

Citibank N.A. - United Arab Emirates Branches

Audited Financial statements  
*for the year ended 31 December 2023*

These audited financial statements are subject to approval of the Central Bank of U.A.E.

# Citibank N.A. - United Arab Emirates Branches

## Financial statements

31 December 2023

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## Independent auditors' report

### To the Head Office of the Citibank N.A. United Arab Emirates Branches

#### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Citibank N.A. United Arab Emirates Branches ("the Bank"), which comprise the statement of financial position as at 31 December 2023, the statements of profit or loss, 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 present fairly, in all material respects, the financial position of the Bank as at 31 December 2023, 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).

#### 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements. and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Decree Law No. 32 of 2021, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the Bank'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 judgment 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.
- 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 Bank'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 Bank'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 Bank 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 achieves fair presentation.



## Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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.

## Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Decree Law No. 32 of 2021, we report that for the year ended 31 December 2023:

- i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- ii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. 32 of 2021;
- iii) the Bank has maintained proper books of account;
- v) as disclosed in note 9 to the financial statements, the Bank has purchased shares during the year ended 31 December 2023;
- vi) note 23 to the financial statements discloses material related party transactions and the terms under which they were conducted;
- vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Bank has contravened during the financial year ended 31 December 2023 any of the applicable provisions of the UAE Federal Decree Law No. 32 of 2021, which would materially affect its activities or its financial position as at 31 December 2023.

Further, as required by Article (114) of the Decretal Federal Law No. (14) of 2018 (as amended), we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit.

KPMG Lower Gulf Limited

Fawzi AbuRass  
Registration No.: 968  
Dubai, United Arab Emirates

Date: **29 MAR 2024**

## Citibank N.A. - United Arab Emirates Branches

### Statement of financial position

For the year ended 31 December 2023

	Note	2023 AED'000	2022 AED'000
<b>ASSETS</b>			
Cash and balances with the Central Bank of UAE	6	22,524,110	18,687,634
Due from banks	7	2,877,096	2,346,559
Due from head office and branches abroad	23	150,921	75,280
Derivative assets	22	204,485	97,499
Loans and advances to customers	8	9,173,684	8,704,521
Investment securities	9	13,770,635	18,038,853
Property and equipment	10	67,608	90,474
Customer acceptances		382,524	62,820
Other assets	11	873,573	811,180
<b>Total assets</b>		<b>50,024,636</b>	<b>48,914,820</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Due to banks	12	125,989	446,271
Customers' deposits	13	36,780,106	35,719,819
Due to head office and branches abroad	23	5,292,784	2,951,069
Derivative liabilities	22	175,190	114,609
Customer acceptances	20	382,524	62,820
Other liabilities	14	1,605,963	6,354,996
<b>Total liabilities</b>		<b>44,362,556</b>	<b>45,649,584</b>
<b>EQUITY</b>			
Allocated capital	15	1,145,784	135,901
Legal reserve	16.1	200,425	67,951
Fair value reserve		(97,793)	(167,883)
Other reserves	16.2	(2,581)	5,284
Retained earnings		4,416,245	3,223,983
<b>Total equity</b>		<b>5,662,080</b>	<b>3,265,236</b>
<b>Total liabilities and equity</b>		<b>50,024,636</b>	<b>48,914,820</b>

The attached notes 1 to 29 form an integral part of these financial statements.

These financial statements were approved on 29 March 2024 by

  
  
 Chief Executive Officer

Shamsa Al-Falasi  
 Citibank UAE CEO

  
 Chief Financial Officer

Tariq Mahmood  
 Citibank UAE, Interim CFO

The independent auditors' report is set out on page 1-3.

## Citibank N.A. - United Arab Emirates Branches

### Statement of profit or loss

For the year ended 31 December 2023

	Notes	2023	2022
		AED'000	AED'000
Interest income	24	2,470,538	1,222,140
Interest expense	25	(330,532)	(59,939)
<b>Net interest income</b>		<b>2,140,006</b>	<b>1,162,201</b>
Income from Islamic financing		-	1,797
<b>Net interest and Islamic financing income</b>		<b>2,140,006</b>	<b>1,163,998</b>
Fees and commission income – net	17	351,460	377,172
Other operating income – net	26	534,798	444,743
Net loss on investments		(12,135)	(9,036)
<b>Total income</b>		<b>3,014,129</b>	<b>1,976,877</b>
General and administrative expenses	18	(1,228,017)	(1,058,928)
Impairment losses, net	27	(111,420)	(77,082)
<b>Profit for the year before taxation</b>		<b>1,674,692</b>	<b>840,867</b>
Taxation	19	(349,956)	(163,528)
<b>Profit for the year</b>		<b>1,324,736</b>	<b>677,339</b>

The attached notes 1 to 29 form an integral part of these financial statements.

The independent auditors' report is set out on page 1-3.

## Citibank N.A. - United Arab Emirates Branches

### Statement of other comprehensive income

for the year ended 31 December 2023

	2023 AED'000	2022 AED'000
<b>Profit for the year</b>	<b>1,324,736</b>	677,339
<b>Other comprehensive income:</b>		
<i>Items that will never be reclassified to profit or loss</i>		
Re-measurement of post-employment benefits	(5,448)	12,739
Net charge from Citigroup Inc. - share based incentives	(2,417)	(1,276)
	<u>(7,865)</u>	<u>11,463</u>
<i>Items that are or may be reclassified to profit or loss</i>		
Change in fair value of investments and central bank CDs classified as fair value through other comprehensive income	44,985	(167,883)
Net amount transferred to profit and loss upon disposal of debt investments classified as fair value through comprehensive income	25,105	36,744
	<u>70,090</u>	<u>(131,139)</u>
<b>Other comprehensive income/(loss) for the year (net of taxation)</b>	<b>62,225</b>	(119,676)
<b>Total comprehensive income for the year</b>	<b><u>1,386,961</u></b>	<b><u>557,663</u></b>

The attached notes 1 to 29 form an integral part of these financial statements.

The independent auditors' report is set out on page 1-3.



## Citibank N.A. - United Arab Emirates Branches

### Statement of changes in equity

for the year ended 31 December 2023

	Allocated capital AED'000	Legal reserve AED'000	Fair value reserve AED'000	Other reserves AED'000	Retained earnings AED'000	Total AED'000
<b>At 1 January 2022</b>	135,901	67,951	(36,744)	(6,179)	2,546,644	2,707,573
Total comprehensive income						
Profit for the year	-	-	-	-	677,339	677,339
Other comprehensive income, net of tax	-	-	(131,139)	-	-	(131,139)
Share based payment transactions	-	-	-	(1,276)	-	(1,276)
Measurement of postemployment benefits	-	-	-	12,739	-	12,739
<b>At 31 December 2022</b>	<b>135,901</b>	<b>67,951</b>	<b>(167,883)</b>	<b>5,284</b>	<b>3,223,983</b>	<b>3,265,236</b>
<b>At 1 January 2023</b>	<b>135,901</b>	<b>67,951</b>	<b>(167,883)</b>	<b>5,284</b>	<b>3,223,983</b>	<b>3,265,236</b>
Addition in Capital	<b>1,009,883</b>	-	-	-	-	<b>1,009,883</b>
Total comprehensive income						
Profit for the year	-	-	-	-	1,324,736	1,324,736
Transfer to legal reserve	-	132,474	-	-	(132,474)	-
Other Comprehensive income , net of tax	-	-	70,090	-	-	70,090
Share based payment transactions	-	-	-	(2,417)	-	(2,417)
Measurement of postemployment benefits	-	-	-	(5,448)	-	(5,448)
<b>At 31 December 2023</b>	<b>1,145,784</b>	<b>200,425</b>	<b>(97,793)</b>	<b>(2,581)</b>	<b>4,416,245</b>	<b>5,662,080</b>

The attached notes 1 to 29 form an integral part of these financial statements.

The independent auditors' report is set out on page 1-3.

## Citibank N.A. - United Arab Emirates Branches

### Statement of cashflow

for the year ended 31 December 2023

	2023 AED'000	2022 AED'000
<b>Cash flow from operating activities</b>		
Profit for the year before tax	1,674,692	840,867
<i>Adjustment for non-cash items:</i>		
Depreciation	32,110	36,198
Loss on sale of property and equipment	141	(4,751)
Net charge on financial assets	111,420	(222,466)
Derivatives	46,405	(127,903)
Net Loss on investments	12,135	9,036
End of service benefit	(5,448)	15,755
<i>Operating cash before changes in operating assets and liabilities</i>	<u>1,871,455</u>	<u>546,736</u>
(Decrease)/Increase in reserve with the Central Bank of UAE	(2,792,925)	592,852
(Decrease) in due from Banks	(812,260)	(224,805)
(Decrease)/increase in loans and advances to customers	(646,149)	(172,751)
(Decrease)/increase in other assets excluding taxation	(102,330)	(127,478)
Increase in customer deposits	1,060,287	5,571,439
(Decrease)/increase in other liabilities excluding taxation	(4,956,439)	5,235,591
Taxes paid	(110,259)	(101,949)
End of service benefit paid	(7,489)	(6,387)
<i>Net cash flows (used in)/generated from operating activities</i>	<u>(6,496,109)</u>	<u>11,313,248</u>
<b>Cash flow from investing activities</b>		
Purchase of property and equipment- net	(12,723)	(2,573)
Proceeds from disposal of property and equipment	3,479	5,790
Purchase of investments	(125,229,626)	(132,130,498)
Proceeds from sale of investments	129,541,155	126,411,599
<i>Net cash flows from/(used) in investing activities</i>	<u>4,302,285</u>	<u>(5,715,682)</u>
<b>Cash flow from financing activities</b>		
Capital Injection from the Head Office	1,009,883	-
<i>Net cash flows generated from financing activities</i>	<u>1,009,883</u>	<u>-</u>
<b>(Decrease)/Increase in cash and cash equivalents</b>	<b>(1,183,941)</b>	<b>5,597,566</b>
Cash and cash equivalents at the beginning of the year	14,810,955	9,213,389
<b>Cash and cash equivalents at the end of the year (Note 21)</b>	<u><u>13,627,014</u></u>	<u><u>14,810,955</u></u>

The attached notes 1 to 30 form an integral part of these financial statements.

# Citibank N.A. - United Arab Emirates Branches

## Notes to the financial statements

for the year ended 31 December 2023

### 1. Legal status and principal activities

Citibank N.A. – United Arab Emirates Branches (“the Bank”) operates in the United Arab Emirates (“UAE”) through its four branches (2022: four) located in the Emirates of Abu Dhabi, Dubai and Sharjah under a license issued by the Central Bank of UAE (“CBUAE”).

The principal activities of the Bank include accepting deposits, granting loans and advances and providing consumer and corporate banking, including treasury activities.

The registered office and the address of the Bank is P.O. Box 749, Dubai, UAE.

The Bank is a branch of Citibank N.A. USA. The Ultimate Holding Company of the Bank is Citigroup Inc.

These financials reflect the activities of the Bank in the United Arab Emirates only and exclude all transactions, assets and liabilities of the head office and its other branches elsewhere. Since the capital of the Bank is not publicly traded, no segment analysis has been prepared.

### 2. Basis of preparation

#### a) Statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) and Interpretations (IFRIC) issued by the International Accounting Standards Board (IASB), and applicable requirements of the United Arab Emirates Laws.

#### b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value;
- financial instruments at fair value through profit or loss are measured at fair value;
- financial instruments at fair value through other comprehensive income are measured at fair value;
- the liability for defined benefit obligations is recognized as the present value of the defined benefit obligation less the net total of the plan assets, plus unrecognized actuarial gains, less unrecognized past service cost and unrecognized actuarial losses; and
- liabilities for cash settled share-based payment arrangements are measured at fair value.

#### c) Functional and presentation currency

The financial statements are presented in Arab Emirates Dirhams (“AED”), which is the Bank’s functional currency, rounded to the nearest thousand except when otherwise indicated.

#### d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. The estimates and assumptions are based on management's best knowledge of current events, actions, historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

# Citibank N.A. - United Arab Emirates Branches

## Notes to the financial statements

for the year ended 31 December 2023

### 2. Basis of preparation (continued)

#### d) Use of estimates and judgments (continued)

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. Information about significant areas of estimation uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in note 3.

#### e) Relevant new and revised IFRS applied with no material effect on the consolidated financial statements

The following new and revised IFRS have been adopted in the Bank financial statements. The application of these new and revised IFRS has not had any material impact on the amounts reported for the current and prior periods.

a	Amendments to IAS 8 Accounting policies, Changes in accounting estimates and errors	1 January 2023
b	Amendment to IFRS 17 Insurance contracts	1 January 2023
c	Amendment to IAS 1 and IFRS Practice Statement 2 relating to disclosure of Accounting Policies	1 January 2023
d	Deferred Tax related to Assets and liabilities arising from a Single Transaction – Amendment to IAS 12	1 January 2023

#### f) Relevant new and revised IFRS issued but not yet effective

The Bank has not applied the following new and revised IFRS, amendments and interpretations that have been issued but not yet effective:

a	Classification of Liabilities as Current or Non-Current Liabilities with Covenants (Amendments to IAS 1).	1 January 2024
b	Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7).	1 January 2024
c	Lack of Exchangeability (Amendment to IAS 21).	1 January 2024
d	Lease Liability in a Sale and Leaseback (Amendments to IFRS 16).	1 January 2024

The Bank has consistently applied the following accounting policies to all periods presented in the financial statements, except for the accounting standards mentioned in note 2e which are applied for the first time.

# Citibank N.A. - United Arab Emirates Branches

## Notes to the financial statements

for the year ended 31 December 2023

### 3. Material accounting policies

#### a) Derivative financial instruments

##### *Classification*

The Bank enters into derivative financial instruments including forwards, futures, swaps and options in the foreign exchange and capital markets. Derivative financial instruments, that do not qualify for hedge accounting are classified as FVTPL – financial assets at fair value through profit and loss.

##### *Initial and subsequent measurement*

In the normal course of business, the fair value of a derivative on initial recognition is the transaction price. Subsequent to their initial recognition, derivative financial instruments are stated at fair values. Fair values are generally obtained by reference to quoted market prices in active markets, or by using valuation techniques when an active market does not exist.

Derivative financial instruments with positive market values (unrealized gains) are included in derivative assets and derivative financial instruments with negative market values (unrealized losses) are included in derivative liabilities.

##### *Gains and losses on subsequent measurement*

The gains or losses from derivative financial instruments are taken to statement of profit or loss.

##### *Fair value derivatives and unquoted securities*

The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (such as models) are used to determine fair values, these are tested before they are used and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

#### b) Property and equipment

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

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of replacing an item of property and equipment is recognized in the carrying value of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment and is recognized in profit or loss.

