



Citibank, N.A. Macau Branch

Disclosure of Financial Information

December 31, 2024



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Independent Auditor's Report on the Summarised Financial Information

To the management of Citibank N.A. – Macau Branch
(Branch of a commercial bank incorporated in the United States of America)

The summarised financial information of Citibank N.A. – Macau Branch set out on pages 3 to 8, which comprises the balance sheet as at 31 December 2024, the statement of profit or loss and other comprehensive income, the cash flow statement and the statement of changes in reserves for the year then ended. The summarised financial information are derived from the audited financial statements of Citibank N.A. – Macau Branch for the year ended 31 December 2024. We expressed an unmodified audit opinion on those financial statements in our report dated 7 April 2025. Those financial statements, and the summarised financial information, do not reflect the effects of events that occurred subsequent to the date of our report (7 April 2025) on those financial statements.

The summarised financial information does not contain all the disclosures required by Financial Reporting Standards issued by the Macau Special Administrative Region. Reading the summarised financial information, therefore, is not a substitute for reading the audited financial statements of Citibank N.A. – Macau Branch.

Management's Responsibility for the Summarised Financial Information

The management is responsible for the preparation of the summarised financial information in accordance with Law No. 13/2023.

Auditor's Responsibility

Our responsibility is to express an opinion on the summarised financial information based on our procedures, which were conducted in accordance with International Standard on Auditing ("ISA") 810, "Engagements to Report on Summary Financial Statements" included in Macau Auditing Standards.



Opinion

In our opinion, the summarised financial information is in all material aspects consistent with the annual financial statements and the auditor's report thereon for the year ended 31 December 2024 from which it is derived.

Yu Wenjun, CPA
KPMG Certified Public Accountants
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Macau, 7 April 2025

Brief management report on the branch's activities in Macau

The management is pleased to announce the audited financial results of CITIBANK N.A., SUCURSAL DE MACAU (the "Branch") for the year ended December 31, 2024.

2024 Full Year Results

For the year ended December 31, 2024 under review, loss before taxation was MOP \$19,791 thousand. Total assets were MOP \$527,504 thousand and deposits from clients amounted to MOP \$136,604 thousand.

On behalf of the Management of Citibank N.A. I would like to take this opportunity to pay tribute to the Macau Community and specifically to our prestige customers.



Ms. Wong Mei Wan
Deputy Branch Manager
Macau Branch
Citibank N.A.

Balance sheet as at 31 December 2024

	<u>Dec 31, 2024</u>	<u>Dec 31, 2023</u>
	MOP'000	MOP'000
Assets		
Cash and balances with banks and other financial institutions	526,761	1,897,027
Loans and advances to customers	-	3,786
Fixed assets	1	3
Deferred tax assets	-	-
Other assets	742	13,654
Total Assets	<u><u>527,504</u></u>	<u><u>1,914,470</u></u>

Balance sheet as at 31 December 2024 (continued)

	<u>Dec 31, 2024</u>	<u>Dec 31, 2023</u>
	MOP'000	MOP'000
Liabilities		
Deposits from customers	136,604	1,540,676
Deposits and balances from banks and other financial institutions	193,262	-
Other liabilities	22,278	178,643
Total Liabilities	<u>352,144</u>	<u>1,719,319</u>
Head Office account		
Working capital reserve	150,000	-
Regulatory reserve	-	360
Fair value reserve	-	-
Retained profits	25,360	194,791
Total Reserves	<u>175,360</u>	<u>195,151</u>
Total Reserves and Liabilities	<u><u>527,504</u></u>	<u><u>1,914,470</u></u>
Regulatory reserve		
General regulatory reserve	-	360
Specific regulatory reserve	-	-
	<u><u>-</u></u>	<u><u>360</u></u>

Statement of profit or loss and other comprehensive income for the year ended 31 December 2024

	<u>2024</u>	<u>2023</u>
	MOP'000	MOP'000
Interest income	3,210	26,177
Interest expense	<u>(18,065)</u>	<u>(31,105)</u>
Net interest expense	(14,855)	(4,928)
Fee and commission income	3,239	4,590
Net exchange gain	2,329	1,493
Operating expenses	<u>(11,013)</u>	<u>(15,650)</u>
Operating loss before impairment losses	<u>(20,300)</u>	<u>(14,495)</u>
Impairment releases	509	141
Loss before taxation	<u>(19,791)</u>	<u>(14,354)</u>
Income tax	<u>-</u>	<u>(283)</u>
Loss for the year	<u>(19,791)</u>	<u>(14,637)</u>
Other comprehensive income for the year		
Items that are or may be reclassified subsequently to profit or loss:		
Financial assets measured at fair value through other comprehensive income - net movement in fair value reserves	<u>-</u>	<u>(379)</u>
Other comprehensive income for the year, net of tax	<u>-</u>	<u>(379)</u>
Loss and total comprehensive income for the year	<u><u>(19,791)</u></u>	<u><u>(15,016)</u></u>

Cash flow statement for the year ended 31 December 2024

	<u>2024</u>	<u>2023</u>
	MOP'000	MOP'000
Operating activities		
Loss before taxation	(19,791)	(14,354)
Adjustment for:		
Depreciation	2	62
Impairment (releases)/charges	(104)	88
	<u>(19,893)</u>	<u>(14,204)</u>
Decrease/(increase) in operating assets:		
Loans and advances to customers	3,804	(3,804)
Other assets	12,964	(4,918)
	<u>16,768</u>	<u>(8,722)</u>
Increase/(decrease) in operating liabilities:		
Deposits from customers	(1,404,072)	(680,391)
Other liabilities	(156,331)	62,466
	<u>(1,560,403)</u>	<u>(617,925)</u>
Cash used in operations	(1,563,528)	(640,851)
Macau Complementary Tax paid	-	-
Net cash used in operating activities	<u>(1,563,528)</u>	<u>(640,851)</u>

Cash flow statement for the year ended 31 December 2024 (continued)

	<u>2024</u>	<u>2023</u>
	MOP'000	MOP'000
Net decrease in cash and cash equivalents	(1,563,528)	(640,851)
Cash and cash equivalents at 1 January	<u>1,897,027</u>	<u>2,537,878</u>
Cash and cash equivalents at 31 December	<u><u>333,499</u></u>	<u><u>1,897,027</u></u>
Cash flows from operating activities include:		
Interest received	3,225	26,497
Interest paid	(18,584)	(31,364)

