>3,289,629</u>

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

	<u>2024</u>	<u>2023</u>
USD	155.6022	154.2681
GBP	193.1149	194.2333
CAD	108.3818	116.9034
JPY	0.9900	1.0900
EUR	<u>160.9800</u>	<u>170.3600</u>

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 202423. Financial risk management (cont'd)

## (d) Market risk (cont'd)

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

Sensitivity to exchange rate movements:

A (weakening)/strengthening of the JMD against the currencies indicated, at 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 2023 and has been computed on the basis that all other variables remain constant.

	2024		2023	
	strengthening/ (weakening)	Effect on profit and equity	strengthening/ (weakening)	Effect on profit and equity
	%	\$'000	%	\$'000
USD	1	( 61,445)	6	(247,960)
	-4	(245,782)	-3	123,980
GBP	1	( 223)	6	( 2,464)
	-4	( 891)	-3	1,232
CAD	1	( 94)	6	( 1,039)
	-4	( 377)	-3	520
JPY	1	( 11)	6	( 8)
	-4	( 42)	-3	41
EUR	1	( 199)	6	( 1,284)
	<u>-4</u>	<u>( 797)</u>	<u>-3</u>	<u>642</u>

## (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).

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 202423. 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.

	2024					Total
	Immediately rate sensitive	1 to 3 months	3 to 12 months	Greater than 12 months	Non-rate sensitive	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<u>ASSETS</u>						
Cash resources	20,847,276	-	-	-	2,784,758	23,632,034
Forward exchange contracts	-	-	-	-	101,836	101,836
Loans, less allowance for impairment losses	209,376	431,295	1,297,287	-	-	1,937,958
Investment securities	190,575	200,000	1,677,353	1,406,888	31,449	3,506,265
Other assets	-	-	-	-	746,523	746,523
Total financial assets	<u>21,247,227</u>	<u>631,295</u>	<u>2,974,640</u>	<u>1,406,888</u>	<u>3,664,566</u>	<u>29,924,616</u>
<u>LIABILITIES</u>						
Deposits	6,459,388	3,603,188	1,111,553	-	13,955,589	25,129,718
Forward exchange contracts	-	-	-	-	10,267	10,267
Lease Liabilities	-	14,092	51,492	23,692	-	89,276
Other liabilities	-	-	-	-	681,966	681,966
Total financial liabilities	<u>6,459,388</u>	<u>3,617,280</u>	<u>1,163,045</u>	<u>23,692</u>	<u>14,647,822</u>	<u>25,911,227</u>
Total interest rate sensitivity gap	<u>14,787,839</u>	<u>( 2,985,985)</u>	<u>1,811,595</u>	<u>1,383,196</u>	<u>(10,983,256)</u>	<u>4,013,389</u>
Cumulative gap	<u>14,787,839</u>	<u>11,801,854</u>	<u>13,613,449</u>	<u>14,996,645</u>	<u>4,013,389</u>	<u>-</u>

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 202423. Financial risk management (cont'd)

## (d) Market risk (cont'd)

## (ii) Interest rate risk (cont'd)

	2023					
	Immediately rate	1 to 3 months	3 to 12 months	Greater than 12	Non-rate sensitive	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash resources	12,654,984	-	-	-	3,699,144	16,354,128
Forward	-	-	-	-	84,674	84,674
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
Other assets	-	-	-	-	137,127	137,127
Total financial assets	<u>13,675,919</u>	<u>2,067,135</u>	<u>2,956,004</u>	<u>3,729,037</u>	<u>3,938,037</u>	<u>26,366,132</u>

LIABILITIES

Deposits	9,002,891	1,275,746	10,924	-	11,967,082	22,256,643
Forward	-	-	-	-	2,389	2,389
Lease Liabilities	-	15,418	46,415	88,465	-	150,298
Other liabilities	-	-	-	-	667,173	667,173
Total financial liabilities	<u>9,002,891</u>	<u>1,291,164</u>	<u>57,339</u>	<u>88,465</u>	<u>12,636,644</u>	<u>23,076,503</u>
Total interest rate sensitivity gap	<u>4,673,028</u>	<u>775,971</u>	<u>2,898,665</u>	<u>3,640,572</u>	<u>( 8,698,607)</u>	<u>3,289,629</u>
Cumulative gap	<u>4,673,028</u>	<u>5,448,999</u>	<u>8,347,664</u>	<u>11,988,236</u>	<u>3,289,629</u>	<u>-</u>