# Citibank N.A. - United Arab Emirates Branches

## Notes to the financial statements

for the year ended 31 December 2023

### 3. Material accounting policies (continued)

#### b) Property and equipment (continued)

Property and equipment are impaired if the carrying amount of the asset or its cash generating unit exceed its recoverable amount. The impairment loss is recognized in profit or loss.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative years are as follows:

Computer systems	3 to 5 years
Furniture, equipment and motor vehicles	3 to 15 years

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

#### c) Provisions

A provision is recognized, if as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

#### d) Employees' end of service benefits and long-term incentive arrangements

The Bank provides for staff terminal benefits based on an estimation of the amount of future benefit that employees have earned in return for their service until their retirement. This calculation is performed annually by a qualified actuary using the projected unit credit method. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and withdrawal rates.

The actuarial gains / losses arise out of differences between actuarial assumptions and actual experience regarding issues such as salary increase assumptions, mortality and withdrawal probabilities. As per IAS 19, such gains and losses that arise due to re measurement of the net defined benefit liability should be recognized in other comprehensive income.

Further, the Bank contributes to the pension scheme for UAE nationals under the UAE pension and social security law. This is a defined contribution pension plan and the Bank's contributions are charged to profit or loss in the period to which they relate. In respect of this scheme, the Bank has a legal and constructive obligation to pay the contributions as they fall due, and no obligations exist to pay the future benefits.

#### e) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents consist of cash in hand and balances with the Central Bank of UAE (excluding statutory reserve) and amounts due from and due to head office and branches abroad and banks maturing within three months from the date of their initial recognition and with insignificant credit risk.

# Citibank N.A. - United Arab Emirates Branches

## Notes to the financial statements

for the year ended 31 December 2023

### 3. Material accounting policies (continued)

#### f) Taxation

##### i. Income tax

Income Tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relate to business combination, or item recognized directly in equity or in OCI.

##### ii. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met:

##### iii. Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that:
  - is not a business combination; and
  - at the time of transaction (i) affects neither accounting nor taxable profit or loss and (ii) does not give rise to equal taxable and deductible temporary differences.
- Temporary differences related to investments in subsidiaries to the extent that the bank is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized 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 difference. 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 business plans for Bank. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the relevant tax benefit will be realized; such reductions are reversed when the probability of the future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if there is any.

# Citibank N.A. - United Arab Emirates Branches

## Notes to the financial statements

for the year ended 31 December 2023

### 3. Material accounting policies (continued)

#### f) Taxation (continued)

##### iii. Deferred tax (continued)

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

#### g) Revenue recognition

##### *Interest income and expenses*

Interest income and expense for all interest-bearing financial instruments are recognized in 'interest income' and 'interest expense' in profit or loss on an accrual basis using the effective interest rates of the financial assets or financial liabilities to which they relate.

The effective interest rate is the rate that discounts estimated future cash receipts and payments earned or paid on a financial asset or a liability through its expected life or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently. When calculating the effective interest rates, the Bank estimates cash flows considering all contractual terms of the financial instruments, but not future credit losses.

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

Interest on impaired financial assets is calculated by applying the original effective interest rate of the financial asset to the carrying amount as reduced by any allowance for impairment. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

##### *Fees and commission income and expenses*

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

Other fee and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognized over time as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, the related loan commitment fees are recognized over time on a straight-line basis over the commitment period. In case of these services, the control is considered to be transferred over time as the customer is benefited from these services over the tenure of the service period. Other fee and commission expense relate mainly to transaction the services are received.

##### *Other operating income*

Other operating income comprises gains less losses related to trading assets and liabilities, and includes all realized and unrealized fair value changes, interest, dividends and foreign exchange differences.



# Citibank N.A. - United Arab Emirates Branches

## Notes to the financial statements

for the year ended 31 December 2023

### 3. Material accounting policies (continued)

#### g) Revenue recognition(continued)

##### *Offsetting*

Income and expenses are presented on a net basis only when permitted under IFRSs, or if gains and losses arising from a similar transactions such as in the Bank's trading activity.

#### h) Foreign currencies

Transaction in foreign currency are transacted into respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at that reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest, impairment and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated onto the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rates at the date of the transaction.

#### i) Financial guarantees

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The financial guarantee liability is subsequently carried at the higher of this amortized amount and the present value of any expected payment when a payment under the guarantee has become probable.

#### j) Share based payments

The Bank participates in the Citigroup Inc. ("Citigroup") share-based incentive plans under which Citigroup delivers shares to the Bank's employees.

The fair value of share-based incentive awards is determined at the time of grant and is expensed over the vesting period, adjusted by an estimate of forfeitures during that period, with a corresponding amount recognized in equity. Subsequent changes in the fair value of all unexercised awards are reviewed annually and any changes in value are recognized in equity.

# Citibank N.A. - United Arab Emirates Branches

## Notes to the financial statements

for the year ended 31 December 2023

### 3. Material accounting policies (continued)

#### k) Lease

At inception of a contract the Bank 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 Bank uses the definition of a lease in IFRS 16.

#### As a lessee

At commencement or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of its relative standalone prices. However, for the leases of office premises the Bank has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Bank recognizes 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.

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 Bank by the end of the lease term or the cost of the right-of-use asset reflects that the Bank 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 Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The Bank 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 Bank are reasonably certain to exercise, lease payments in an optional renewal period if the Bank are reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank are reasonably certain not to terminate early.

The lease liability is measured at amortized 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 Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank 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. - United Arab Emirates Branches

## Notes to the financial statements

for the year ended 31 December 2023

### 3. Material accounting policies (continued)

#### k) Lease (continued)

##### As a lessee (continued)

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 Bank presents right-of-use assets in other assets and lease liabilities in other liabilities in the statement of financial position.

##### *Short-term leases and leases of low-value assets*

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

The Bank has elected to apply the expedient allowed by IFRS 16 on its general requirements to short-term leases (i.e., one that does not include a purchase option and has a lease term at commencement date of 12 months or less) and leases of low value assets. For this the Bank recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term or another systematic basis if that basis is representative of the pattern of the lessee's benefits, similar to the current accounting for operating leases.

#### l) Financial Instruments

##### Recognition and initial measurement

The Bank initially recognises loans and advances, and deposits on the date on which they are originated. All other financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Bank become a party to the contractual provisions of the instrument. This includes "regular way trades": purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

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.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by- investment basis.

##### Classification and measurement:

From a classification and measurement perspective, all financial assets, except equity instruments and derivatives, are assessed based on the combination of below two points.

- i. the entity's business model for managing the assets (and whether collecting cash flows, selling financial assets, or both are integral to the business model), and
- ii. the instruments' contractual cash flow characteristics (whether the contractual cash flows are solely payments of principal and interest (SPPI)).

# Citibank N.A. - United Arab Emirates Branches

## Notes to the financial statements

for the year ended 31 December 2023

### 3. Material accounting policies (continued)

#### l) Financial Instruments (continued)

##### Financial Assets and Financial Liabilities

##### i. Financial Assets – Derivatives and Equity Instruments

Under IFRS 9, derivatives and in-scope equity instruments are measured at fair value, with changes reflected through the profit and loss account (FVTPL). Exceptions can only apply if the derivative is part of a hedge accounting programme.

The Bank measures all equity instruments in scope of IFRS 9 at FVTPL.

##### ii. Financial Assets – Debt Instruments

Under IFRS 9, the following primary classification and measurement categories exist for financial assets- debt instruments:

- Amortized cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVTPL)

In addition, IFRS 9 provides special designation options for financial assets-debt instruments that are either measured at 'amortized cost' or 'FVOCI'. An entity has an option to designate such instruments at FVTPL only where this designation eliminates or significantly reduces an accounting mismatch.

The following paragraphs explain the classification criteria for the 3 categories in more detail.

##### – *Amortized Cost*

A financial asset-debt instrument shall be classified and subsequently measured at amortized cost only if both of the following conditions are met:

- a) Business Model test: the financial asset - debt instrument is held in a business which has a business model whose objective is to hold assets in order to collect contractual cash flows; and
- b) SPPI test: the contractual terms of the financial asset-debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

##### – *FVOCI*

A financial asset shall be classified and measured at FVOCI if both of the following conditions are met:

- a) Business Model test: the financial asset is held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- b) SPPI test: the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

##### – *FVTPL*

# Citibank N.A. - United Arab Emirates Branches

## Notes to the financial statements

for the year ended 31 December 2023

### 3. Material accounting policies (continued)

#### l) Financial Instruments (continued)

##### Financial Assets and Financial Liabilities (continued)

#### ii. Financial Assets – Debt Instruments (continued)

Any financial instrument that does not fall into either of the above categories shall be classified and measured at fair value through profit and loss. For example, where the asset is not held within a business model whose objective is to hold to collect the contractual cash flows or within a business model whose objective is to both collect the cash flows and to sell the assets, then the asset will be classified as FVTPL. Moreover, any instrument for which the contractual cash flow characteristics do not comprise solely payments of principal and interest (that is, they fail the SPPI test) must be classified in the FVTPL category.

#### Derecognition

Any cumulative gain/loss recognized in OCI in respect of equity investment securities designated as FVOCI is not recognized in profit or loss account on derecognition of such securities, and is routed directly through equity to retained earnings.

When debt security measured at FVOCI is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss.

#### Business Model Assessment

The Bank's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Bank's business model does not depend on management's intentions for an individual instrument (i.e., it is not an instrument-by-instrument assessment). This assessment is performed at a higher level of aggregation. The level of aggregation is at a level which is reviewed by key management personnel, enabling them to make strategic decisions for the business. The Bank has more than one business model for managing its financial instruments.

The assessment of the business model requires judgment based on facts and circumstances, considering quantitative factors and qualitative factors. The Bank considers all relevant evidence that is available at the date of the assessment. Such relevant evidence includes, but is not limited to:

- a. How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank's key management personnel.
- b. The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed.
- c. How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- d. The frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity.

#### Assessment of whether the contractual cash flows are solely payments of principal and interest

If an instrument is held in either a hold to collect or a hold to collect and sell business model, then an assessment to determine whether contractual cash flows are solely payments of principal and interest on the principal outstanding (SPPI) is required to determine classification.

# Citibank N.A. - United Arab Emirates Branches

## Notes to the financial statements

for the year ended 31 December 2023

### 3. Significant accounting policies (continued)

#### I) Financial Instruments (continued)

##### Financial Assets and Financial Liabilities (continued)

#### ii. Financial Assets – Debt Instruments (continued)

##### Business Model Assessment

For SPPI, interest is defined as consideration for the time value of money and the credit risk associated with the principal amount outstanding during a period of time. It can also include consideration for other basic lending risks (for example, liquidity risk) and costs (for example, administrative costs) associated with holding the financial asset for a particular period of time and a profit margin that is consistent with a basic lending arrangement. Other contractual features that result in cash flows that are not payments of principal and interest result in the instrument being measured at FVTPL.

Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that meet the SPPI criteria.

The contractual cash flow test must be performed at initial recognition of the financial asset and, if applicable, as at the date of any subsequent changes to the contractual provisions of the instrument.

#### iii. Financial liabilities

For financial liabilities there are two measurement categories: amortized cost and fair value through profit and loss (including a fair value option category).

The Bank designates financial liabilities at fair value through profit or loss if one of the following exist:

- The liability is managed, and performance evaluated on a fair value basis
- Electing fair value will eliminate or reduce an accounting mismatch; or
- The contract contains one or more embedded derivatives.

For financial liabilities designated at fair value through profit or loss, fair value changes are presented as follows:

- The amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability must be recorded in OCI, and
- The remaining amount of the change in the fair value of the liability is recorded in P&L.

Upon early extinguishment (e.g., liability is repurchased before maturity), changes in own credit previously recorded in OCI will not be recycled to P&L. The OCI balance is reclassified directly to retained earnings.

#### iv) Reclassifications

Financial asset classification is determined at initial recognition and reclassifications are expected to be extremely rare. A financial asset can only be reclassified if the business model for managing the financial asset changes. Reclassification of financial liabilities is not permitted. Reclassification of financial instruments designated under FVOCI is also not permitted.

# Citibank N.A. - United Arab Emirates Branches

## Notes to the financial statements

for the year ended 31 December 2023

### 3. Material accounting policies (continued)

#### l) Financial Instruments (continued)

##### Financial Assets and Financial Liabilities (continued)

#### iv. Reclassifications (continued)

##### Financial assets

If the terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value. Impairment test is performed before the modifications.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset in accordance with IFRS 9, the Bank shall recalculate the gross carrying amount of the financial asset and shall recognise a modification gain or loss in profit or loss.

As the Bank classifies a financial asset at initial recognition on the basis of the contractual terms over the life of the instrument, reclassification on the basis of a financial asset's contractual cash flows is not permitted, unless the asset is sufficiently modified that it is derecognized.

##### Financial liabilities

The Bank derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss.

### Impairment

The IFRS 9 impairment standard applies to any debt instruments measured at amortized cost or at fair value through other comprehensive income and also to off balance sheet loan commitments and financial guarantees, including:

- Corporate and commercial loans;
- Deposits with banks;
- Reverse repurchase agreements and securities borrowing transactions;
- Investments in debt instruments measured at fair value through other comprehensive income (FVOCI);
- All irrevocable loan commitments that are not measured at FVTPL;
- Trade receivables in the scope of IFRS 15 (Revenue contracts with customers); and
- Any other receivables (e.g., brokerage receivables)

### Expected credit loss impairment model

Credit loss allowances will be measured on each reporting date according to a three-Stage expected credit loss impairment model under which each financial asset is classified in one of the stages below:

# Citibank N.A. - United Arab Emirates Branches

## Notes to the financial statements

for the year ended 31 December 2023

### 3. Material accounting policies (continued)

#### l) Financial Instruments (continued)

##### Expected credit loss impairment model (continued)

Stage 1 – From initial recognition of a financial asset to the date on which the asset has experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is recognized equal to the credit losses expected to result from defaults expected over the next 12 months. Interest is calculated based on the gross carrying amount of the asset.

Stage 2 – Following a significant increase in credit risk relative to the risk at initial recognition of the financial asset, a loss allowance is recognized equal to the full credit losses expected over the remaining life of the asset. Interest is calculated based on the gross carrying amount of the asset.

The credit losses for financial assets in Stage 1 and Stage 2 are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive).

Stage 3 – When a financial asset is considered to be credit-impaired, a loss allowance equal to the full lifetime expected credit losses will be recognized. Interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than on its gross carrying amount.

Evidence that a financial asset is impaired includes observable data that comes to the attention of the Bank such as:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - adverse changes in the payment status of borrowers in the portfolio;
  - national or local economic conditions that correlate with defaults on the assets in the portfolio.

Loans are written off when there is no realistic probability of recovery.

The estimation of an expected credit loss (ECL) is required to be unbiased and probability weighted, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. The estimate also considers the time value of money.

The measurement of an ECL is primarily determined by an assessment of the financial asset's probability of default (PD), loss given default (LGD) and exposure at default (EAD) where the cash shortfalls are discounted to the reporting date. For a financial asset in Stage 1, the Bank will utilise a 12-month PD, whereas a financial asset within Stage 2 and Stage 3 will utilise a lifetime PD in order to estimate an impairment allowance.