Statement of changes in reserves for the year ended 31 December 2024

	<i>Retained profits</i> MOP'000	<i>Working capital reserve</i> MOP'000	<i>Regulatory reserve</i> MOP'000	<i>Fair value reserve</i> MOP'000	<i>Total</i> MOP'000
Balance at 1 January 2023	209,424	-	364	379	210,167
Loss for the year	(14,637)	-	-	-	(14,637)
Regulatory reserve	4	-	(4)	-	-
Other comprehensive income	-	-	-	(379)	(379)
Balance at 31 December 2023 and 1 January 2024	194,791	-	360	-	195,151
Transfer to working capital reserve	(150,000)	150,000	-	-	-
Loss for the year	(19,791)	-	-	-	(19,791)
Regulatory reserve	360	-	(360)	-	-
Balance at 31 December 2024	<u>25,360</u>	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>175,360</u>

Notes to the financial statements

(Expressed in thousands Macau Patacas unless otherwise indicated)

1 Status

Citibank, N.A. Macau Branch (“the Branch”) has registered office at Unit A, 15/F, The Macau Square, Macau. The Branch is registered as a licensed bank under the Macau Financial System Act and is a member of the Macau Association of Banks.

The principal activities of the Branch are engaging in commercial banking business and provision of related financial services.

2 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standards approved by the Dispatch No. 44/2020, (“FRSs”) issued by the Secretary of Economy and Finance of the Macau Special Administrative Region (“Macau SAR”). The FRSs are consistent with the suite of International Financial Reporting Standards, as issued by the International Accounting Standards Board and incorporated in its 2015 edition of the Bound Volume of International Financial Reporting Standards, which includes the individual International Financial Reporting Standards, International Accounting Standards and Interpretations. Significant accounting policies adopted by the Branch are disclosed below.

(b) Basis of preparation of the financial statements

Citibank, N.A. has taken the executive and corporate decision to cease its operations in Macau and close its Branch. Accordingly, the Branch is no longer a going concern. Consequently, assets are reduced to lower of its carrying amount and recoverable amount and provisions are made for any further liabilities to the extent they were incurred at 31 December 2024.

The financial statements are presented in Macau Patacas (“MOP”). The measurement basis used in the preparation of the financial statements is historical cost except for certain financial instruments classified as trading, measured at fair value through profit or loss and measured at fair value through other comprehensive income (see note 2(c)).

The preparation of financial statements under FRSs issued by the Macau SAR requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on 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 carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2 Significant accounting policies (continued)

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

Judgements made by management in the application of FRSs issued by the Macau SAR that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Financial instruments

(i) Initial recognition

The Branch initially recognises loans and advances, deposits, debt securities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Branch becomes a party to the contractual provisions of the instrument.

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

(ii) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL").

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

2 Significant accounting policies (continued)

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Branch may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Branch makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Branch's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Branch's stated objective for managing the financial assets is achieved and how cash flows are realised.

2 Significant accounting policies (continued)

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

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

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Branch considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Branch considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Branch's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Branch changes its business model for managing financial assets. When (and only when) the Branch changes its business model for managing financial assets, it reclassifies all affected financial assets in accordance with the new business model. The reclassification should be applied prospectively from the 'reclassification date', which is defined as, 'the first day of the first reporting period following the change in business model that results in reclassifying financial assets'. Accordingly, any previously recognised gains, losses or interest will not be restated.

If a financial asset is reclassified out of the amortised cost measurement category and into the FVTPL or FVOCI measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value is recognised in profit or loss (if reclassification as FVTPL measurement category) or is recognised in other comprehensive income (if reclassification as FVOCI measurement category).

2 Significant accounting policies (continued)

If a financial asset is reclassified out of the FVOCI measurement category and into the amortised cost measurement category, the financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognised in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortised cost.

If a financial asset is reclassified out of the FVOCI measurement category and into the FVTPL measurement category, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

If a financial asset is reclassified out of the FVTPL measurement category and into the amortised cost measurement category, its fair value at the reclassification date becomes its new gross carrying amount.

If an entity reclassifies a financial asset out of the FVTPL measurement category and into the FVOCI measurement category, the financial asset continues to be measured at fair value and subsequent changes in fair value will be recognised in other comprehensive income.

Financial liabilities

The Branch classifies its financial liabilities, other than letters of credit, guarantees and loan commitments, as measured at amortised cost.

2 Significant accounting policies (continued)

(iii) Fair value measurement principles

The fair value of financial instruments is based on their quoted market prices at the balance sheet date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current ask prices.

If there is no publicly available latest traded price nor a quoted market price on a recognised stock exchange or a price from a broker/dealer for non-exchange-traded financial instruments, or if the market for it is not active, the fair value of the instrument is estimated using valuation techniques that provide a reliable estimate of prices which could be obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the balance sheet date applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on market data at the balance sheet date.

2 Significant accounting policies (continued)

(iv) Derecognition

A financial asset is derecognised when the contractual rights to receive the cash flows from the financial asset expire, or where the financial asset together with substantially all the risks and rewards of ownership, have been transferred.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

The Branch uses the weighted average method to determine realised gains and losses to be recognised in the income statement on derecognition.

(v) Offsetting

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

(vi) Credit losses and impairment of assets

The Branch recognises loss allowances for expected credit loss (“ECL”) on financial assets measured at amortised cost and FVOCI.

The Branch measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- financial assets that are determined to have low credit risk at the reporting date; and
- other financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the asset) has not increased significantly since initial recognition.

The Branch assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Branch is exposed to credit risk.

2 Significant accounting policies (continued)

Measurement of ECLs

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: 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 Branch expects to receive); and
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

Credit-impaired financial assets

At each reporting date, the Branch assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Branch on terms that the Branch would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered credit-impaired.

2 Significant accounting policies (continued)

Presentation of allowance for ECL in the balance sheet

Loss allowances for ECL are presented in the balance sheet as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- letters of credit, guarantees and loan commitments: generally, as a provision;
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

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

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Branch's procedures for recovery of amounts due.

2 Significant accounting policies (continued)

(d) Fixed assets and depreciation

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses (note 2(f)). Depreciation is calculated on a straight-line basis to write off the cost of fixed assets over their estimated useful lives as follows:

- Installation	10% - 33% p.a.
- Furniture and equipment	10% - 33% p.a.

Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal.

Where parts of an item of property and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(e) Leases and hire purchase contracts

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Branch determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification

Leases which transfer substantially all the risks and rewards of ownership to the lessee are classified as finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the lessee are classified as operating leases.