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 202423. 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:

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
<b>Fixed rate instruments:</b>		
<u>Financial assets</u>		
Cash resources	20,847,276	12,406,320
Loans	1,937,958	4,517,747
Investment securities	<u>3,474,816</u>	<u>5,272,456</u>
<u>Financial liability</u>		
Deposits	<u>11,174,130</u>	<u>10,289,561</u>

Fair value sensitivity to interest rate movements:

A change of +25 and -50 (2023: +25 and -25) in basis points in interest rates for Jamaica and +25 and -50 (2023: +25 and -25) in United States dollar financial instruments at the reporting date would have increased or (decreased) equity and profit by the amounts shown below.

	<u>2024</u>	<u>2023</u>
	Effect on profit or loss <u>and equity</u> \$'000	Effect on profit or loss <u>and equity</u> \$'000
Change in basis points		
USD Interest rates		
+25bps/25bps	5	29
-50bps/25bps	( 10)	( 29)
JMD Interest rates		
+25bps/25bps	11,819	17,437
-50bps/25bps	<u>(24,163)</u>	<u>(17,647)</u>

The analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for 2023.

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 2024

23. Financial risk management (cont'd)

(d) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

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.

(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 CCC.

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 202424. 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:

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
<b>Tier 1 Capital before deductions</b>		
Assigned capital	207,609	207,609
Reserve fund	207,609	207,609
Retained earnings reserve	<u>2,702,432</u>	<u>2,702,432</u>
<b>Total Tier 1 Capital</b>	3,117,650	3,117,650
<b>Adjustments to tier 1 capital</b>		
Fair value reserve	<u>29,866</u>	( 101,849)
<b>Total tier 1 Capital after adjustments</b>	3,147,516	3,015,801
<b>Tier 2 Capital</b>		
General provision for losses on assets, being total Tier 2 capital	<u>21,174</u>	<u>34,618</u>
<b>Total regulatory capital</b>	<u>3,168,690</u>	<u>3,050,419</u>
<b>Total risk-weighted assets</b>	<u>12,631,654</u>	<u>15,341,473</u>

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 2024

24. Capital management (cont'd)

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

**Capital ratios**

Total regulatory capital expressed as a percentage of total risk-weighted assets	Actual	25.09%	19.88%
	Required	10.00%	10.00%
Total tier 1 capital expressed as a percentage of total risk-weighted assets	Actual	24.68%	20.32%
	Required	<u>10.00%</u>	<u>10.00%</u>

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 \$1,491,569,000 (2023: \$1,492,534,000). Expected credit losses on these guarantees and letters of credit are insignificant.

26. Prior Year Adjustments

During the year, it was noted that certain balances were incorrectly classified in the statement of cashflow and are being corrected to achieve compliance with the requirements of IAS7 *Statement of Cash flow*. The nature of the reclassification are as follows:

- (a) Items amounting to \$83.6 billion were duplicated in both investment securities proceeds and investment securities purchases and are being corrected.
- (b) Remitted profit of \$359.8 million was omitted from financing activities, of which \$198.2 million was included in other assets and \$161.6 million was included in investment security purchases.

CITIBANK, N.A.

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

JAMAICA BRANCH

Notes to the Financial Statements

December 31, 202426. Prior Year Adjustments (continued)

The impact on the 2023 statement of cash flows for the correction noted in (a) and (b) above is as follow:

	As Previously <u>Reported</u> \$'000	<u>Adjustments</u> \$'000	<u>As Restated</u> \$'000
<b>Cash flow from operating activities:</b>			
Other Assets	( 201,255)	198,203	( 3,052)
Net cash provided by operating activities	( 1,426,370)	198,203	1,228,167
<b>Cash flow from investing activities:</b>			
Investment securities proceeds	111,856,369	(83,615,772)	28,240,597
Investment securities purchase	(111,030,628)	83,777,369	(27,253,259)
Net cash provided by investing activities	796,783	161,597	958,380
<b>Financing activities</b>			
Lease payment of lease liability	( 61,975)	-	61,975
Profits remitted	-	( 359,800)	( 359,800)
Net cash used by financing activities	( 61,975)	( 359,800)	( 421,775)