# Citibank N.A. - United Arab Emirates Branches

## Notes to the financial statements

for the year ended 31 December 2023

### 3. Material accounting policies (continued)

#### 1) Financial Instruments (continued)

##### Expected credit loss impairment model (continued)

###### *Wholesale Classifiably Managed Exposures*

An impairment allowance will be estimated for Corporate loans utilising sophisticated models depending on the relative size, quality and complexity of the portfolios.

###### *Delinquency Managed Exposures*

In particular, for Consumer loan portfolios, where the Bank does not have access to detailed historical information and/or loss experience, the Bank will adopt a simplified approach using backstops and other qualitative information specific to each portfolio.

##### Other Financial Assets Simplified Approaches

For other financial assets, being short term and simple in nature, the Bank will apply a simplified measurement approach that may differ from what is described above. This approach leverages existing models currently used globally for stress-testing and regulatory capital reporting purposes, but incorporates specifically developed components to make the estimates compliant with IFRS 9.

##### Significant increase in credit risk (SICR)

A financial asset will move from Stage 1 to Stage 2 if there has been a significant increase in credit risk relative to initial recognition. The Bank assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. Determining whether there has been a significant increase in credit risk requires significant estimates and judgement.

When making this assessment, the Bank considers the increase in the risk of credit quality deterioration (both in relative terms and absolute terms) over the expected life of the financial asset. A given change in absolute terms of the risk of a credit quality deterioration since initial recognition will be more significant for a financial instrument with a lower initial risk of default compared to one with a higher initial risk of default. A change the further qualitative indicators that act as backstops in the probability of default of the obligor is driven primarily by the obligor risk rating. Internal credit risk rating categories will capture the further qualitative indicators that act as backstops.

##### Staging

Financial assets can move in both directions through the Stages of the IFRS 9 impairment model depending on whether the assessment of whether there is a significant increase of credit risk since initial recognition or whether the asset is credit impaired subsequently changes.

In order to determine the ECL reporting stage for an obligation, the Bank will check whether the asset is already impaired (Stage 3) or not (Stage 1 and 2). Stage 2 will be determined by the existence of a significant credit deterioration (or credit improvement) compared with the credit rating at initial recognition. Stage 1 assets do not have significant credit deterioration compared with that at initial recognition. All newly acquired or originated financial assets that are not purchased or originated credit impaired (POCI) are recognized in Stage 1 initially.

# Citibank N.A. - United Arab Emirates Branches

## Notes to the financial statements

for the year ended 31 December 2023

### 3. Material accounting policies (continued)

#### 1) Financial Instruments (continued)

##### Staging (continued)

POCI financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, the Bank recognises all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognized in profit or loss. The existence of a (statistically) significant deterioration/improvement is combined with the materiality of the probability of default to determine whether a transfer in stages is required. Further, the Bank will not rebut the presumption that exposures 30 days past due are deemed to have incurred a significant increase in credit risk. Additional qualitative reviews are also performed to assess the staging results and make adjustments, as necessary, to better reflect the positions which have significantly increased in risk.

Changes in the required credit loss allowance, including the impact of movements between Stage 1 (12-month expected credit losses) and Stage 2 (lifetime expected credit losses), are recorded in profit or loss as an adjustment of the provision for credit losses.

##### Curing period

The Bank continues to monitor such financial instruments for a minimum probationary period of 12 months to confirm if the risk of default has decreased sufficiently before upgrading such exposure from Lifetime ECL (Stage 2) to 12 months ECL (Stage 1).

The Bank is observing a probationary period of a minimum of 3 instalments (for repayments which are on a quarterly basis or shorter) and 12 months (in cases where instalments are on a longer frequency than quarterly) after the restructuring, before upgrading from Stage 3 to 2.

##### Expected life

When measuring ECL, the Bank must consider the maximum contractual period over which the Bank is exposed to credit risk, including possible drawdowns and the expected maturity of the financial asset. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Bank is exposed to credit risk and where the credit losses would not be mitigated by management actions.

##### *Stage 3 definition of default*

As mentioned above, to determine whether an instrument should move to a lifetime ECL, the change in the risk of a default occurring over the expected life of the financial instruments is considered.

The Bank applies a default definition that is consistent with that used for internal credit risk management purposes for the relevant financial instrument and consider qualitative indicators (for example, financial covenants) when appropriate. The definition of default used for this purpose is applied consistently to all financial instruments unless information becomes available that demonstrates another default definition is more appropriate for a particular financial instrument.

# Citibank N.A. - United Arab Emirates Branches

## Notes to the financial statements

for the year ended 31 December 2023

### 3. Material accounting policies (continued)

#### l) Financial Instruments (continued)

##### Expected life (continued)

A default shall be considered to have occurred in regard to a particular obligor when either or both of the following have taken place:

1. There are exposures which are more than 90 days past-due;
2. The obligor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past-due amount or of the number of days past due.

##### Forward Looking Information and multiple economic scenarios

The Bank consider information about past events, current conditions and reasonable and supportable forecasts around future events and economic conditions. The application of forward looking information (FLI) requires significant estimates and judgment.

The Bank has developed models that include multiple economic scenarios that consider the variability and uncertainty in expected losses including factors such as GDP growth rates and unemployment rates, provided by the economists in Citi's Economic Scenario Group (ESG). These estimates are based on portfolio data that reflect the current risk attributes of obligors and debt instruments combined with loss projections derived from the rating migration, PD and loss models built for estimating stress credit losses for wholesale portfolios. As mentioned above, these models have incorporated specifically developed components to make the estimates compliant with IFRS 9. The PD, LGD and Credit Conversion Factor (CCF) models are calibrated to the observed historical patterns of defaults and losses over several years and linked to economic drivers. The model reflects different loss likelihood and loss severity as a function of different economic forecasts. The Bank does not use the best case or worst case scenario, but assesses a representative number of scenarios (at least 3 when applying a sophisticated approach and where multiple scenarios are deemed to have a material non-linear impact) and probability weights these scenarios to determine the ECL.

##### Presentation of the allowance of ECL in the statement of financial position

Loss allowances for 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 asset.
- Loan commitments and financial guarantee contracts: as a provision.
- Debt instruments measured at FVOCI: as the carrying amount of these financial assets is at fair value and the fact that their credit rating is AA, no loss allowance is recognized in the statement of financial position.

##### Measuring ECL - Explanation of inputs, assumptions and estimation techniques

Central to the projections of lifetime ECL are the lifetime risk parameters, i.e., probability of default (PD), loss given default (LGD) and exposure at default (EAD).

IFRS 9 requires that the reserve calculation should incorporate forward-looking information in relation to future macroeconomic scenarios. As such, Bank has decided to leverage models developed for stress testing (primarily to support the comprehensive Capital Analysis and Review ("CCAR") credit models) as the basis for the IFRS-9

# Citibank N.A. - United Arab Emirates Branches

## Notes to the financial statements

for the year ended 31 December 2023

implementation, developing certain components as needed to meet the IFRS-9 requirement for the reserve process for international Classifiably Managed Portfolios.

### 3. Material accounting policies (continued)

#### l) Financial Instruments (continued)

#### Forward Looking Information and multiple economic scenarios (continued)

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Bank includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the Bank's expectation of the extent of loss on a defaulted exposure. (LGD) varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. (LGD) is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-months LGD is the of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

#### m) Key judgments in applying the Bank's accounting policies

The following are the critical judgments, apart from those involving estimations, that the management has made in the process of applying the Bank's accounting policies and that have the most significant effect on the amounts recognized in financial statements:

- Business model assessment

Classification and measurement of financial assets depends on the results of the "solely payments of principal and interest" and the business model test. The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Bank monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

# Citibank N.A. - United Arab Emirates Branches

## Notes to the financial statements

for the year ended 31 December 2023

### 3. Material accounting policies (continued)

#### m) Key judgments in applying the Bank's accounting policies (continued)

- Significant increase of credit risk

The following are key estimations that the management has used in the process of applying the Branches' accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward-looking information relevant to each scenario: When measuring ECL the Branches uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.
- Probability of default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.
- Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements
- Establishing groups of assets with similar credit risk characteristics.

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics according to product. The Bank monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

- Models and assumptions used

The Bank uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

- Incorporation of forward-looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. Three economic scenarios are formulated: a base case, which is the central scenario, developed internally based on consensus forecasts, and two less likely scenarios, one upside and one downside scenario.

The central scenario is aligned with information used by the Bank for other purposes such as strategic planning and budgeting.

The scenarios are prepared by the Economic Forecast Team and the external information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the

# Citibank N.A. - United Arab Emirates Branches

## Notes to the financial statements

for the year ended 31 December 2023

### 3. Material accounting policies (continued)

#### m) Key judgments in applying the Bank's accounting policies (continued)

Bank operates, supranational organisations such as the OECD and the International Monetary Fund, and selected private-sector and academic forecasts.

Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios. A comprehensive review is performed at least annually on the design of the scenarios by a panel of experts that advises the senior management.

In developing its IFRS 9 forecasting models, key drivers are identified such as credit risk and credit losses based on the sector, product and geography characteristics attaching to each financial instrument and using an analysis of historical data has estimated relationships between the identified macro-economic drivers and credit risk and credit losses. The key drivers include GDP growth, unemployment rates, equity indices and commodity prices. The Bank estimates each economic driver for credit risk over the forecast period followed by a reversion to a long run economic average.

- Incorporation of forward-looking information

The table below lists the main GDP and unemployment macroeconomic assumptions used in the base, upside and downside scenarios over a 3-year forecast period.

Macro-economics	Optimistic			Base			Pessimistic		
	2024	2025	2026	2024	2025	2026	2024	2025	2026
GDP	5.490	3.373	(0.654)	3.800	0.410	0.338	(5.353)	1.257	2.17
Unemployment	2.301	2.301	2.364	2.369	2.331	2.388	3.409	3.284	3.140

The assumptions represent the absolute percentage unemployment rates and year-on-year percentage change for GDP.

The scenarios are refreshed on a quarterly basis to include both up to date actual data and to reflect changes in outlook. Given the scope of Bank's business activity, The probability weightings applied in measuring ECL are also reviewed quarterly and are shown below for the current and previous year-ends.

Scenario	<u>at 31 December 2023</u>			<u>at 31 December 2022</u>		
	Optimistic	Base	Pessimistic	Optimistic	Base	Pessimistic
Probability weight	8.00%	61.00%	31.00%	9.00%	56.00%	35.00%

#### n) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when, and only when, the Bank has a legally enforceable right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

#### o) 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 in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

# Citibank N.A. - United Arab Emirates Branches

## Notes to the financial statements

for the year ended 31 December 2023

### 3. Material accounting policies (continued)

#### o) Fair value measurement principles (continued)

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or liability is measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio. The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

#### *Fair value hierarchy*

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, bank, pricing service or regulatory agency, and those prices represent actual and regularly recurring market transactions on an arm's length basis.

Level 2: Valuation techniques based on observable input, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

# Citibank N.A. - United Arab Emirates Branches

## Notes to the financial statements

for the year ended 31 December 2023

### 3. Material accounting policies (continued)

#### o) Fair value measurement principles (continued)

*Fair value hierarchy (continued)*

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs based on unobservable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on the quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

#### p) Modification of financial assets and liabilities **Financial Assets**

If the terms of a financial asset are modified, the Bank evaluate whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value, and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purpose, including for the purpose of determining whether a significant increase in credit risk has occurred.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Bank recalculates the gross carrying amount of the financial asset based on the revised cash flows of the financial assets and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as income.

#### **Financial Liabilities**

The Bank derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in the statement of profit or loss.

#### q) **Acceptances:**

Acceptances arise when the Bank is under an obligation to make payments against documents drawn under letters of credit. Acceptances specify the amount of money, the date and the person to which the payment is due.

After acceptance, the instrument becomes an unconditional liability (time draft) of the Bank and is therefore recognized as a financial liability in the statement of financial position with a corresponding contractual right of reimbursement from the customer recognized as a financial asset.

Acceptances have been considered within the scope of IFRS 9 - Financial Instruments and continued to be recognized as a financial liability in the statement of financial position with a contractual right of reimbursement from the customer as a financial asset.



# Citibank N.A. - United Arab Emirates Branches

## Notes to the financial statements

for the year ended 31 December 2023

### 3. Material accounting policies (continued)

#### r) Impairment of non-financial assets

The carrying amounts of the bank's non-financial assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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 amortisation, if no impairment loss had been recognised.

#### s) Interest Rate Benchmark Reform

Interbank offered rates ("IBORs"), such as the London Interbank Offered Rate ("LIBOR"), plays a critical role in global financial markets, serving as reference rates for derivatives, loans and securities, and as parameters in the valuation of financial instruments.

LIBOR and other rates or indices deemed to be benchmarks have been subject of ongoing regulatory scrutiny and reform. The LIBOR administrator ceased publication of non-USD LIBOR and one week and two-month USD LIBOR on a representative basis on December 31, 2021, with plans to cease publication of all other USD LIBOR tenors on June 30, 2023. As a result, Citi ceased entering into new contracts referencing USD LIBOR as of January 1, 2022, other than for limited circumstances where regulators recognized that it may be appropriate for banks to enter into new USD LIBOR contracts, including with respect to market-making, hedging or novations of USD transactions executed before January 1, 2022.

LIBOR and other benchmarks have been used in a substantial number of the Bank's outstanding securities and products, including, among others, derivatives, corporate loans, commercial and residential mortgages, credit cards, securitized products and other structured securities. The Bank recognizes that a transition away from and discontinuance of LIBOR, also the replacement of some interbank offered rates (IBORs) presents various risks and challenges that could significantly impact financial markets and market participants, including the Bank. Accordingly, the Bank has continued its efforts to identify and manage its interest rate benchmark reform risks. The Bank has established a LIBOR governance and implementation program focused on identifying and addressing the impact of LIBOR transition on the Bank's clients, operational capabilities and financial contracts. The program operates globally across the Bank's businesses and functions and includes active involvement of senior management. As part of the program, the Bank has continued to implement its LIBOR transition action plans and associated roadmaps under the following key workstreams: program management; transition strategy and risk management; customer management, including internal communications and training, legal/contract management and product management; financial exposures and risk management; regulatory and industry engagement; operations and technology; and finance, risk, tax and treasury.

During 2023, the Bank continued its efforts to manage its interest rate benchmark reform risks. The Bank has been focused on further reducing its LIBOR exposure and remediating its remaining outstanding LIBOR-linked contracts. In addition, the Bank has continued to monitor and engage on legislative, regulatory and other initiatives and developments related to interest rate benchmark reform matters.

The Bank has also continued to use alternative reference rates in certain newly issued financial instruments. The Bank has issued floating rate benchmark and customer-related debt linked to SOFR and originated and arranged loans linked to SOFR. The Bank's derivatives contracts are generally linked to SOFR and other global alternative reference rates. The Bank also provides term SOFR-linked products to clients in accordance with industry best practices and recommendation.