(ii) Operating leases

Where the Branch has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

2 Significant accounting policies (continued)

(f) Impairment of non-financial assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

- fixed assets; and
- other assets.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of impairment losses shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

2 Significant accounting policies (continued)

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Branch's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(h) Employee benefits

Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(i) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

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

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

2 Significant accounting policies (continued)

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Branch has the legally enforceable right to set off current tax assets against current tax liabilities and in the case of current tax assets and liabilities, the Branch intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(j) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Branch has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(k) Revenue recognition

Income is classified by the Branch as revenue when it arises from provision of services in the ordinary course of the Branch's business.

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Branch is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Branch's revenue and other income recognition policies are as follows:

2 Significant accounting policies (continued)

(i) Interest income

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The ‘effective interest rate’ is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Branch estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points 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 financial liability.

Amortised cost and gross carrying amount

The ‘amortised cost’ of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The ‘gross carrying amount of a financial asset’ is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

2 Significant accounting policies (continued)

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see note 2(c)(vi)).

(ii) Fee and commission income

Fee and commission income is recognised when the corresponding services are provided.

(l) *Translation of foreign currencies*

Foreign currency transactions during the year are translated into Macau Patacas at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Macau Patacas at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into Macau Patacas using the foreign exchange rates ruling at the transaction dates.

Exchange differences relating to trading financial instruments are included in gains less losses from trading financial instruments. All other exchange differences relating to monetary items are presented separately in profit or loss.

2 Significant accounting policies (continued)

(m) Related parties

For the purposes of these financial statements, a party is considered to be related to the Branch if:

- (a) A person, or a close member of that person's family, is related to the Branch if that person:
 - (i) has control or joint control over the Branch;
 - (ii) has significant influence over the Branch; or
 - (iii) is a member of the key management personnel of the Branch or the Branch's Head Office.
- (b) An entity is related to the Branch if any of the following conditions applies:
 - (i) The entity and the Branch are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan or the benefit of employees of either the Branch or an entity related to the Branch.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Branch or to the Branch's Head Office.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3 Accounting estimates and judgements

Key sources of estimation uncertainty

In determining the carrying amounts of some assets and liabilities, the Branch makes assumptions of the effects of uncertain future events on those assets and liabilities at the balance sheet date. The Branch's estimations and assumptions are based on historical experience and expectation of future events and are reviewed periodically.

Impairment losses

Management exercises judgment in establishing the criteria for determining the credit risk of a financial assets has increased significantly since initial recognition and determining inputs into the ECL measurement model, including the incorporation of forward-looking information. For the details of the ECL model, please refer to note 2(c)(vi).

4 Financial risk management

This section presents information about the Branch's exposure to and its management and control of risks, in particular, the primary risks associated with its use of financial instruments:

- credit risk: loss resulting from customer or counterparty default and arises on credit exposure in all forms, including settlement risk.
- market risk: risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and market risk comprises currency risk, interest rate risk and other price risk.
- liquidity and funding risk: risk that the Branch is unable to meet its payment obligations when due, or that is unable, on an ongoing basis, to borrow funds in the market on an unsecured, or even secured basis at an acceptable price to fund actual or proposed commitments.
- operational risk: risk arising from matters such as non-adherence to systems and procedures or from frauds resulting in financial or reputation loss.

The Branch has established policies and procedures to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and limits continually by means of reliable and up-to-date management and information systems. The Branch continually modifies and enhances its risk management policies and systems to reflect changes in markets, products and best practice risk management processes. The Internal Audit also performs regular audits to ensure compliance with the policies and procedures.

4 Financial risk management (continued)

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

(a) Credit risk management

This category includes credit and counterparty risks from loans and advances and counterparty risks from trading activities. The Branch identifies and manages this risk through its (a) target market definitions, (b) credit approval process, (c) post-disbursement monitoring and (d) remedial management procedures.

Credit Risk Management is responsible for the quality and performance of credit portfolios of the Branch, so which can pursue a long-term sustainable and profitable growth. It manages, monitors and controls all credit risks within the Branch through:

- formulating credit policies on new acquisition, portfolio management, collection and recovery for credit portfolios;
- developing risk acceptance criteria for portfolios towards segments, sectors, industries, usages and collaterals;
- undertaking an independent review and objective assessment of credit risks;
- controlling exposures to portfolios, industries, counterparties and countries etc by setting limits;
- monitoring the performance of credit portfolios, including collateral positions, and developing effective remedial strategies;
- evaluating potentially adverse scenario that may impact the quality and performance of credit portfolios;
- establishing key risk indicators that assess the market situation on on-going basis; and
- providing advice and guidance to business units on various credit-related issues.

The Branch's credit risk arises mainly from its loan and advance and treasury operations.

Credit risk for loans and advances to customers

The Branch follows its Head Office's credit policy for credit approval and monitoring processes. Within the defined credit policy, each proposed credit risk is individually assessed based on the customer profile and industry experience.

Credit risk for treasury transactions

The Branch's treasury activities are predominantly with group entities or with institutions with strong credit standing. As such, credit risk for the Branch's treasury activities is not significant.

4 Financial risk management (continued)

Credit-related commitments

The risk involved in credit-related commitments and contingencies are essentially the same as the credit risk involved in extending loan facilities to customers. These transactions are therefore, subject to the same credit application, portfolio maintenance and collateral requirements as for customers applying for loans.

Master netting arrangements

To mitigate credit risks, the Branch enters into master netting arrangements with counterparties whenever possible. Netting agreements provide that, if an event of default occurs, all outstanding transactions with the counterparty will be terminated and all amounts outstanding will be settled on a net basis.

Details of key areas in measurement of ECLs

The Branch follows the Head Office's IFRS 9 frameworks including the documentation on relevant policies, approaches, and methodologies.

According to the IFRS 9 accounting standard, an entity shall measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. In order to meet the objective of the impairment requirements, the Branch recognizes lifetime ECL for financial instruments for which there have been significant increases in credit risk since initial recognition – whether assessed on an individual or collective basis – considering reasonable and supportable information, including that which is forward-looking.

Stage 1 assets do not have significant credit deterioration compared with that at origination and record a loss allowance equal to 12-month ECL, whereas Stage 2 and 3 items recognize a loss allowance equal to lifetime expected credit losses. Newly acquired or originated financial assets that are not purchased or originated credit impaired financial assets (POCI) are in Stage 1 initially.

In order to determine the ECL reporting stage for an obligation, the Branch assesses whether the asset is already impaired (Stage 3) or not (Stage 1 and 2). Stage 2 is determined by the existence of a significant credit deterioration compared with the credit rating at the origination of the obligation. Stage 1 assets do not have significant credit deterioration compared with that at origination. Significant credit deterioration is determined by the materiality of the increase in probability of Default (PD) and the materiality of the PD.

4 Financial risk management (continued)

The Branch's credit risk classification for ECL is driven by internal risk rating of borrowers and credit facilities to those borrowers, with a scale from 1 to 10 where 1 being highest and 10 being lowest. Probability of default is linked to the risk rating of the borrower while risk rating of credit facilities is linked to loss given default of a facility as well as the probability of default of the borrower. Financial assets with risk rating of credit facilities at 8, 9, or 10 are considered as impaired (Stage3) and this is in line with how non-performing assets are defined for regulatory purposes. Financial assets over 90 days past due are considered as impaired (Stage 3).

The IFRS 9 approach uses scenario-based parameter models for the first 9 quarters (scenario dependent) to determine forward-looking factors including probability of default, loss given default and credit conversion factor on exposure at default. After the 9 quarters, the model uses long-term averages afterwards to cover the life of the asset.

The methodologies of measurements is calculated as follow.

$$ECL = \sum_{t=0}^T DF_t (LGD_t \cdot EAD_t) \times PD_t$$

Where:

Probability of default ("PD")

For a given model industry and geography segment, calculate annual PD and non-default Transition matrix values from the input scenario values for each quarter using the pre-specific macro-economic variables

Loss given default ("LGD")

The model is calibrated on macro variables and loan characteristics as of the default date. The projection uses the scenario macro variables for the default quarter

Credit conversion factor on exposure at default ("EAD")

EAD is currently calculated in different ways for Direct Outstanding, Contingent, and Unused Commitment transactions

- Direct Outstanding Transactions: EAD is equal to the loan exposure (at the reporting date).
- Contingent Transactions: EAD is equal to exposure multiplied by a cash conversion factor (CCF)
- Unused Commitments – EAD is calculated through CCF and Incremental Usage models.

4 Financial risk management (continued)

Citi's IFRS 9 ECL framework considers baseline, upside, and downside economic forecasts each quarter. The Branch uses a wide range of forward looking macroeconomic variables to forecast PD and LGD. The macroeconomic variables used for each facility are dependent on the industry and geography

The Branch incorporates multiple economic scenarios and will assess at least three scenarios from a pool of representative scenarios. To represent an unbiased and probability weighted approach the best-case or worst-case scenario will not be considered. The Branch does not take any management overlay.

(b) Market risk management

Market risk arises on all market risk sensitive financial instruments, including securities, foreign exchange contracts and derivative instruments, as well as from balance sheet or structural positions. The objective of market risk management is to avoid excessive exposure of earnings and equity to loss and to reduce the Branch's exposure to the volatility inherent in financial instruments.

All foreign currency positions and interest rate risks are managed by the Trading and Treasury Department within limits approved and monitored by Market Risk.

Derivatives instruments are also used to manage the Branch's own exposures to market risk as part of its asset and liability management process. The principal derivatives instruments used by the Branch are foreign exchange rate related contracts.

Interest Rate Risk in the Banking Book ("IRRBB") pertains to the risk to the Branch's financial condition resulting from adverse movements in interest rates that affect the Branch's equity and earnings. The Branch's principal measures of risk to economic value of equity ("EVE") and net interest income ("NII") is measured, monitored, and managed per Citi's Non-Trading Market Risk Policy.

IRRBB is managed within the limits that are reviewed and monitored by independent risk management team and Asset and Liability Committee (ALCO). In order to manage IRRBB effectively, the Branch may take hedging actions or restructure existing positions to reduce IRRBB. The Branch regularly assesses viability of these actions and other strategies, and implement such strategies when deemed prudent, ensuring the Branch operates well within established limits. In accordance with global firm-specific standards, IRRBB based on internal methodologies and assumptions is monitored on a monthly basis and is measured against set limits and are presented to the ALCO.

Citi adopts Cash Flow Simulation Methodology to measure Interest Rate Risk. The Branch uses internally defined standard interest rate shocks and scenario assumptions for internal risk reports, rate models and other assumptions that relate to interest rate risk sensitivity. The Branch's IRRBB measurement is driven by underlying models and assumptions which include balances (e.g., stable/non-stable and run-off models), rates (e.g., deposits beta used to forecast customer rates given changes in market rates) and valuation models. Moreover, Citi Treasury also conducts Optionality risk review annually to identify new or emerging optionality in the Banking Book and to review whether that optionality is appropriately captured in the current metrics or requires incremental modelling such as loan prepayment or behavioral assumptions including early redemption.

4 Financial risk management (continued)

(i) Currency risk

The Branch's foreign currency positions mainly arise from foreign exchange dealing and other banking related operations. All foreign currency positions are managed by the Trading and Treasury Department within limits approved and monitored by Market Risk.

Significant foreign exchange exposures, arising from trading, non-trading and structural positions are shown as follows:

As at 31 December 2024

	<i>HK Dollar MOP'000</i>	<i>US Dollars MOP'000</i>	<i>China Yuan MOP'000</i>	<i>Euro MOP'000</i>	<i>Total MOP'000</i>
Spot assets	16,858	16,043	-	-	32,901
Spot liabilities	<u>(199,892)</u>	<u>(16,054)</u>	<u>(5)</u>	<u>(5)</u>	<u>(215,956)</u>
Net position	<u><u>(183,034)</u></u>	<u><u>(11)</u></u>	<u><u>(5)</u></u>	<u><u>(5)</u></u>	<u><u>(183,055)</u></u>

As at 31 December 2023

	<i>HK Dollar MOP'000</i>	<i>US Dollars MOP'000</i>	<i>China Yuan MOP'000</i>	<i>Euro MOP'000</i>	<i>Total MOP'000</i>
Spot assets	200,609	737,510	4,613	222	942,954
Spot liabilities	<u>(358,300)</u>	<u>(719,840)</u>	<u>(4,614)</u>	<u>(222)</u>	<u>(1,082,976)</u>
Net position	<u><u>(157,691)</u></u>	<u><u>17,670</u></u>	<u><u>(1)</u></u>	<u><u>-</u></u>	<u><u>(140,022)</u></u>

4 Financial risk management (continued)

(ii) Interest rate risk management

The Branch's interest rate positions arise from banking activities. Interest rate risk primarily results from the timing differences in the repricing of interest-bearing assets and liabilities at the balance sheet date. It also relates to positions from non-interest bearing liabilities including current accounts, as well as from certain fixed rate loans and liabilities. Interest rate risk is managed by the Trading and Treasury Department within limits approved and monitored by Market Risk, including interest rate sensitivity limits.