# Citibank N.A. - United Arab Emirates Branches

## Notes to the financial statements

for the year ended 31 December 2023

### 4. Financial risk management

#### Introduction and overview

The Bank has exposure to the following risks from financial instruments:

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

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

#### *Risk management framework*

The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect the changes in market conditions, products and services offered. The Bank, 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.

The overall risk management framework relies upon the Bank's internal entity wide standards and covers credit, market, operational and liquidity risks, including undertaking, measuring, monitoring and reporting of risks. It may be noted that:

- These standards are governed by specific policies which are defined and documented
- Risks are measured using defined methodologies.
- Limits for credit, market and liquidity risks are approved by Risk Management, which is independent of the Business areas.
- Dedicated risk management and control functions are in place for credit (Corporate and Consumer), market, liquidity and operational risks.

Additionally, Risk Management maintains oversight of the regulatory, economic, reputation and legal risks associated with the above-mentioned risk areas.

In order to effectively discharge this responsibility the Bank has established the Country Coordinating Committee (Management Committee), Country Asset and Liability Committee (ALCO), Credit Review Committee and Business Risk Compliance and Control Committee which are responsible for developing and monitoring risk management policies in their specified areas. These committees comprise key officers, who convene frequently to appraise the Bank's risk profile and various risk related issues.

# Citibank N.A. - United Arab Emirates Branches

## Notes to the financial statements

for the year ended 31 December 2023

### 4. Financial risk management(continued)

#### a) Credit risk (continued)

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations arising principally from the Bank's loans and advances to customers, amounts due from banks and investment securities. For risk management purposes, credit risk arising on trading investments is managed independently, but reported as a component of market risk exposure.

The Bank's credit risk management culture is based on the concept that independent risk management works with the business with the goal of taking intelligent risk with shared responsibilities, without forsaking individual accountability. Both business credit officers and independent risk credit officers approve credit, with the covering limit approval by independent risk. Practical objectives are set by business and independent risk management teams in order to reflect their view of the risks and rewards arising from market conditions. Business and independent risk management teams are responsible for adjusting these strategies and budgets to manage through with changing environments. The business is looked at as the institution's first line of risk defense given their unique access and proximity to their clients on a real time basis. Independent risk management reviews risk profile of the portfolios, including suitability and appropriateness to ensure that the impact of all risk disciplines is understood.

#### *Corporate credit risk*

The management of corporate credit risk is grounded in a series of fundamental policies including:

- Joint business and independent risk management responsibility for managing credit risk;
- Implementing Citigroup global credit policies in consultation with business units, covering collateral requirements, credit assessment and due diligence, obligor and facility risk rating and reporting, documentary and legal procedures, remedial management and compliance with regulatory and statutory requirements;
- Establishment of authorization structure and limits for the approval and renewal of credit facilities. Lending authorities have been established at various levels together with a framework of dual/multiple credit approval delegated authorities;
- A minimum of two authorized credit officer signatures are required on extensions of credit (one from a sponsoring credit officer in the business and one from a credit officer in credit risk management);
- Establishing limits and actual level of exposure to obligors are reviewed at least annually and reapproved at the appropriate approval authority level;

Analytics used to manage the credit risk of consumer portfolios include the ability to segment portfolios and to be able to review metrics that could include leading indicators such as approval rates, coincident indicators such as delinquency rates and lagging indicators such as write-off rates. Indicators of performance are compared with both historical performance as well as expected results – where appropriate.

Periodic reviews are conducted by the internal audit team to audit compliance with all aspects of the credit policies governing lending.

#### *Exposure to credit risk*

The Bank monitors credit risk per class of financial instrument. The table below outlines the classes identified, as well as the financial statement line item and the note that provides an analysis of the items included in the financial statement line for each class of financial instrument:

## Citibank N.A. - United Arab Emirates Branches

### Notes to the financial statements

for the year ended 31 December 2023

#### 4. Financial risk management (continued)

##### a) Credit risk (continued)

*Exposure to credit risk (continued)*

	2023			Total AED'000
	Stage 1 12-month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	
<b>Corporate Loans</b>				
Grades 1 to 7: Current	3,770,381	115,832	-	3,886,213
Grades 1 to 7: Watch list	71,695	29	-	71,724
Grade 7: Substandard	-	-	64,628	64,628
Grade 10: Doubtful/Loss	-	-	32,538	32,538
<b>Total gross carrying amount corporate loans</b>	<b>3,842,076</b>	<b>115,861</b>	<b>97,166</b>	<b>4,055,103</b>
Balances with Central Bank of UAE	22,456,081	-	-	22,456,081
Consumer loans	5,242,978	140,717	59,785	5,443,480
Due from banks	2,881,798	-	-	2,881,798
Due from head office and other branches	150,921	-	-	150,921
Customer acceptances	382,170	354	-	382,524
Investment securities	2,787,040	-	-	2,787,040
Other assets	61,652	-	-	61,652
Loan commitments, financial guarantees and letters of credit	5,561,411	254,155	1,695	5,817,261
<b>Total gross amount</b>	<b>43,366,127</b>	<b>511,087</b>	<b>158,646</b>	<b>44,035,860</b>
Less: Expected credit loss	(138,455)	(92,824)	(98,399)	(329,678)
Less: Interest in suspense	-	-	(11,882)	(11,882)
<b>Net carrying amount</b>	<b>43,227,672</b>	<b>418,263</b>	<b>48,365</b>	<b>43,694,300</b>

## Citibank N.A. - United Arab Emirates Branches

### Notes to the financial statements

for the year ended 31 December 2023

#### 4. Financial risk management (continued)

##### a) Credit risk (continued)

*Exposure to credit risk (continued)*

	2022			Total AED'000
	Stage 1 12-month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	
<b>Corporate Loans</b>				
Grades 1 to 7: Current	3,147,362	194,014	-	3,341,376
Grades 1 to 7: Watch list	26,923	106,040	-	132,963
Grade 7: Substandard	-	-	26	26
Grade 10: Doubtful/Loss	-	-	32,510	32,510
<b>Total gross carrying amount corporate loans</b>	3,174,285	300,054	32,536	3,506,875
Balances with Central Bank of UAE	18,623,095	-	-	18,623,095
Consumer loans	5,177,970	308,556	48,719	5,535,245
Due from banks	2,351,240	-	-	2,351,240
Due from head office and other branches	75,280	-	-	75,280
Customer acceptances	62,820	-	-	62,820
Investment securities	1,353,338	-	-	1,353,338
Other assets	54,638	-	-	54,638
Loan commitments, financial guarantees and letters of credit	5,776,782	385,012	1,173	6,162,967
<b>Total gross amount</b>	36,649,448	993,622	82,428	37,725,498
Less: Expected credit loss	(138,256)	(156,429)	(65,236)	(359,921)
Less: Interest in suspense	-	-	(16,282)	(16,282)
<b>Net carrying amount</b>	36,511,193	837,193	910	37,349,295

## Citibank N.A. - United Arab Emirates Branches

### Notes to the financial statements

for the year ended 31 December 2023

#### 4. Financial risk management (continued)

##### a) Credit risk (continued)

##### *Exposure to credit risk (continued)*

##### *Expected credit loss allowance*

A summary of the provision for credit loss and the net movement on financial instruments by category are as follows:

	1 January 2023 AED'000	Net (reversal) during the year AED'000	31 December 2023 AED'000	
Due from banks	4,681	21	4,702	
Loans and advances to customers	321,317	(8,299)	313,018	
<b>Total on balance sheet</b>	<b>325,998</b>	<b>(8,278)</b>	<b>317,720</b>	
Loan commitments, financial guarantees and letters of credit	33,924	(21,966)	11,958	
<b>Total off balance sheet</b>	<b>33,924</b>	<b>(21,966)</b>	<b>11,958</b>	
<b>Total expected credit loss allowance</b>	<b>359,922</b>	<b>(30,244)</b>	<b>329,678</b>	
	1 January 2022 AED'000	Net (reversal) during the year AED'000	31 December 2022 AED'000	
Due from banks	617	4,064	4,681	
Loans and advances to customers	573,133	(251,816)	321,317	
<b>Total on balance sheet</b>	<b>573,750</b>	<b>(247,752)</b>	<b>325,998</b>	
Loan commitments, financial guarantees and letters of credit	8,638	25,286	33,924	
<b>Total off balance sheet</b>	<b>8,638</b>	<b>25,286</b>	<b>33,924</b>	
<b>Total expected credit loss allowance</b>	<b>582,388</b>	<b>(222,466)</b>	<b>359,922</b>	
	<b>Investment Securities</b>		<b>Derivative Assets</b>	
	<b>2023</b>	2022	<b>2023</b>	2022
	<b>AED'000</b>	AED'000	<b>AED'000</b>	AED'000
<b>Grades 1 to 7: Current</b>	<b>13,770,635</b>	18,038,853	<b>204,485</b>	97,499
Carrying amount	<b>13,770,635</b>	18,038,853	<b>204,485</b>	97,499

ECL for the above has been assessed to be immaterial as all investments in bonds are AA rated. All investments are classified under stage 1 (2022: stage 1).

# Citibank N.A. - United Arab Emirates Branches

## Notes to the financial statements

for the year ended 31 December 2023

### 4. Financial risk management (continued)

#### a) Credit risk (continued)

##### *Exposure to credit risk (continued)*

##### *Expected credit loss allowance (continued)*

The CBUAE has issued its IFRS 9 guidance addressing various implementation challenges and practical implications for Banks adopting IFRS 9 in the UAE (“the guidance”).

Pursuant to clause 6.4 of the guidance, the reconciliation between general and specific provision under Circular 28/2010 of CBUAE and IFRS 9 is as follows:

	2023 AED'000	2022 AED'000
<b>Allowances for impairment losses: General</b>		
General provisions under Circular 28/2010 of CBUAE	213,705	245,643
Less: Stage 1 and Stage 2 provisions under IFRS 9	231,279	294,686
General provision transferred to the impairment reserve*	-	-
<b>Allowances for impairment losses: Specific</b>		
Specific provisions under Circular 28/2010 of CBUAE	93,366	42,624
Less: Stage 3 provisions under IFRS 9	98,399	65,236
Specific provision transferred to the impairment reserve*	-	-
Total provision transferred to the impairment reserve	-	-

\*In the case where provisions under IFRS 9 exceed provisions under CBUAE, no amount shall be transferred to the impairment reserve.

##### *Groupings based on shared risks characteristics*

When ECL are measured on a collective basis, the financial instruments are grouped based on shared risk characteristics, such as:

- Instrument type;
- Credit risk grade;
- Collateral type;

The groupings are reviewed on a regular basis to ensure that each group is comprised of homogenous exposures.

The Bank uses external benchmark information for portfolios with limited historical data and for low default portfolios where there is no instances of historical default.

The Bank has in place policies, which govern the determination of eligibility of various collaterals including credit protection, to be considered for credit risk mitigation, which includes the minimum operational requirements that are required for the specific collateral to be considered as effective risk mitigating. The Bank’s major collaterals are mortgaged properties, cash margins, vehicles and other register-able assets.

The collateral is valued periodically ranging from monthly to annually, depending on the type of collateral. Specifically, for mortgaged property, a framework for valuation of mortgaged properties is established to ensure adequate policies and procedures are in place for efficient and proper conduct of valuation of mortgaged properties and other related activities in relation to the interpretation, monitoring and management of valuation of mortgaged properties.

## Citibank N.A. - United Arab Emirates Branches

### Notes to the financial statements

for the year ended 31 December 2023

#### 4. Financial risk management (continued)

##### a) Credit risk (continued)

##### *Exposure to credit risk (continued)*

*Maximum exposure to credit risk before collateral held or other credit enhancements*

	<b>Maximum exposure</b>	
	<b>2023</b>	2022
	<b>AED'000</b>	AED'000
<i>Credit risk exposures relating to on-balance sheet assets are as follows:</i>		
Balance with CBUAE	<b>22,456,081</b>	18,623,095
Due from banks	<b>2,881,798</b>	2,351,240
Due from head office and branches abroad	<b>150,921</b>	75,280
Derivatives	<b>204,485</b>	97,499
Loans and advances to customers	<b>9,498,584</b>	9,042,120
Investment securities	<b>13,770,635</b>	18,038,853
Customer acceptances	<b>382,524</b>	62,820
Other assets	<b>61652</b>	54,638
<i>Credit risk exposures relating to off-balance sheet items are as follows:</i>		
Loan commitments and other off balance sheet items	<b>5,817,261</b>	6,162,967
	<b>55,223,941</b>	54,508,512

The above table represents a worst case scenario of credit risk exposure to the Bank at 31 December 2023 and 2022 without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

As can be seen above, the most significant exposures arise from loans and advances to customers (including commitments) and amounts due from banks.



## Citibank N.A. - United Arab Emirates Branches

### Notes to the financial statements

for the year ended 31 December 2023

#### 4. Financial risk management (continued)

##### a) Credit risk (continued)

Analysis of collaterals by type is presented in the following table:

	<b>Collaterals</b>	
	<b>2023</b>	2022
	<b>AED'000</b>	AED'000
<b>Individually impaired</b>		
Pledged deposits	-	103
Property	-	8,480
	<hr/>	<hr/>
<b>Gross amount</b>	<b>-</b>	<b>8,583</b>
	<hr/>	<hr/>
<b>Neither past due nor impaired</b>		
Pledged deposits	<b>186,234</b>	323,153
	<hr/>	<hr/>
Investment securities	<b>2,406,798</b>	2,463,197
	<hr/>	<hr/>
Guarantees	<b>625,756</b>	728,075
	<hr/>	<hr/>
Property	<b>12,300</b>	8,820
	<hr/>	<hr/>
<b>Total</b>	<b>3,231,088</b>	<b>3,531,828</b>
	<hr/> <hr/>	<hr/> <hr/>

#### *Collaterals*

The Bank holds collateral against loans and advances in the form of cash, guarantees, mortgages and liens over properties or other securities over assets. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and are subsequently monitored on a periodic basis. Generally, collateral is not held against investment securities and amounts due from banks, and no such collateral was held at 31 December 2022 or 2023.

#### *Impaired loans and advances*

Impaired loans and advances and non-trading investments are financial assets for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the agreements.

#### *Concentration*

Concentrations arise when a number of counterparties are engaged in similar business activities, having same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The tables below set out the concentration of credit risk by sector, geography and currency.