		2024				
	<i>Effective interest rate</i>	<i>Total</i> MOP'000	<i>3 months or less (include overdue)</i> MOP'000	<i>Over 3 months to 1 year</i> MOP'000	<i>Over 1 year to 5 years</i> MOP'000	<i>Non-interest bearing</i> MOP'000
Assets						
Cash and balances with banks and other financial institutions	0.59%	526,761	412,265	-	-	114,496
Loans and advances to customers	N/A	-	-	-	-	-
Fixed assets	N/A	1	-	-	-	1
Other assets	N/A	742	-	-	-	742
Total assets		527,504	412,265	-	-	115,239
Liabilities						
Deposits from customers	0.31%	136,604	134,953	-	-	1,651
Deposits and balances from banks and other financial institutions	0.00%	193,262	193,262	-	-	-
Other liabilities	N/A	22,278	-	-	-	22,278
Total liabilities		352,144	328,215	-	-	23,929
Asset-liability gap		175,360	84,050	-	-	91,310

4 Financial risk management (continued)

		2023				
	Effective interest rate	Total MOP'000	3 months or less (include overdue) MOP'000	Over 3 months to 1 year MOP'000	Over 1 year to 5 years MOP'000	Non-interest bearing MOP'000
Assets						
Cash and balances with banks and other financial institutions	0.38%	1,897,027	652,518	-	-	1,244,509
Loans and advances to customers	6.37%	3,786	3,786	-	-	-
Fixed assets	N/A	3	-	-	-	3
Other assets	N/A	13,654	-	-	-	13,654
Total assets		1,914,470	656,304	-	-	1,258,166
Liabilities						
Deposits from customers	1.95%	1,540,676	880,952	659,724	-	-
Deposits and balances from banks and other financial institutions	N/A	-	-	-	-	-
Other liabilities	N/A	178,643	-	-	-	178,643
Total liabilities		1,719,319	880,952	659,724	-	178,643
Asset-liability gap		195,151	(224,648)	(659,724)	-	1,079,523

4 Financial risk management (continued)

(c) Liquidity risk management

The purpose of liquidity management is to ensure sufficient cash flows to meet all financial commitments and to capitalise on opportunities for business expansion. This includes the Branch's ability to meet deposit withdrawals either on demand or at contractual maturity, to repay borrowings as they mature, to comply with the statutory liquidity ratio, and to make new loans and investments as opportunities arise.

Liquidity is managed on a daily basis by the Treasury Department under the direction of the Country Asset and Liability Committee ('ALCO') and in accordance with the Quarterly Liquidity Horizontal Review Process, which is jointly reviewed and approved by Local Finance Chief Risk Officer and the ALCO. The Treasury Department is responsible for ensuring that the Branch has adequate liquidity for operation purpose, and monitoring the local and international market movements for ensuring the adequacy of funding and liquidity.

The Branch manages liquidity risk by holding sufficient liquid assets (e.g. cash and short-term funds and securities) of appropriate quality to ensure that short-term funding requirements are covered within prudent limits.

Analysis of assets and liabilities by remaining maturity

The following maturity profile is based on the remaining period at the balance sheet date to the contractual maturity date.

	2024				
	Total	Repayable	3 months or	Over	Undated
	MOP'000	on demand	less (include	3 months to	MOP'000
		MOP'000	overdue)	1 year	
			MOP'000	MOP'000	MOP'000
Assets					
Cash and balances with banks and other financial institutions	526,761	526,761	-	-	-
Loans and advances to customers	-	-	-	-	-
Fixed assets	1	-	-	-	1
Other assets	742	742	-	-	-
Total assets	527,504	527,503	-	-	1
Liabilities					
Deposits from customers	136,604	136,604	-	-	-
Deposits and balances from banks and other financial institutions	193,262	193,262	-	-	-
Other liabilities	22,278	22,278	-	-	-
Total liabilities	352,144	352,144	-	-	-
Asset-liability gap	175,360	175,359	-	-	1

As the deposits may mature without being withdrawn, the contractual maturity dates do not represent expected dates of future cash flows.

4 Financial risk management (continued)

	2023					
	<i>Total</i>	<i>Repayable</i>	<i>3 months or</i>	<i>Over</i>	<i>Over 1 year</i>	<i>Undated</i>
	<i>MOP'000</i>	<i>on demand</i>	<i>less (include</i>	<i>3 months to</i>	<i>to 5 years</i>	<i>MOP'000</i>
	<i>MOP'000</i>	<i>MOP'000</i>	<i>overdue)</i>	<i>1 year</i>	<i>MOP'000</i>	<i>MOP'000</i>
			<i>MOP'000</i>	<i>MOP'000</i>		
Assets						
Cash and balances with banks and other financial institutions	1,897,027	1,897,027	-	-	-	-
Loans and advances to customers	3,786	3	3,783	-	-	-
Fixed assets	3	-	-	-	-	3
Other assets	13,654	2,461	11,193	-	-	-
Total assets	<u>1,914,470</u>	<u>1,899,491</u>	<u>14,976</u>	<u>-</u>	<u>-</u>	<u>3</u>
Liabilities						
Deposits from customers	1,540,676	880,952	659,724	-	-	-
Deposits and balances from banks and other financial institutions	-	-	-	-	-	-
Other liabilities	178,643	167,052	11,591	-	-	-
Total liabilities	<u>1,719,319</u>	<u>1,048,004</u>	<u>671,315</u>	<u>-</u>	<u>-</u>	<u>-</u>
Asset-liability gap	<u>195,151</u>	<u>851,487</u>	<u>(656,339)</u>	<u>-</u>	<u>-</u>	<u>3</u>

As the deposits may mature without being withdrawn, the contractual maturity dates do not represent expected dates of future cash flows.

4 Financial risk management (continued)

(d) Operational risk management

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes legal risk - which is the risk of loss (including litigation costs, settlements, regulatory fines) resulting from the failure of the bank to comply with laws, regulations, prudent ethical standards, and contractual obligations in any aspect of the bank's business but excludes strategic and reputation risk.

Operational risk is inherent in the Branch's business activities and is managed through an overall framework with checks and balances that include recognized ownership of the risk by the businesses and independent risk management oversight. The Branch mitigates its operational risk by setting up its key controls and assessments according to Citigroup's and the Regulators' standards. They are also evaluated, monitored, and managed by its sound governance structure. The Operational Risk Management (ORM) team establishes and oversees the Operational Risk Policy, an integral part of the Enterprise Risk Management Framework. There are standards in place for consistent risk identification, measurement, monitoring and reporting supported by a robust governance structure comprising of the three lines of defence (i.e. Business, Independent Risk, Independent Compliance and Internal Audit further augmented by enterprise control and support functions (i.e. HR and Legal).

4 Financial risk management (continued)

Principles of Good Operational Risk Management:

Strong Ownership and Oversight

- Established lines of defense
- Businesses and Functions self-identify issues before Regulators and Internal Audit
- Issues are remediated on time and not reopened
- Significant events are escalated timely and consistently evaluated for lessons learned
- Governance Committees actively oversee risk identification and control remediation
- Management implements effective controls to mitigate significant risks
- Products and services are delivered as intended
- Credible second line operational risk managers

Dynamic Framework and Tools

- Risk Appetite is clearly articulated and monitored with key indicators
- Taxonomies and scoring methodologies are intuitive and used consistently
- Managers Control Assessment (MCA) provides a dynamic residual risk picture and tool for proactive prioritization
- End-to-end processes are assessed by management
- Material risks are identified and aligned with capital / stress projections
- Reporting is timely and clearly articulates the operational risk profile
- Technology platform that integrates all framework elements

5 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Branch entered into the following material related party transactions.

Transactions with group companies

During the year, the Branch entered into transactions with related parties in the normal course of its banking business including lending, acceptance and placement of inter-bank deposits, correspondent banking transactions and off-balance sheet transactions. The transactions were priced at the relevant market rates at the time of each transaction.

The amount of related-party transactions during the year and outstanding balances at the end of the year are set out below:

	<i>Citibank N.A. subsidiaries and ultimate holding company</i>		<i>Citibank, N.A. branches and Head Office</i>	
	2024	2023	2024	2023
	MOP'000	MOP'000	MOP'000	MOP'000
Interest income	-	-	2,265	20,998
Interest expense	-	-	(64)	(2,571)
Operating income	-	-	-	3
Operating expenses	(3,655)	(7,611)	(1,506)	(1,733)
For the year ended 31 December	<u>(3,655)</u>	<u>(7,611)</u>	<u>695</u>	<u>16,697</u>
Placement of deposits				
Opening balance	-	-	-	523,709
Ending balance	-	-	-	-
Average balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>261,855</u>
Acceptance of deposits				
Opening balance	-	-	-	159,107
Ending balance	-	-	193,207	-
Average balance	<u>-</u>	<u>-</u>	<u>96,604</u>	<u>79,554</u>
Cash and short-term funds				
Opening balance	-	-	1,131,417	959,626
Ending balance	-	-	94,143	1,131,417
Average balance	<u>-</u>	<u>-</u>	<u>612,780</u>	<u>1,045,522</u>

5 Material related party transactions (continued)

	<i>Citibank N.A. subsidiaries and ultimate holding company</i>		<i>Citibank, N.A. branches and Head Office</i>	
	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>
	MOP'000	MOP'000	MOP'000	MOP'000
Other assets				
Opening balance	-	-	2,189	4,133
Ending balance	-	-	644	2,189
Average balance	<u>-</u>	<u>-</u>	<u>1,417</u>	<u>3,161</u>
Other liabilities				
Opening balance	-	-	145,104	85,499
Ending balance	-	-	394	145,104
Average balance	<u>-</u>	<u>-</u>	<u>72,749</u>	<u>115,302</u>

6 Loans and advances to customers

	<i>2024</i>	<i>2023</i>
	MOP'000	MOP'000
Gross loans and advances to customers	-	3,804
Less: Impairment losses	<u>-</u>	<u>(18)</u>
	<u>-</u>	<u>3,786</u>

7 Reserves

Nature and purpose of reserves

(a) Fair value reserve

This reserve comprises the cumulative net change in the fair value of debt securities measured at FVOCI under IFRS 9 held at the end of the reporting period (note 2(c)).

(b) Regulatory reserve

In accordance with Aviso n.º012/2021-AMCM effective from 1 January 2022, credit institutions are required to maintain a minimum level of specific provision for a bad and doubtful loan at a percentage depending on the overdue period of the loan, and a general provision at a minimum of 1% of the total balance of performing loans and certain credit-related off-balance sheet exposures. As there are no loans with bad and doubtful ratings, there is no specific provision as at 31 December 2024 (2023: Nil). Where the allowance for impairment losses made by the Branch in accordance with the policy as set out in note 2(c)(vi) is lower than the minimum level as required by the AMCM, the Branch will set aside an amount, from its retained profits to the regulatory reserve.

(c) Working capital reserve

In accordance with AMCM Finance System Act effective on 1 November 2023 with a grace period of 1 year, overseas incorporated credit institutions are required to maintain working capital not lower than MOP150,000,000 and the Branch has set aside such amount from its retained profits to the working capital reserve.

8 Fair values of financial instruments

Fair value hierarchy

IFRS 13, Fair value measurement categorises fair value measurements into a three-level hierarchy. The level into which fair value is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- | | | |
|---|---------------------|---|
| * | Level 1 valuations: | Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date |
| * | Level 2 valuations: | Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available |
| * | Level 3 valuations: | Fair value measured using significant unobservable inputs |

At 31 December 2024 and 31 December 2023, there were no financial instruments measured at fair value.

During the years ended 31 December 2024 and 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Branch's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

9 Off-balance sheet exposures

(a) Contingent liabilities and commitments

	Contractual amounts	
	2024	2023
	MOP'000	MOP'000
Financial and performance guarantees	-	30,931
Transaction-related contingencies	-	300
Trade related contingencies	-	14,642
Other commitments	257,323	310,089

Contingent liabilities and commitments are credit-related instruments which include letters of credit, guarantees and commitments to extend credit. The contractual amounts represent the amounts at risk should the contract be fully drawn upon and the client default. As the facilities may expire without being drawn upon, the contractual amounts do not represent expected future cash flows.