## Citibank N.A. - United Arab Emirates Branches

### Notes to the financial statements

for the year ended 31 December 2023

#### 4. Financial risk management (continued)

##### a) Credit risk (continued)

##### Concentration (continued)

2023	Loans and advances gross AED'000	Investment securities AED'000	Certificate of Deposits with CBUAE AED'000	Derivatives assets AED'000	Customer acceptances assets AED'000	Due from banks/ head office and branches abroad AED'000	Total on balance sheet AED'000
Concentration by sector							
Commercial and business:-							
Agriculture & allied activities	-	-	-	-	-	-	-
Mining & quarrying	120,934	-	-	-	-	-	120,934
Manufacturing	1,364,548	-	-	1,690	13,302	-	1,379,540
Electricity & water	9,938	-	-	-	-	-	9,938
Construction	811,349	-	-	38	33,478	-	844,865
Real estate	1	-	-	-	-	-	1
Trade	721,773	-	-	8,337	12,780	-	742,890
Transport & communication	426,884	-	-	-	-	-	426,884
Services	165,519	-	-	-	-	-	165,519
<b>Total commercial and business</b>	<b>3,620,946</b>	<b>-</b>	<b>-</b>	<b>10,065</b>	<b>59,560</b>	<b>-</b>	<b>3,690,571</b>
Financial institutions	429,515	-	13,623,295	194,420	318,416	3,032,719	17,598,365
Government and public sector entities	1,337	13,770,635	-	-	-	-	13,771,972
Consumer banking	5,446,755	-	-	-	-	-	5,446,755
Others	31	-	-	-	4,548	-	4,579
<b>Total gross amount</b>	<b>9,498,584</b>	<b>13,770,635</b>	<b>13,623,295</b>	<b>204,485</b>	<b>382,524</b>	<b>3,032,719</b>	<b>40,512,242</b>
Less: Allowance for impairment losses	(313,018)	-	-	-	(391)	(4,702)	(318,111)
Less: Interest in suspense	(11,882)	-	-	-	-	-	(11,882)
<b>Total net amount</b>	<b>9,173,684</b>	<b>13,770,635</b>	<b>13,623,295</b>	<b>204,485</b>	<b>382,133</b>	<b>3,028,017</b>	<b>40,182,249</b>

## Citibank N.A. - United Arab Emirates Branches

### Notes to the financial statements

for the year ended 31 December 2023

#### 4. Financial risk management (continued)

##### a) Credit risk (continued)

##### Concentration (continued)

2023	Loans and advances gross AED'000	Investment securities AED'000	Certificate of Deposits with CBUAE AED'000	Derivatives assets AED'000	Customer acceptances assets AED'000	Due from banks/ head office and branches abroad AED'000	Total on balance sheet AED'000
<i>Concentration by location</i>							
UAE	8,561,585	30,927	13,623,295	98,138	64,108	2,125,562	24,503,615
GCC	660,485	52	-	1,842	73,925	318,558	1,054,862
Other Arab countries	37,778	-	-	2,266	13,721	39,278	93,043
Asia	18,444	-	-	49	230,633	402,476	651,602
Africa	-	-	-	-	137	6,254	6,391
USA	-	13,739,656	-	-	-	114,611	13,854,267
Europe	64,544	-	-	99,178	-	25,980	189,702
Others	155,748	-	-	3,012	-	-	158,760
<b>Total Gross amount</b>	<b>9,498,584</b>	<b>13,770,635</b>	<b>13,623,295</b>	<b>204,485</b>	<b>382,524</b>	<b>3,032,719</b>	<b>40,512,242</b>
Less: Allowance for impairment losses	(313,018)	-	-	-	(391)	(4,702)	(318,111)
Less: Interest in suspense	(11,882)	-	-	-	-	-	(11,882)
<b>Total net amount</b>	<b>9,173,684</b>	<b>13,770,635</b>	<b>13,623,295</b>	<b>204,485</b>	<b>382,133</b>	<b>3,028,017</b>	<b>40,182,249</b>

## Citibank N.A. - United Arab Emirates Branches

### Notes to the financial statements

for the year ended 31 December 2023

#### 4. Financial risk management (continued)

##### a) Credit risk (continued)

##### Concentration (continued)

2022	Loans and advances gross AED'000	Investment securities AED'000	Certificate of Deposits with CBUAE AED'000	Derivatives assets AED'000	Customer acceptances assets AED'000	Due from banks/ head office and branches abroad AED'000	Total on balance sheet AED'000
<i>Concentration by sector</i>							
<b>Commercial and business:-</b>							
Agriculture & allied activities	-	-	-	-	-	-	-
Mining & quarrying	53,319	-	-	-	-	-	53,319
Manufacturing	1,000,036	-	-	15,506	4,582	-	1,020,124
Electricity & water	57,826	-	-	-	2,720	-	60,546
Construction	108,914	-	-	11	15,092	-	124,017
Real estate	6	-	-	-	-	-	6
Trade	827,774	-	-	96	15,228	-	843,098
Transport & communication	537,607	-	-	-	-	-	537,607
Services	789,347	-	-	58	-	-	789,405
<b>Total commercial and business</b>	<b>3,374,829</b>	<b>-</b>	<b>-</b>	<b>15,671</b>	<b>37,622</b>	<b>-</b>	<b>3,428,122</b>
Financial institutions	128,265	-	7,701,121	81,828	-	2,426,521	10,337,735
Government and public sector entities	786	18,038,853	-	-	-	-	18,039,639
Consumer banking	5,538,127	-	-	-	25,198	-	5,563,325
Others	113	-	-	-	-	-	113
<b>Total gross amount</b>	<b>9,042,120</b>	<b>18,038,853</b>	<b>7,701,121</b>	<b>97,499</b>	<b>62,820</b>	<b>2,426,521</b>	<b>37,368,934</b>
Less: Allowance for impairment losses	(321,317)	-	-	-	(364)	(4,681)	(326,362)
Less: Interest in suspense	(16,282)	-	-	-	-	-	(16,282)
<b>Total net amount</b>	<b>8,704,521</b>	<b>18,038,853</b>	<b>7,701,121</b>	<b>97,499</b>	<b>62,456</b>	<b>2,421,840</b>	<b>37,026,290</b>

## Citibank N.A. - United Arab Emirates Branches

### Notes to the financial statements

for the year ended 31 December 2023

#### 4. Financial risk management (continued)

##### a) Credit risk (continued)

2022	Loans and advances gross	Investment securities	Certificate of Deposits with CBUAE	Derivatives assets	Customer acceptances assets	Due from banks/ head office and branches abroad	Total on balance sheet
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
<i>Concentration by location</i>							
UAE	8,326,180	38,716	7,701,121	20,336	37,623	1,293,668	17,417,644
GCC	272,024	52	-	8,728	1,376	572,412	854,592
Other Arab countries	34,155	-	-	15,362	23,821	22,930	96,268
Asia	20,340	-	-	86	-	479,430	499,856
Africa	14	-	-	-	-	27,460	27,474
USA	655	18,000,085	-	-	-	10,810	18,011,550
Europe	63,311	-	-	52,987	-	17,883	134,181
Others	325,441	-	-	-	-	1,928	327,369
<b>Total Gross amount</b>	<b>9,042,120</b>	<b>18,038,853</b>	<b>7,701,121</b>	<b>97,499</b>	<b>62,820</b>	<b>2,426,521</b>	<b>37,368,934</b>
Less: Allowance for impairment losses	(321,317)	-	-	-	(364)	(4,681)	(326,362)
Less: Interest in suspense	(16,282)	-	-	-	-	-	(16,282)
<b>Total gross amount</b>	<b>8,704,521</b>	<b>18,038,853</b>	<b>7,701,121</b>	<b>97,499</b>	<b>62,456</b>	<b>2,421,840</b>	<b>37,026,290</b>

The concentrations by location are measured based on the country of domicile of the registered office of the entity.

## Citibank N.A. - United Arab Emirates Branches

### Notes to the financial statements

for the year ended 31 December 2023

#### 4. Financial risk management (continued)

##### a) Credit risk (continued)

##### Concentration of credit risk by currency:

2023	Loans and advances gross	Investment securities	Certificate of Deposits with CBUAE	Derivatives assets	Customer acceptances assets	Due from banks/ head office and branches abroad	Total on balance sheet
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
<i>Concentration by currency</i>							
AED	3,891,378	-	13,623,295	8,224	11,226	467,945	18,002,068
Foreign currency	5,607,206	13,770,635	-	196,261	371,298	2,564,774	22,510,174
	<u>9,498,584</u>	<u>13,770,635</u>	<u>13,623,295</u>	<u>204,485</u>	<u>382,524</u>	<u>3,032,719</u>	<u>40,512,242</u>
<i>Concentration by currency</i>							
2022	Loans and advances gross	Investment securities	Certificate of Deposits with CBUAE	Derivatives assets	Customer acceptances assets	Due from banks/ head office and branches abroad	Total on balance sheet
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
AED	3,770,601	-	7,701,121	817	3,127	459,178	11,934,844
Foreign currency	5,271,519	18,038,853	-	96,682	59,693	1,967,343	25,434,090
	<u>9,042,120</u>	<u>18,038,853</u>	<u>7,701,121</u>	<u>97,499</u>	<u>62,820</u>	<u>2,426,521</u>	<u>37,368,934</u>

The above tables have been prepared in accordance with guidance received from the Central Bank of UAE. Majority of foreign currency exposures are in USD.

# Citibank N.A. - United Arab Emirates Branches

## Notes to the financial statements

for the year ended 31 December 2023

### 4. Financial risk management (continued)

#### b) Settlement risk

The Bank's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of counterparty to honor its obligations to deliver cash, securities or other assets as contractually due. Any delays in settlement are rare and are monitored and quantified as part of the Bank's ICAAP framework and Operational Risk Management.

For certain types of transactions, the Bank mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval/limit monitoring process described above. Acceptance of settlement risk on free settlement trades requires transaction specific or counterparty specific approvals from the Bank's Risk Management Department.

#### c) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It includes the risk of the inability to fund assets at appropriate maturities and rates and the inability to liquidate assets at reasonable prices and in an appropriate timeframe and inability to meet obligations as they become due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to diminish.

#### *Management of liquidity risk*

Liquidity risk is managed by the Treasury department in line with the regulatory and internal policies and guidelines.

The Bank's approach to managing liquidity risk is to ensure that it has adequate funding from diversified sources at all times and that it can withstand any major shocks to its liquidity position. Funds are raised using a broad range of instruments including customer deposits, money market instruments and capital. Treasury department monitor the liquidity profile of financial assets and liabilities and the projected cash flows arising from existing and future business. Treasury maintains a portfolio of short-term liquid assets and inter-bank placements to ensure that sufficient.

liquidity is maintained. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and abnormal market conditions. The Bank's liquidity policy is set by the Management and is subject to annual review. Adherence to the policies is monitored by Risk Management Department and ALCO.

The Bank's ALCO has been meeting on a regular basis with particular focus on liquidity management. The Bank has proactively considered exploring new options for expanding its liabilities base (changed tenors and currency). The Bank is strengthening its liquidity buffers by timing disbursements to customers along with strict focus on enhancing deposit relationships across all customer segments.

#### *Exposure to liquidity risk*

The key measures used by the Bank for measuring liquidity risk is advances to stable resources, which is a regulatory measure, ratio of net liquid assets, i.e., total assets by maturity against total liabilities by maturity and eligible liquid assets ratio, which requires the bank to hold an amount equivalent to 10% of its total balance sheet liabilities (excluding those included in regulatory capital) in high quality liquid assets.

## Citibank N.A. - United Arab Emirates Branches

### Notes to the financial statements

for the year ended 31 December 2023

#### 4. Financial risk management (continued)

##### c) Liquidity risk (continued)

Exposure to liquidity risk (continued)

The contractual maturity profile of the financial assets and liabilities at 31 December 2023 and 2022 was as follows:

2023	Total	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	No fixed maturity
	AED'000	AED'000	AED'000	AED'000	AED'000	
<b>Assets</b>						
Cash and balances with						
Central Bank of UAE	22,524,110	2,284,290	13,623,295	-	-	6,616,525
Due from banks	2,881,798	702,983	1,770,617	275,000	-	133,198
Due from head office and branches abroad	150,921	150,921	-	-	-	-
Derivative assets	204,485	204,485	-	-	-	-
Loans and advances	9,498,584	4,273,600	1,406,513	703,773	17,402	3,097,296
Investment securities	13,770,635	10,983,595	-	2,787,040	-	-
Customer acceptances	382,524	166,601	215,923	-	-	-
Other assets	873,573	873,573	-	-	-	-
<b>Total assets</b>	<b>50,286,629</b>	<b>19,640,048</b>	<b>17,016,348</b>	<b>3,765,813</b>	<b>17,402</b>	<b>9,847,019</b>
<b>Liabilities</b>						
Due to banks	125,989	125,989	-	-	-	-
Customers' deposits	36,780,106	3,340,138	1,685,911	8,343	-	31,745,714
Derivative liabilities	175,190	175,190	-	-	-	-
Due to head office and branches abroad	5,292,784	5,292,784	-	-	-	-
Customer acceptances	382,524	166,601	215,923	-	-	-
Other liabilities	1,605,963	1,605,963	-	-	-	-
<b>Total liabilities</b>	<b>44,362,556</b>	<b>10,706,665</b>	<b>1,901,834</b>	<b>8,343</b>	<b>-</b>	<b>31,745,714</b>
<b>Net on balance sheet liquidity gap 2023</b>		<b>8,933,383</b>	<b>15,114,514</b>	<b>3,757,470</b>	<b>17,402</b>	



## Citibank N.A. - United Arab Emirates Branches

### Notes to the financial statements

for the year ended 31 December 2023

#### 4. Financial risk management (continued)

##### e) Liquidity risk (continued)

2022	Total AED'000	Less than 3 months AED'000	From 3 months to 1 year AED'000	From 1 to 5 years AED'000	Over 5 years AED'000	No fixed maturity AED'000
<b>Assets</b>						
Cash and balances with						
Central Bank of UAE	18,687,634	2,899,643	4,801,478	-	-	10,986,513
Due from banks	2,346,559	984,685	1,086,874	275,000	-	-
Due from head office and branches abroad	75,280	75,280	-	-	-	-
Derivative assets	97,499	97,499	-	-	-	-
Loans and advances	9,042,120	1,933,572	224,206	827,248	2,497,262	3,559,832
Investment securities	18,038,853	16,685,514	-	1,353,339	-	-
Customer acceptances	62,820	55,931	6,889	-	-	-
Other assets	811,180	605,355	-	-	205,825	-
<b>Total assets</b>	<b>49,161,945</b>	<b>23,337,479</b>	<b>6,119,447</b>	<b>2,455,587</b>	<b>2,703,087</b>	<b>14,546,345</b>
<b>Liabilities</b>						
Due to banks	446,271	446,271	-	-	-	-
Customers' deposits	35,719,819	1,862,144	273,585	29,832	-	33,554,258
Derivative liabilities	114,609	114,609	-	-	-	-
Due to head office and branches abroad	2,951,069	2,951,069	-	-	-	-
Customer acceptances	62,820	55,931	6,889	-	-	-
Other liabilities	6,354,996	6,354,996	-	-	-	-
<b>Total liabilities</b>	<b>45,649,584</b>	<b>11,785,020</b>	<b>280,474</b>	<b>29,832</b>	<b>-</b>	<b>33,554,258</b>
<b>Net on balance sheet liquidity gap 2022</b>		<b>11,552,459</b>	<b>5,838,973</b>	<b>2,425,755</b>	<b>2,703,087</b>	

# Citibank N.A. - United Arab Emirates Branches

## Notes to the financial statements

for the year ended 31 December 2023

### 4. Financial risk management (continued)

#### d) Market risk

Market Risk is the sensitivity of the market value of a portfolio to changes in financial asset prices such as: interest rates, foreign exchange rates, equity prices, and commodity prices. Market factors break down trading positions into specific sensitivities of price moves. Market risk arises in accrual portfolios (e.g., interest rate risk), as well as in mark-to-market portfolios.