Unaudited disclosures of financial information for the year ended 31 December 2024

1 Credit risk

Distribution of loans and advances to customers by location at 31 December.

(a)(i) Geographical analysis of loans and commitments

Location	Sector	Gross loans and commitments not impaired MOP'000	Impaired loans and commitments MOP'000	Expected credit loss - Stage 1 MOP'000	Expected credit loss - Stage 2 MOP'000	Expected credit loss - Stage 3 MOP'000
2024						
Macau SAR	Manufacturing	-	-	-	-	-
Macau SAR	Others	-	-	-	-	-
Hong Kong SAR	Manufacturing	-	-	-	-	-
Hong Kong SAR	Others	-	-	-	-	-
Total		-	-	-	-	-
2023						
Macau SAR	Manufacturing	209,990	-	(53)	-	-
Macau SAR	Others	805	-	-	-	-
Hong Kong SAR	Manufacturing	103,095	-	(18)	-	-
Hong Kong SAR	Others	-	3	-	-	-
Total		313,890	3	(71)	-	-

The geographical analysis is classified based on the countries where the counterparties were incorporated, without taking into account the transfer of risk. In general, risk transfer applies when the exposure is guaranteed by a party situated in an area different from the counterparty.

(a)(ii) Industrial distribution of loans and commitments

Industry	Gross loans and commitments not past due or impaired MOP'000	Impaired loans and commitments MOP'000	Expected credit loss - Stage 1 MOP'000	Expected credit loss - Stage 2 MOP'000	Expected credit loss - Stage 3 MOP'000
2024					
Manufacturing	-	-	-	-	-
Others	-	-	-	-	-
Total	-	-	-	-	-
2023					
Manufacturing	313,085	-	(71)	-	-
Others	805	3	-	-	-
Total	313,890	3	(71)	-	-

The industrial distribution is based on the customer's main business activities.

Unaudited disclosures of financial information for the year ended 31 December 2024 (continued)

1 Credit risk (continued)

(b) *Geographical analysis of debt securities*

Debt investments (including AMCM Monetary Bills) by geographical areas over or equal 10% of total credit exposure.

<i>Location</i>	<i>Sector</i>	<i>Debt investments</i> MOP'000
2024		
Macau SAR	Government and/or Public sector	-
Hong Kong SAR	Banks	-
Total		-
2023		
Macau SAR	Government and/or Public sector	-
Hong Kong SAR	Banks	-
Total		-

At December 31, 2024 and December 31, 2023, there were no financial assets measured at fair value.

Unaudited disclosures of financial information for the year ended 31 December 2024 (continued)

1 Credit risk (continued)

(c) Maturity analysis on assets and liabilities

The following maturity profile is based on the remaining period at the balance sheet date to the contractual maturity date.

	2024						
	Total	On demand	1 month or less	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 3 years	Over 3 years
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	Undated MOP'000
Assets							
Cash and balances with banks and other financial institutions	526,761	526,761	-	-	-	-	-
Fixed assets	1	-	-	-	-	-	-
Other assets	742	742	-	-	-	-	1
	<u>527,504</u>	<u>527,503</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
Liabilities							
Deposits from non-bank customers	136,604	136,604	-	-	-	-	-
Deposits and balances from banks and other financial institutions	193,262	193,262	-	-	-	-	-
Other liabilities	22,278	22,278	-	-	-	-	-
	<u>352,144</u>	<u>352,144</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Asset-liability gap	<u>175,360</u>	<u>175,359</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>

As the deposits may mature without being withdrawn, the contractual maturity dates do not represent expected dates of future cash flows.

1 Credit risk (continued)

	2023							
	<i>Total</i>	<i>On demand</i>	<i>1 month or less</i>	<i>Over 1 month to 3 months</i>	<i>Over 3 months to 1 year</i>	<i>Over 1 year to 3 years</i>	<i>Over 3 years</i>	<i>Undated</i>
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
Assets								
Cash and balances with banks and other financial institutions	1,897,027	1,897,027	-	-	-	-	-	-
Loans and advances to non-bank customers	3,786	3	-	3,783	-	-	-	-
Fixed assets	3	-	-	-	-	-	-	3
Other assets	13,654	2,461	11,178	15	-	-	-	-
	<u>1,914,470</u>	<u>1,899,491</u>	<u>11,178</u>	<u>3,798</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3</u>
Liabilities								
Deposits from non-bank customers	1,540,676	880,952	659,724	-	-	-	-	-
Other liabilities	178,643	167,052	11,589	2	-	-	-	-
	<u>1,719,319</u>	<u>1,048,004</u>	<u>671,313</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Asset-liability gap	<u>195,151</u>	<u>851,487</u>	<u>(660,135)</u>	<u>3,796</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3</u>

As the deposits may mature without being withdrawn, the contractual maturity dates do not represent expected dates of future cash flows.

1 Credit risk (continued)

(d) Credit quality analysis under regulatory asset classification

The following is a breakdown of regulatory asset classification under different ECL stages:

2024

(a) Amount of assets under ECL Stage 1

	Amount of assets							Value of collateral and ECL	
	Total After ECL	Gross Amount	Pass	Special Mention	Substandard	Doubtful	Loss	Collateral	ECL
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
Cash and balances with banks and other financial institutions	526,761	526,816	526,816	-	-	-	-	-	(55)
Other assets (exclude fixed assets)	742	745	745	-	-	-	-	-	(3)
	527,503	527,561	527,561	-	-	-	-	-	(58)

2023

(a) Amount of assets under ECL Stage 1

	Amount of assets							Value of collateral and ECL	
	Total After ECL	Gross Amount	Pass	Special Mention	Substandard	Doubtful	Loss	Collateral	ECL
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
Cash and balances with banks and other financial institutions	1,897,027	1,897,487	1,897,487	-	-	-	-	-	(460)
Loans and advances to customers	3,786	3,804	3,804	-	-	-	-	-	(18)
Other assets (exclude fixed assets)	13,653	13,708	13,708	-	-	-	-	-	(55)
	1,914,466	1,914,999	1,914,999	-	-	-	-	-	(533)

There were no regulatory assets classified under ECL stage 2 and stage 3 for the year ended 31 December 2024 (2023: Nil).

Unaudited disclosures of financial information for the year ended 31 December 2024 (continued)

2 Credit Risk Weighted Exposure

The credit risk weighted amounts of exchange rate contracts, as calculated in accordance with Notice 011/2015-AMCM, are as follows for the year ended 31 December for the Branch:

	<i>Weighted Exposure</i>	
	<i>2024</i>	<i>2023</i>
	MOP'000	MOP'000
Exchange Rate Risk	-	-

3 Liquidity ratio

The following table indicates the arithmetic mean of liquid assets held and liquidity ratios for the year ended 31 December for the Branch:

	<i>2024</i>	<i>2023</i>
	MOP'000	MOP'000
Minimum weekly amount of cash in hand required to be held	28,607	58,800
Average weekly amount of cash in hand	484,069	612,022
Specified liquid assets at the end of each month	1,178,628	2,355,234
	2,024	2,023
	%	%
Average ratio of specified liquid asset to total basic liabilities at the end of each month	114.8	109.9
One-month liquidity ratio in the last week of each month	166.5	113.5
Three-month liquidity ratio in the last week of each month	165.0	109.8

The liquid assets held and average liquidity ratio for the year are determined and calculated in accordance with the rules on cash in hand and minimum liquidity requirements as set out and defined in the AMCM Guideline Notice no. 006/93-AMCM.

Unaudited disclosures of financial information for the year ended 31 December 2024 (continued)

4 Other information

Operating lease commitments

At 31 December, the total future minimum lease payments under non-cancellable operating leases for properties are payable as follows:

	<i>2024</i>	<i>2023</i>
	MOP'000	MOP'000
Properties, leases expiring:		
- within 1 year	<u>126</u>	<u>126</u>

5 Ultimate parent / Board of directors

The Branch is part of Citibank, N.A., which is incorporated and domiciled in the United States of America. Its ultimate holding company is considered to be Citigroup Inc., which is incorporated in the United States of America.

Citigroup Board of Directors (up to the date of this Disclosure of Financial Information report):

John C. Dugan
Chair, Citigroup Inc.

Titi Cole
Former Head of Legacy
Franchises, Citigroup Inc.

Ellen M. Costello
Former President, Chief
Executive Officer,
BMO Financial Corporation |
Former U.S. Country Head,
BMO Financial Group

Grace E. Dailey
Former Senior Deputy
Comptroller for Bank Supervision
Policy and Chief National Bank
Examiner, Office of the
Comptroller of the Currency

Barbara Desoer
Chair, Citibank, N.A.

Jane Fraser
Chief Executive Officer,
Citigroup Inc.

Duncan P. Hennes
Co-Founder and Partner, Atrevida
Partners, LLC

Peter Blair Henry
Class of 1984 Senior Fellow,
Hoover Institution, and Senior
Fellow, Freeman Spogli
Institute for International
Studies, Stanford University

S. Leslie Ireland
Former Assistant Secretary for
Intelligence and Analysis, U.S.
Department of the Treasury,
and National Intelligence
Manager for Threat Finance,
Office of the Director of
National Intelligence

Renée J. James
Founder, Chair and CEO,
Ampere Computing

Gary M. Reiner
Former Operating Partner,
General Atlantic LLC

Diana L. Taylor
Former Superintendent of
Banks, State of New York

James S. Turley
Former Chairman and CEO,
Ernst & Young

Casper W. von Koskull
Former President and Group
Chief Executive Officer,
Nordea Bank Abp

Unaudited disclosures of financial information for the year ended 31 December 2024 (continued)

6(a) Citibank, N.A. (Worldwide Consolidation of Citibank, N.A. and its subsidiaries)

Additional information

(Figures in US\$ millions)

Capital and capital adequacy	At 31 December 2024		At 31 December 2023	
	Advanced Approaches	Standardized Approach	Advanced Approaches	Standardized Approach
Common Equity Tier (CET1) Capital	153,483	153,483	147,109	147,109
Tier 1 capital	155,613	155,613	149,238	149,238
Total capital	165,581	173,060	160,706	168,571
CET1 Ratio	13.83%	15.37%	13.92%	14.95%
Tier 1 capital ratio	14.03%	15.58%	14.12%	15.17%
Total capital ratio	14.93%	17.33%	15.20%	17.13%
Stockholder's equity	170,939	170,939	162,945	162,945
Total risk weighted assets	1,109,387	998,817	1,057,194	983,960

Citibank's binding CET1 Capital, Tier 1 Capital and Total Capital ratios were derived under the Basel III Advanced Approaches framework for all periods presented.

Other financial information

(Figures in US\$ millions)

	At 31 December 2024	At 31 December 2023
Total assets	1,696,818	1,684,710
Total liabilities	1,525,119	1,520,999
Total advances (net of allowances for loan losses)	643,053	633,732
Total deposits (including those from banks)	1,324,835	1,327,597
	For the year ended December 31, 2024	For the year ended December 31, 2023
Income from continuing operations before income taxes	17,489	15,439

Unaudited disclosures of financial information for the year ended 31 December 2024 (continued)

6(b) Citigroup Inc. (the ultimate holding company of Citibank, N.A.)

Additional information

(Figures in US\$ millions)

	<i>At 31 December 2024</i>		<i>At 31 December 2023</i>	
Capital and capital adequacy	Advanced Approaches	Standardized Approach	Advanced Approaches	Standardized Approach
Common Equity Tier (CET1) Capital	155,363	155,363	153,595	153,595
Tier 1 capital	174,527	174,527	172,504	172,504
Total capital	197,371	205,827	191,919	201,768
CET1 Ratio	12.14%	13.63%	12.11%	13.37%
Tier 1 capital ratio	13.63%	15.31%	13.60%	15.02%
Total capital ratio	15.42%	18.06%	15.13%	17.57%
Stockholder's equity	208,598	208,598	205,453	205,453
Total risk weighted assets	1,280,190	1,139,988	1,268,723	1,148,608

Citi's binding CET1 Capital and Tier 1 Capital ratios were derived under the Basel III Standardized Approach, whereas Citi's binding Total Capital ratio was derived under the Basel III Advanced Approaches framework for all periods presented

Other financial information

	<i>At 31 December 2024</i>	<i>At 31 December 2023</i>
Total assets	2,352,945	2,411,834
Total liabilities	2,143,579	2,205,583
Total advances (net of allowances for loan losses)	675,914	671,217
Total deposits (including those from banks)	1,284,458	1,308,681
	<i>For the year ended December 31, 2024</i>	<i>For the year ended December 31, 2023</i>
Income from continuing operations before income taxes	17,046	12,910

Citigroup annual report is available in the below website :

<https://www.citigroup.com/global/investors/annual-reports-and-proxy-statements>