#### Exposure to market risks – trading portfolios

##### Market Risk Factors

The variable (i.e. a market price or rate, such as a spot FX rate or an interest rate) that can impact the economic valuation of a market position. The primary market risk factors used to form limits include:

- Equity risk, the valuation risk resulting directly or indirectly from stock price changes.
- Interest rate risk, the valuation risk resulting from direct or indirect interest rate changes.
- Currency risk, the valuation risk resulting from direct or indirect currency price changes.
- Commodity risk, the valuation risk resulting from direct or indirect commodity price changes.

Within independent market risk, there is a single set of standards for the measurement of market risk in order to ensure consistency across businesses, stability in methodologies, and transparency of risk. Critical measurement concepts associated with the measurement of market risk are outlined below:

##### *Factor sensitivities*

Factor sensitivities are used to measure an instrument's sensitivity to a change in value.

##### *Volatility and correlation*

The volatility of, and correlation between, market factors are used to calculate statistically-based portfolio risk measurements, such as VaR.

##### *Value at Risk (VaR)*

VaR estimates the potential decline in the value of a position or a portfolio, under normal market conditions, within a defined confidence level, and over a specific time period.

VaR is used to establish internal limits representing the maximum loss that a position might exhibit resulting from a one-day loss measured on a historical basis with a determined confidence level. VaR is also used for external regulatory reporting purposes.

The bank uses a single, independently approved Monte Carlo simulation VaR model, which has been designed to capture material risk sensitivities (such as first and second order sensitivities of positions to changes in market prices) of various asset classes / risk types.

The parameters used in a statistical simulation of market risk include:

- The historical 'look-back' period used to calculate historical volatilities and correlations;

# Citibank N.A. - United Arab Emirates Branches

## Notes to the financial statements

for the year ended 31 December 2023

### 4. Financial risk management (continued)

#### d) Market risk (continued)

#### Exposure to market risks – trading portfolios (continued)

#### Market Risk Factors (continued)

- The holding period, i.e., the number of days of changes in market risk factors the portfolio is subjected to; and
- A confidence interval to estimate the potential loss, which for Citi's risk management purposes, is chosen to be 99%.

#### Limit Framework

Market risk limits are intended to prevent excessive exposure to a single risk factor or group of related risk factors, as well as to constrain the general level of risk-taking for a business.

Excessive concentrations of market risk will in general be controlled through the use of limits on exposures to risk factors.

The limit framework may also include any of the following components:

<b>Position Size / Notional</b>	These can include limits on long, short and net inventory positions, notional limits on contractual positions, and portfolio concentration limits (e.g.,
<b>Loss</b>	These are thresholds on the cumulative decline in the value of a portfolio over a defined time period.
<b>Issuer</b>	This may include limits on the maximum permitted exposure to a single issuer name, as well as portfolio limits on issuer quality concentrations.
<b>Permitted Product List</b>	This is a list of authorized products and activities for each business.

The limit framework is made up of Tier 1, Tier 2, and Tier 3 limits:

<b>Tier 1</b>	These are generally the most significant factor limits for Citi overall, as well as limits on trading exposures in certain larger countries.
<b>Tier 2</b>	These are generally limits set at a product group level or in some cases at a desk, regional or legal entity level.
<b>Tier 3</b>	These are mainly desk-level limits

The Tier 1 and Tier 2 limit framework for all MTM portfolios must be monitored daily by staff that is independent of the business and using exposures reported in, or reconciled to, the independent market risk systems. Risk Reporting will monitor exposures against the Tier 3 limits and report breaches to the business and to Independent Market Risk Management.

No sensitivity analysis was disclosed on price risk as the impact of investments held at fair value through profit or loss is immaterial.

#### Exposure to Interest rate risk – non trading portfolio

The assets, liabilities and capital associated with a Risk-Taking Unit, include:

- Loans at amortized cost (e.g. non-fair value option loans)
- Deposits
- Investments at fair value through other comprehensive income ("FVOCI")

Key metrics for managing market risk in accrual portfolios include Interest Rate Exposure.

# Citibank N.A. - United Arab Emirates Branches

## Notes to the financial statements

for the year ended 31 December 2023

### 4. Financial risk management (continued)

#### d) Market risk (continued)

##### *Interest Rate Exposure*

Interest Rate Exposure measures the potential pre-tax impact on Net Interest Margin over a specified reporting period, for accrual positions, due to defined shifts in appropriate interest rates. Net Interest Margin ("NIM") is the difference between the yield earned on the accrual portfolio assets (including customer loans) and the rate paid on the liabilities (including customer deposits or company borrowings). NIM is affected by changes in the level of interest rates.

It is the responsibility of the Risk Taking Unit to ensure that the market risk in the accrual portfolio is measured and reported appropriately, that the appropriate asset, liability and capital positions are included in these measurements, and to document the business-specific assumptions underlying these measurements. The Independent Market Risk Manager and the appropriate ALCO must review any business-specific assumptions underlying the measurements of market risk for reasonableness and for consistency with the overall requirements. At a minimum, all Risk Taking Units have the limits and triggers on their accrual portfolio. Country ALCOs are responsible for reviewing aggregate country exposure reports, and for highlighting any issues with respect to levels of exposure.

Interest rate risk is also assessed by measuring the impact of defined movements in interest yield curves on the Bank's net interest income. The following impact on the net interest income for the year of an immediate and permanent movement in interest yield curves as at 31 December 2023.

Shift in Yield Curve	2023	2022
	Net interest income AED'000	Net interest income AED'000
+100 b.p.	105,975	106,250
-100 b.p.	(107,375)	(110,210)

## Citibank N.A. - United Arab Emirates Branches

### Notes to the financial statements

for the year ended 31 December 2023

#### 4. Financial risk management (continued)

##### d) Market risk (continued)

##### Exposure to market risks – trading portfolios (continued)

##### Market Risk Factors (continued)

##### Interest Rate Exposure (continued)

A summary of the Bank's interest rate gap position is as follows:

#### 31 December 2023

	Assets & liabilities not bearing interest rate risk AED'000	Less than 3 months AED'000	From 3 months to 1 year AED'000	Over 1 year but less than 5 years AED'000	Over 5 years AED'000	Total AED'000
Cash and balances with						
Central Bank of UAE	8,900,815	-	13,623,295	-	-	22,524,110
Due from banks	154,526	676,953	1,770,617	275,000	-	2,877,096
Due from HO and branches abroad	150,921	-	-	-	-	150,921
Derivative assets	204,485	-	-	-	-	204,485
Loans and advances	-	6,937,388	1,353,618	882,678	-	9,173,684
Investment securities	-	10,983,595	-	1,459,535	1,327,505	13,770,635
Customer acceptances	382,524	-	-	-	-	382,524
Other assets	873,573	-	-	-	-	873,573
	<u>10,666,844</u>	<u>18,597,936</u>	<u>16,747,530</u>	<u>2,617,213</u>	<u>1,327,505</u>	<u>49,957,028</u>
Due to banks	98,311	27,678	-	-	-	125,989
Customers' deposits	19,117,913	15,969,391	1,684,458	8,344	-	36,780,106
Derivative liabilities	175,190	-	-	-	-	175,190
Due to HO and branches abroad	3,065,457	2,227,327	-	-	-	5,292,784
Customers acceptances	382,524	-	-	-	-	382,524
Other liabilities	1,605,963	-	-	-	-	1,605,963
	<u>24,445,358</u>	<u>18,224,396</u>	<u>1,684,458</u>	<u>8,344</u>	<u>-</u>	<u>44,362,556</u>
<b>Interest rate sensitivity gap</b>		<u>373,540</u>	<u>15,063,072</u>	<u>2,608,869</u>	<u>1,327,505</u>	

## Citibank N.A. - United Arab Emirates Branches

### Notes to the financial statements

for the year ended 31 December 2023

#### 4. Financial risk management (continued)

##### d) Market risk (continued)

##### Exposure to market risks – trading portfolios (continued)

##### Market Risk Factors (continued)

##### Interest Rate Exposure (continued)

31 December 2022

	Assets & liabilities not bearing interest rate risk AED'000	Less than 3 months AED'000	From 3 months to 1 year AED'000	Over 1 year but less than 5 years AED'000	Over 5 years AED'000	Total AED'000
Cash and balances with						
Central Bank of UAE	10,986,513	1,212,836	6,488,285	-	-	18,687,634
Due from banks	337,041	1,106,277	903,241	-	-	2,346,559
Due from HO and branches abroad	75,280	-	-	-	-	75,280
Derivative assets	97,499	-	-	-	-	97,499
Loans and advances	-	7,312,488	750,241	641,792	-	8,704,521
Investment securities	-	16,685,514	-	66,376	1,286,963	18,038,853
Customer acceptances	62,820	-	-	-	-	62,820
Other assets	811,180	-	-	-	-	811,180
	12,370,334	26,317,115	8,141,766	708,168	1,286,963	48,824,346
Due to banks	-	446,271	-	-	-	446,271
Customers' deposits	27,744,612	7,185,042	760,333	29,832	-	35,719,819
Derivative liabilities	114,609	-	-	-	-	114,609
Due to HO and branches abroad	2,951,069	-	-	-	-	2,951,069
Customers acceptances	62,820	-	-	-	-	62,820
Other liabilities	6,354,996	-	-	-	-	6,354,996
	37,228,107	7,631,313	760,333	29,832	-	45,649,585
<b>Interest rate sensitivity gap</b>		<b>18,685,802</b>	<b>7,381,434</b>	<b>678,336</b>	<b>1,286,963</b>	

The interest rate sensitivities set out above are illustrative only and employ simplified scenarios. They are based on AED 39,290 million (2022: AED 36,454 million) interest bearing assets and AED 19,917 million (2022: AED 8,421 million) interest bearing liabilities with interest re-pricing less than one year, for assessing the impact on net profit. The impact on equity includes the impact on net profit and the interest rate sensitivity on the investments held at fair value through other comprehensive income portfolio. The sensitivity does not incorporate actions that could be taken by management to mitigate the effect of interest rate movements.

## Citibank N.A. - United Arab Emirates Branches

### Notes to the financial statements

for the year ended 31 December 2023

#### 4. Financial risk management (continued)

##### d) Market risk (continued)

##### Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates, and arises from financial instruments denominated in a foreign currency. The Management has set limits on positions by currency. Positions are closely monitored and hedging strategies are used to ensure positions are maintained within established limits. As at 31 December, the Bank had the following significant net exposures denominated in foreign currencies:

	Net spot position AED'000	Forward position AED'000	Net exposure	
			2023 AED'000	2022 AED'000
<b><u>Currency</u></b>				
US Dollar	(1,767,376)	2,422,118	654,742	839,948
Great Britain Pound	(855,806)	855,785	(21)	(9,621)
Japanese Yen	(122,672)	122,764	92	147
Euro	(2,354,407)	2,355,167	760	373,991
Swiss Francs	1,249,476	(1,240,492)	8,984	12,594
Saudi Riyals	187,303	(221,656)	(34,353)	4,027
Kuwaiti Dinar	(29,033)	(86,026)	(115,059)	(53,148)
Bahraini Dinar	(73,591)	73,545	(46)	(7,093)
Others	(465,007)	515,922	50,915	(27,495)

As the UAE Dirham and other GCC currencies are pegged to the US Dollar, balances in US Dollar and other GCC currencies are not considered to represent significant currency risk.

##### e) Operational risks

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

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank'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 of the senior management of the Bank, which is further assigned to the heads of individual units, departments or branches. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

# Citibank N.A. - United Arab Emirates Branches

## Notes to the financial statements

for the year ended 31 December 2023

### 4. Financial risk management (continued)

#### e) Operational risks (continued)

- Requirements for appropriate segregation of duties, including the independent authorization of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- 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;
- Ethical and business standards;
- Risk mitigation, including insurance where this is effective
- Whistle Blowing and Incident Reporting Policies.

Compliance with policies and procedures is supported by periodic reviews undertaken by the Bank's Internal Audit (IA) team. The results of these reviews are submitted to the senior management of the Bank.

#### f) Capital management

##### *Regulatory capital*

The Bank's lead regulator, the Central Bank of UAE, sets and monitors regulatory capital requirements. The Bank's objectives when managing capital are as follows:

- Safeguard the Bank's ability to continue as a going concern and increase returns for shareholders; and
- Comply with regulatory capital requirements set by the Central Bank of UAE.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The CBUAE issued Basel III capital regulations, which came into effect from 1 February 2017 introducing minimum capital requirements at three levels, namely Common Equity Tier 1 ('CET1'), Additional Tier 1 ('AT1') and Total Capital. The minimum capital adequacy requirements as set out by Central Bank of the UAE are as follows:

- Minimum Common Equity tier 1 (CET 1) ratio of 7% of risk weighted assets (RWAs).
- Minimum tier 1 ratio of 8.5% of RWAs.
- Total Capital Adequacy Ratio (CAR) of 10.5% of RWAs.

Additional capital buffers (Capital Conservation Buffer (CCB) and Countercyclical Capital Buffer (CCyB) - maximum up to 2.5% for each buffer) introduced over and above the minimum CET1 requirement of 7%. The Group has complied with all the externally imposed capital requirements.

Central Bank of UAE has issued guidance on Accounting Provisions and Capital Requirements- Transitional Arrangement dated 22 April 2020. The Prudential Filter allows Banks to add back increase in IFRS 9 ECL provisions, stage 1 and 2, from 31 December 2019 to the regulatory capital and transition over 5 years.



# Citibank N.A. - United Arab Emirates Branches

## Notes to the financial statements

for the year ended 31 December 2023

### 4. Financial risk management (continued)

#### f) Capital management (continued)

Regulatory capital (continued)

The Bank's regulatory capital is analyzed into two tiers:

- Tier 1 capital, which includes ordinary share capital, translation reserve and retained earnings and IFRS traditional arrangement in line with the Central Bank guideline; and
- Tier 2 capital, which includes fair value reserves relating to unrealized gains/losses on investments classified as FVOCI and derivatives held as cash flow hedges, general provision and subordinated term loans. The following limits have been applied for Tier 2 capital:

The amount presented under accumulated retained earnings below is as per the audited financial statement at year end and inclusive of the 50% of net profit as per the management decision for CAR to support business growth and to comply with the minimum regulatory requirements. Any distribution or repatriation of the retained earnings will remain subject of prior written approval from the Central Bank. It is noted that 100% of net profit retention would result to a CAR ratio at 33%.

- General provision shall not exceed 1.25% of credit risk weighted assets ("CRWA").

The table below summarizes the composition of regulatory capital of the Bank as per Basel III:

	2023 AED'000	2022 AED'000
<b>Tier 1 capital</b>		
Share capital	1,145,784	135,901
Statutory reserve	200,425	67,951
Other disclosed reserves	(124,554)	(203,249)
Retained Earnings	3,820,114	3,223,983
Prudential filters transitional adjustment	-	-
<b>Tier 1 Capital</b>	<b>5,041,769</b>	<b>3,224,586</b>
Upper tier 2 capital		
Collective provisions (1.25% of the CRWA)	178,089	168,070
Tier 2 capital	178,089	168,070
Total capital base (a)	<b>5,219,858</b>	<b>3,392,656</b>
<b>Risk weighted assets (RWA) Pillar 1</b>		
Credit risk	14,247,092	13,445,577
Market risk	160,308	109,476
Operational risk	3,087,334	3,122,692
<b>Risk weighted assets (b)</b>	<b>17,494,734</b>	<b>16,677,745</b>
<b>Capital adequacy ratio (Pillar 1) (c)</b>	<b>29.84 %</b>	<b>20.34 %</b>
<b>Tier 1 ratio</b>	<b>28.81 %</b>	<b>19.33 %</b>

## Citibank N.A. - United Arab Emirates Branches

### Notes to the financial statements

for the year ended 31 December 2023

#### 4. Financial risk management (continued)

##### f) Capital management (continued)

##### Capital allocation

The allocation of capital is generally driven by optimization of the return achieved on the capital allocated. The Bank also internally assesses its capital requirements taking into consideration growth requirements and business plans and quantifies its Regulatory as well a Risk / Economic Capital requirements. The Bank has complied with the capital requirements of the Central Bank of UAE throughout the year. There have been no material changes in the Bank's management of capital during the year.

#### 5. Financial assets and liabilities

##### (a) Financial assets and liabilities classification

	Financial Assets at FVPL AED'000	Financial assets at amortised cost AED'000	Financial Assets at FV through OCI AED'000	Carrying amount AED'000
<b>2023</b>				
<b>Financial Assets</b>				
Cash and balances with Central Bank	-	8,900,815	13,623,295	22,524,110
Due from banks	-	2,877,096	-	2,877,096
Due from head office and branches abroad	-	150,921	-	150,921
Derivative assets	204,485	-	-	204,485
Loans and advances	-	9,173,684	-	9,173,684
Investment securities	10,983,595	-	2,787,040	13,770,635
Customer acceptances	-	382,524	-	382,524
Other assets	-	61,653	-	61,653
	<b>11,188,080</b>	<b>21,546,693</b>	<b>16,410,335</b>	<b>49,145,108</b>
<b>Financial Liabilities</b>				
Due to banks	-	125,989	-	125,989
Customers' deposits	-	36,780,106	-	36,780,106
Derivative liabilities	175,190	-	-	175,190
Due to head office and branches abroad	-	5,292,784	-	5,292,784
Customer acceptances	-	382,524	-	382,524
Other liabilities	-	113,806	-	113,806
	<b>175,190</b>	<b>42,695,209</b>	<b>-</b>	<b>42,870,399</b>

## Citibank N.A. - United Arab Emirates Branches

### Notes to the financial statements

for the year ended 31 December 2023

#### 5. Financial assets and liabilities (continued)

##### (a) Financial assets and liabilities classification (continued)

	Financial Assets at FVPL	Financial assets at amortised cost	Financial Assets at FV through OCI	Carrying amount
	AED'000	AED'000	AED'000	AED'000
<b>2022</b>				
<b>Financial Assets</b>				
Cash and balances with Central Bank	-	10,986,512	7,701,122	18,687,634
Due from banks	-	2,346,559	-	2,346,559
Due from head office and branches abroad	-	75,280	-	75,280
Derivative assets	97,499	-	-	97,499
Loans and advances	-	8,704,521	-	8,704,521
Investment securities	16,685,514	-	1,353,339	18,038,853
Customer acceptances	-	62,820	-	62,820
Other assets	-	54,638	-	54,638
	<u>16,783,013</u>	<u>22,230,330</u>	<u>9,054,461</u>	<u>48,067,804</u>
<b>Financial Liabilities</b>				
Due to banks	-	446,271	-	446,271
Customers' deposits	-	35,719,819	-	35,719,819
Derivative liabilities	114,609	-	-	114,609
Due to head office and branches abroad	-	2,951,069	-	2,951,069
Customer acceptances	-	62,820	-	62,820
Other liabilities	-	69,609	-	69,609
	<u>114,609</u>	<u>39,249,588</u>	<u>-</u>	<u>39,364,197</u>

##### b) Fair value measurement - Fair value hierarchy

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

## Citibank N.A. - United Arab Emirates Branches

### Notes to the financial statements

for the year ended 31 December 2023

#### 5. Financial assets and liabilities (continued)

##### b) Fair value measurement - Fair value hierarchy (continued)

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumption are required to reflect differences between the instruments.

	Level 1	Level 2	Level 3
	AED'000	AED'000	AED'000
<b>2023</b>			
<b>Assets</b>			
Investment securities	13,703,210	67,425	-
Certificate of deposit of the Central Bank of UAE	-	13,623,295	-
Derivative assets	-	204,485	-
	<u>13,703,210</u>	<u>13,895,205</u>	<u>-</u>
<b>Liabilities</b>			
Derivative liabilities	-	175,190	-
	<u>-</u>	<u>175,190</u>	<u>-</u>
<b>2022</b>			
<b>Assets</b>			
Investment securities	12,103,747	5,935,088	-
Certificate of deposit of the Central Bank of UAE	-	7,701,121	-
Derivative assets	-	97,499	-
	<u>12,103,747</u>	<u>13,733,708</u>	<u>-</u>
<b>Liabilities</b>			
Derivative liabilities	-	114,609	-
	<u>-</u>	<u>114,609</u>	<u>-</u>

During the year, there were no transfers between Level 1, 2 and 3 of the fair value hierarchy above. Further, there has been no change in the valuation techniques in relation to valuation of financial instruments during the year.

##### c) Financial instruments not measured at fair value

In respect of financial assets and financial liabilities measured at amortized cost the management estimates that carrying values are a reasonable representation of fair values since assets and liabilities are either short- term in nature or in the case of loans and advances and deposits, frequently re-priced. Further, there has been no change in the valuation techniques in relation to valuation of financial instruments during the year.

## Citibank N.A. - United Arab Emirates Branches

### Notes to the financial statements

for the year ended 31 December 2023

#### 6. Cash and balances with the Central Bank of UAE

	2023 AED'000	2022 AED'000
Cash in hand	68,028	64,539
Reserve with the Central Bank of UAE*	4,332,229	1,539,304
Certificate of deposit of the Central Bank of UAE	13,623,295	7,701,121
Current account with the Central Bank of UAE	4,500,558	9,382,670
	<u>22,524,110</u>	<u>18,687,634</u>

\*The reserve requirements are kept with the Central Banks of the U.A.E, in UAE Dirhams and US Dollars. These reserves are not available for use in the Bank's day to day operations, and cannot be withdrawn without the approval of the Central Bank of UAE. The level of reserve required changes every 14 days in accordance with the requirements of the respective central banks' directives.

#### 6.1 The Certificate of deposit of the Central Bank of UAE are classified and measured at FVOCI.

	2023 AED'000	2022 AED'000
Opening balance	7,701,121	7,708,782
Add: Additions during the year	25,751,733	17,216,000
Less: Disposals during the year	(19,863,195)	(17,183,375)
Change in Fair value	33,636	(40,286)
Closing balance	<u>13,623,295</u>	<u>7,701,121</u>

#### 7. Due from banks

	2023 AED'000	2022 AED'000
Balances with other banks	133,199	240,993
Export finance discounted (without recourse)	5,636	632,986
Own acceptances discounted	8,347	818,604
Term loans	275,001	274,992
Import finance discounted	2,459,615	383,665
	<u>2,881,798</u>	<u>2,351,240</u>
Less: Expected credit loss (Note 27)	(4,702)	(4,681)
	<u>2,877,096</u>	<u>2,346,559</u>

## Citibank N.A. - United Arab Emirates Branches

### Notes to the financial statements

for the year ended 31 December 2023

#### 8. Loans and advances to customers

The composition of the loans and advances portfolio is as follows:

	2023 AED'000	2022 AED'000
Term loans	3,335,192	2,561,393
Credit card advances	2,881,358	2,756,521
Overdraft	2,921,334	3,093,697
Others	360,700	630,509
	<u>9,498,584</u>	<u>9,042,120</u>
Less: Expected credit loss	(313,018)	(321,317)
Less: Interest in suspense	(11,882)	(16,282)
	<u>9,173,684</u>	<u>8,704,521</u>
Net loans and advances	<u>9,173,684</u>	<u>8,704,521</u>

The movements of impairment for loans and advances to customers excluding interest in suspense are as follows:

2023	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
At 1 January 2023	119,268	137,016	65,033	321,317
Net charge/(reversal) of provision for the year (Note 27)	4,855	(46,243)	33,089	(8,299)
<b>Balance as at 31 December 2023</b>	<u>124,123</u>	<u>90,773</u>	<u>98,122</u>	<u>313,018</u>
2022	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
At 1 January 2022	138,574	157,723	276,836	573,133
Net charge/(reversal) of provision for the year (Note 27)	(19,306)	(20,707)	(211,803)	(251,816)
<b>Balance as at 31 December 2022</b>	<u>119,268</u>	<u>137,016</u>	<u>65,033</u>	<u>321,317</u>

## Citibank N.A. - United Arab Emirates Branches

### Notes to the financial statements

for the year ended 31 December 2023

#### 9. Investment securities

	2023 AED'000	2022 AED'000
<b>At fair value through OCI</b>		
Government bonds (AA rated)	2,787,040	1,353,338
<b>At fair value through profit or loss</b>		
Government bonds (AA rated)	10,983,595	16,685,515
Total	<u>13,770,635</u>	<u>18,038,853</u>
<i>Movement during the year were as follows:</i>		
	2023 AED'000	2022 AED'000
At 1 January	18,038,853	12,451,457
Additions during the year	125,229,626	132,130,498
Disposed during the year	(129,553,290)	(126,411,599)
Change in fair value of investment	55,446	(131,503)
Total	<u>13,770,635</u>	<u>18,038,853</u>

At 31 December 2023, AED 2.7 billion (2022: 1.3 billion) of investment securities are expected to mature more than 12 months after the reporting date.

## Citibank N.A. - United Arab Emirates Branches

### Notes to the financial statements

for the year ended 31 December 2023

#### 10. Property and equipment

	Furniture, equipment and motor vehicles AED'000	Computer systems AED'000	Capital work in progress AED'000	Total AED'000
<b>Cost</b>				
At 1 January 2022	158,092	113,906	5,963	277,961
Additions	2,836	5,135	621	8,592
Disposals/transfers	(5,015)	(1,036)	(6,019)	(12,070)
At 31 December 2022	155,913	118,005	565	274,483
At 1 January 2023	<b>155,913</b>	<b>118,005</b>	<b>565</b>	<b>274,483</b>
Additions	<b>6,861</b>	<b>68</b>	<b>5,794</b>	<b>12,723</b>
Disposals/transfers	<b>(581)</b>	<b>(753)</b>	<b>(5,862)</b>	<b>(7,196)</b>
<b>At 31 December 2023</b>	<b>162,193</b>	<b>117,320</b>	<b>497</b>	<b>280,010</b>
<b>Accumulated depreciation</b>				
At 1 January 2022	85,839	66,984	-	152,823
Charge for the year	20,478	15,720	-	36,198
Disposals/transfer	(4,456)	(556)	-	(5,012)
At 31 December 2022	101,861	82,148	-	184,009
At 1 January 2023	<b>101,861</b>	<b>82,148</b>	-	<b>184,009</b>
Charge for the year	<b>19,136</b>	<b>12,974</b>	-	<b>32,110</b>
Disposals/transfer	<b>(3,089)</b>	<b>(628)</b>	-	<b>(3,717)</b>
<b>At 31 December 2023</b>	<b>117,908</b>	<b>94,494</b>	-	<b>212,402</b>
<b>Net book value</b>				
<b>At 31 December 2023</b>	<b>44,285</b>	<b>22,826</b>	<b>497</b>	<b>67,608</b>
At 31 December 2022	<b>54,052</b>	<b>35,857</b>	<b>565</b>	<b>90,474</b>

#### 11. Other assets

	2023 AED'000	2022 AED'000
Accrued interest receivable	61,653	54,638
Prepayments and other receivables	646,034	550,717
Right of use asset	24,738	27,545
Deferred tax assets (note 19)	141,148	178,280
	<b>873,573</b>	<b>811,180</b>



## Citibank N.A. - United Arab Emirates Branches

### Notes to the financial statements

for the year ended 31 December 2023

#### 12. Due to banks

	2023 AED'000	2022 AED'000
Balances with other banks	125,989	446,271
	<u>125,989</u>	<u>446,271</u>

#### 13. Customers' deposits

	2023 AED'000	2022 AED'000
Current and demand accounts	26,355,639	27,324,640
Savings accounts	5,122,190	5,809,866
Time deposits	5,034,392	2,165,340
Others	267,885	419,973
	<u>36,780,106</u>	<u>35,719,819</u>

#### 14. Other liabilities

	2023 AED'000	2022 AED'000
Accrued interest payable	113,806	69,609
Employees' terminal benefits	111,774	97,825
Provision for taxation (note 19)	329,255	110,221
Clearing account	397,292	410,714
Other provisions and accruals	616,915	5,607,804
Lease liability	22,467	21,272
Provision for expected credit loss on financial guarantees, letter of credit and customer acceptance (Note 27)	11,958	33,924
VAT payable	2,496	3,627
	<u>1,605,963</u>	<u>6,354,996</u>

## Citibank N.A. - United Arab Emirates Branches

### Notes to the financial statements

for the year ended 31 December 2023

#### 14. Other liabilities (continued)

	2023 AED'000	2022 AED'000
<b>Reconciliation of payable to defined benefit plan</b>		
Present value of defined benefit obligation	111,774	97,825
	2023 AED'000	2022 AED'000
Opening net liability	97,824	101,195
Expense during the year	15,991	15,755
Re-measurement of post-employment benefits obligation	5,448	(12,739)
Transfer ESB In/(Out)	-	-
Benefit paid during the year	(7,489)	(6,387)
Closing net liability	111,774	97,824
<b>Charge for the defined benefit plan</b>		
Current service cost	11,242	13,443
Interest cost	4,749	2,312
	15,991	15,755
<b>Actuarial assumption</b>		
Valuation on discount rate	4.95 %	5.25 %
Salary increase rate	4.00 %	4.00 %

#### 15. Allocated capital

In accordance with the UAE Federal Law No (2) of 2015 (as amended) and Articles of Association of the Bank, the allocated capital represents the deposit of AED 1.145 billion out of which AED 1 billion of capital was injected during the year 2023. This was contributed by Head Office as assigned capital for the UAE branches.

##### 16.1. Legal reserve

The Article of Association in compliance with the Federal Decree Law No. (32) of 2021 require a minimum of 10% of annual net profit to be transferred to non-distributable legal and statutory reserve, until such time as this reserve equals 50% of share capital. During the year AED 132.4 million was transferred to legal and statutory reserve (2022: Nil) to meet the minimum legal and statutory reserve requirement. The legal and statutory reserve is not available for distribution except under the circumstances stipulated by the relevant laws.

## Citibank N.A. - United Arab Emirates Branches

### Notes to the financial statements

for the year ended 31 December 2023

#### 16.2. Other reserve

	2023 AED'000	2022 AED'000
Re-measurement of post-employment benefits	8,452	16,165
Net charge from Citigroup Inc. – share based incentives	(11,033)	(10,881)
	<u>(2,581)</u>	<u>5,284</u>

#### 17. Fees and commission income - net

	2023 AED'000	2022 AED'000
Commission on sale of third party investment products	56,213	70,387
Operations fees and service charges	59,133	52,430
Commission on trade finance	31,194	35,808
Others fees and commission	204,920	218,547
	<u>351,460</u>	<u>377,172</u>

#### 18. General and administrative expenses

	2023 AED'000	2022 AED'000
Staff costs	508,942	431,864
Head office administration, supervision and other costs	676,729	590,482
Depreciation	32,110	36,198
Value Added Tax	10,236	384
	<u>1,228,017</u>	<u>1,058,928</u>

Staff costs include share-based payments as below:

	2023 AED'000	2022 AED'000
Capital Accumulation Program (CAP) expenses	7,195	4,505
	<u>7,195</u>	<u>4,505</u>

## Citibank N.A. - United Arab Emirates Branches

### Notes to the financial statements

for the year ended 31 December 2023

#### 18. General and administrative expenses (continued)

The Bank participates in the Citigroup Inc. ("Citigroup") share-based incentive plans under which Citigroup offers share options and/or deferred stock to the Bank's employees. The fair value of share-based incentive awards is determined at the time of grant and is expensed over the vesting period.

At 31 December 2023, total number of employees was 838 (2022:805).

#### 19. Taxation

Tax is computed at 20% on the net taxable profits of the Branches in each Emirate i.e. in Dubai, Abu Dhabi and Sharjah.

The tax laws do not permit adjustment of a tax loss incurred in one Emirate with a tax profit of another Emirate. Therefore, the tax expense for the Branches has been computed on profits earned in the Emirates of Dubai, Abu Dhabi and Sharjah separately.

	2023 AED'000	2022 AED'000
<b>Movement in current tax provision</b>		
Balance at 1 January	110,221	102,516
Tax paid	(110,259)	(101,949)
Current tax expense for the year	329,293	109,654
<b>Balance at 31 December</b>	<b>329,255</b>	<b>110,221</b>
<b>Current tax expense</b>		
Current year	329,255	110,221
Adjustment for prior years	38	(567)
	<b>329,293</b>	<b>109,654</b>
<b>Deferred tax charge</b>		
Origination and reversal of temporary differences	20,663	53,874
<b>Total income tax expense</b>	<b>349,956</b>	<b>163,528</b>

## Citibank N.A. - United Arab Emirates Branches

### Notes to the financial statements

for the year ended 31 December 2023

#### 19. Taxation (continued)

The following is the reconciliation between income taxes calculated on accounting profits at the applicable tax rates with the income tax expense for the year:

	2023 AED'000	2022 AED'000
Accounting profit	1,674,692	840,867
Tax at the applicable rate of 20%	334,938	168,173
Adjustments:		
Other tax adjustments	15,018	(4,645)
<b>Tax expense</b>	<b>349,956</b>	<b>163,528</b>
<b>Effective Tax rate</b>	<b>20.90%</b>	<b>19.45 %</b>

The following is the movement in deferred tax asset during the year:

	At 1 January 2023 AED'000	Credit to profit AED	Credit to other comprehensive income AED'000	At 31 December 2023 AED'000
Impairment provision on loans and advances to customers	178,280	(20,663)	(16,469)	141,148
<b>Total</b>	<b>178,280</b>	<b>(20,663)</b>	<b>(16,469)</b>	<b>141,148</b>

  

	At 1 January 2022 AED'000	Credit to profit AED'000	Charge to other comprehensive income AED'000	At 31 December 2022 AED'000
Impairment provision on loans and advances to customers	191,504	(53,874)	40,650	178,280
<b>Total</b>	<b>191,504</b>	<b>(53,874)</b>	<b>40,650</b>	<b>178,280</b>

# Citibank N.A. - United Arab Emirates Branches

## Notes to the financial statements

*for the year ended 31 December 2023*

### 19. Taxation (continued)

#### New Corporate law

As at the statement of financial position date, the Branches are subject to income taxes at the rate of 20% in each of the individual emirates (Dubai, Sharjah, and Abu Dhabi) it operates in the UAE. Accordingly, it accounts for income taxes on its taxable profits based on applicable law of each of the emirates. Related deferred taxes are also recognized on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements.

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime is effective from 1 June 2023. Accordingly, it has an income tax related impact on the financial statements for accounting periods beginning on or after 1 June 2023.

The Cabinet of Ministers Decision No. 116 of 2022 specifies the threshold of income over which the 9% tax rate would apply. Accordingly, the Law is considered to be substantively enacted from the perspective of International Accounting Standard (IAS) 12 – Income Taxes as of 31 December 2023. A rate of 9% will apply to taxable income exceeding AED 375,000 and a rate of 0% will apply to taxable income not exceeding AED 375,000 and a rate of 0% on qualifying income of free zone entities.

In line with the Frequently Asked Questions (FAQ) issued by the Federal Tax Authority on 9 December 2022 along with the CT Law clarified (Question no. 120), it is envisaged that the branches of foreign banks will be subject to UAE CT regime. It was also mentioned that branches of foreign banks may be subject to both CT and the Emirate level taxation regime (Question no. 8), considering that the Emirate level taxation regime has not been repealed. Under the related guidance from IAS 12, current taxes should be measured at the amount expected to be paid to or recovered from the tax authorities by reference to tax rates and laws that have been enacted or substantively enacted, by the end of the any reporting period. Since no taxes are expected to be paid to or recovered from the tax authorities for the year ended 31 December 2023, no UAE CT related current tax has been accounted for in these financial statements. In line with the guidance from UAE CT law as set out above, the first Tax period for the Branches will commence from 1 January 2024 and shall end on 31 December 2024.

However, IAS 12 does require accounting for Deferred Tax if Tax law is substantively enacted as at the financial reporting date. Article 61 of the UAE CT law sets out certain transitional rules. The interpretation of transitional rules provides that the closing balance sheet of taxable person (31 December 2023) will become an opening balance sheet for tax purpose (1 January 2024), which effectively eliminates any temporary differences as of 31 December 2023. Accordingly, the Branches did not account for any deferred taxes from the perspective of UAE CT law as of 31 December 2023.

The Branches continue to assess the impact of UAE CT law on deferred taxes and shall adjust them as and when it is appropriate.

# Citibank N.A. - United Arab Emirates Branches

## Notes to the financial statements

for the year ended 31 December 2023

### 20. Contingent liabilities and commitment

At any time, the Bank has outstanding commitments to extend credit. These commitments take the form of approved loans and overdraft facilities.

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to two years. Expirations are not concentrated in any period.

The contractual amounts of commitments and contingent liabilities are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognized at the reporting date if counterparties failed completely to perform as contracted.

	<b>2023</b>	2022
	<b>AED'000</b>	AED'000
Letters of credit	<b>608,690</b>	707,910
Guarantees	<b>3,235,198</b>	3,421,002
Undrawn loan commitments	<b>1,973,373</b>	2,034,055
<b>Balance at 31 December</b>	<b>5,817,261</b>	6,162,967

#### *Customer acceptances*

Acceptances are recognized on balance sheet with a corresponding liability. Accordingly, there is no off balance commitment for acceptances.

### 21. Cash and cash equivalents

	<b>2023</b>	<b>2022</b>
	<b>AED'000</b>	<b>AED'000</b>
Cash and balances with Central Bank of UAE (excluding reserves)	<b>18,191,881</b>	17,148,330
Due from banks	<b>702,983</b>	984,685
Due from head office and branches abroad	<b>150,921</b>	75,280
Due to banks	<b>(125,987)</b>	(446,271)
Due to head office and branches abroad	<b>(5,292,784)</b>	(2,951,069)
	<b>13,627,012</b>	14,810,955

## Citibank N.A. - United Arab Emirates Branches

### Notes to the financial statements

for the year ended 31 December 2023

#### 22. Derivatives

31 December 2023	Positive fair market value	Negative fair market value	Notional Amounts				Total
			Less than 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	
			AED'000	AED'000	AED'000	AED'000	
Derivatives held for trading							
Foreign exchange forwards contracts	204,290	175,038	43,869,859	18,655,013	1,339,650	-	63,864,522
Foreign exchange options	195	152	-	-	-	-	-
Cross currency swaps	-	-	-	-	-	-	-
Interest rate swaps	-	-	-	-	-	-	-
<b>Total</b>	<b>204,485</b>	<b>175,190</b>	<b>43,869,859</b>	<b>18,655,013</b>	<b>1,339,650</b>	<b>-</b>	<b>63,864,522</b>

31 December 2022	Positive fair market value	Negative fair market value	Notional Amounts				Total
			Less than 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	
			AED'000	AED'000	AED'000	AED'000	
Derivatives held for trading	-	-	-	-	-	-	-
Foreign exchange forwards contracts	97,053	114,163	53,756,428	14,324,623	68,437	-	68,149,487
Foreign exchange options	446	446	-	12,506	-	-	12,506
Cross currency swaps	-	-	-	-	-	-	-
Interest rate swaps	-	-	-	-	-	-	-
<b>Total</b>	<b>97,499</b>	<b>114,609</b>	<b>53,756,428</b>	<b>14,337,129</b>	<b>68,437</b>	<b>-</b>	<b>68,161,994</b>

In the ordinary course of business the Bank enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in the price of an underlying financial instrument, reference rate or index. Derivative financial instruments include forwards, futures, swaps and options. Derivatives are stated at fair value. The fair value of a derivative is the equivalent of the unrealized gain or loss from marking to market the derivative using prevailing market rates or internal pricing models.



# Citibank N.A. - United Arab Emirates Branches

## Notes to the financial statements

for the year ended 31 December 2023

### 22. Derivatives (continued)

Derivatives with positive market values (unrealized gains) are included in derivative assets and derivatives with negative market values (unrealized losses) are included in derivative liabilities on the statement of financial position.

### 23. Related party transactions

#### *Related Party*

A party is considered to be related to the Bank if:

- The party, directly or indirectly through one or more intermediaries,
  - a) controls, is controlled by, or is under common control with, the Bank;
  - b) has an interest in the Branches that gives it significant influence over the Bank; or
  - c) has joint control over the Bank;
- The party is an associate.
- The party is a jointly controlled entity.
- The party is a member of the key management personnel of the Bank.
- The party is a close member of the family of key management personnel
- The party is an entity that is controlled, jointly controlled, or significantly influenced by or for which
- significant voting power in such entity resides with, directly or indirectly, any key management personnel
- The party is a post-employment benefit plan for the benefit of the employees of the Bank, or of any entity
- that is a related party of the Bank

Banking transactions are carried out on mutually agreed terms with other branches and fellow subsidiaries in the Citigroup.

The year-end balances in respect of related parties are disclosed as due from / to head office and branches abroad.

	<b>2023</b>	2022
	<b>AED'000</b>	AED'000
Due from head office and branches abroad	<b>150,921</b>	75,280
Due to head office and branches abroad	<b>(5,292,784)</b>	(2,951,069)
Derivative assets	<b>186,987</b>	50,207
Derivative liabilities	<b>(99,999)</b>	(54,193)

## Citibank N.A. - United Arab Emirates Branches

### Notes to the financial statements

for the year ended 31 December 2023

#### 23. Related party transactions (continued)

The statement of profit or loss for the year includes transactions with related parties as follows:

	2023 AED'000	2022 AED'000
Interest income	86	184
Interest expense	(123,699)	(29,117)
Head office administration and supervision	(400,978)	(262,094)
Net intercompany service charges	129,715	153,820
Net Foreign Exchange and other income	91,174	139,816
	<hr/>	<hr/>
Off balance sheet		
- Guarantees	512,599	531,933
- Letters of credit	-	-
	<hr/>	<hr/>
Key management personnel		
- Short term benefits	9,646	11,117
- Share based benefits	767	843
- Employee end of service benefits	1,292	308
	<hr/>	<hr/>
	<b>11,705</b>	<b>12,268</b>
	<hr/> <hr/>	<hr/> <hr/>

*Transactions with key management personnel:*

Key management personnel have transacted with the Bank during the year as follows:

	2023 AED'000		2022 AED'000	
	Maximum balance	Closing balance	Maximum balance	Closing balance
Loans	442	147	798	652
Credit cards	650	323	578	394
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## Citibank N.A. - United Arab Emirates Branches

### Notes to the financial statements

for the year ended 31 December 2023

#### 24. Interest income

	2023 AED'000	2022 AED'000
Placement with banks	369,424	123,184
Loans and advances to customers	977,374	767,219
Investments	1,123,740	331,737
	<u>2,470,538</u>	<u>1,222,140</u>

#### 25. Interest expense

	2023 AED'000	2022 AED'000
Customer deposits	262,132	46,415
Borrowings	68,400	13,524
	<u>330,532</u>	<u>59,939</u>

#### 26. Other operating income - net

	2023 AED'000	2022 AED'000
Foreign exchange income	518,372	444,213
Other gains	16,426	530
	<u>534,798</u>	<u>444,743</u>

## Citibank N.A. - United Arab Emirates Branches

### Notes to the financial statements

for the year ended 31 December 2023

#### 27. Impairment losses

The charge to profit or loss for impairment losses consists of the following:

	2023 AED'000	2022 AED'000
Net expected credit loss reversal of provision for loans and advances (Note 8)	(8,299)	(251,816)
Expected credit loss charge for due from banks (Note 7)	21	4,064
Expected credit loss (reversal)/charge on financial guarantees, letter of credit and customer acceptance (Note 14)	(21,966)	25,286
Loans and advances directly written off net of recoveries	141,664	299,548
	<u>111,420</u>	<u>77,082</u>

#### 28. Comparative figures

No items have been reclassified in the statement of financial position for the prior year ended 31 December 2023.

#### 29. Subsequent events

During the period between the end of the reporting period and the date of authorization of these financial statements, there were no events that would have material effect on the operations of the Bank.