

Citi Commercial Bank Target Market Guidance

Instructor-Led Session

Version – 6/7/23



Global Business
Training Team



Welcome to
today's
session on
Target Market
Guidance.

During this 45-
minute conversation
we will discuss our
updated target
market assessments
and strategies,
review high risk
industries and much
more.

Ice Breaker

Can you recall **3** of the **5** assessment questions that were outlined in Tasnim's memo that referenced: *owning the client relationship..?*

To: Citi Commercial Bank Colleagues

From: Tasnim Ghiawadwala

Citi Commercial Bank prides itself in providing its clients with best-in-class capabilities across Citi's global network. The initiatives we have announced this year to support our business strategy speak to this commitment: creation of Global Network Banking, formation of Global Industry Verticals, expanding CCB NEXT, and enhancing our partnership with Citi Global Wealth. These initiatives will enable us to meet our clients' needs better than ever before. And there is more to come.

As we move forward in implementing CCB's business strategy, one of the things that remains fundamental to our success is our continued focus on understanding our clients – both to ensure that we are offering them the best solutions to meet their needs and to understand the risks they might present.

I expect that we will own our client relationships – and any potential risks inherent in them – from the time we introduce them to the bank and throughout their relationship with us.

Some questions we should ask to assess whether we are fulfilling our responsibility to own the client relationship:

?

Sometimes questions about our clients may also come from teams who provide specialist risk-management support. It is everyone's responsibility to respond to information requests from Risk, Compliance or Control functions promptly, completely, and accurately. Delays in responding to information requests may subject CCB and Citi to increased risk and potentially may limit a client's ability to bank with us.

As Jane has said, we are all risk managers. Never hesitate to raise concerns to your managers, In-Business Risk and Controls, or our Independent Compliance Risk Management colleagues. We must also have the conviction to walk away without hesitation from a client that does not fit our business strategy or that we do not understand fully.

We are well poised to execute on our ambitious growth strategy with a high level of client activity. I am counting on each of you to be even more diligent with your clients and ensure we stay aligned with our target market and risk and control practices.

1. Does the client fit our strategy?

2. Is our understanding of the client consistent with publicly available information?

3. Have we shared key changes in our client's strategy, business model or ownership with the necessary internal stakeholders?

4. Do we fully understand the client's business model?

5. Could the relationship create reputation risk?

A Message From Tasnim



Does the client fit our strategy?

Do we fully understand the client's business model?

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Introduction



Why this?

Adopting a consistent Target Market

1. Ensures CCB focus our resources on the companies that meet our value proposition.
2. Provides a framework for identifying higher risk scenarios that require additional levels of review and approval.



Why now?

CCB is embarking on a period of significant growth, which means that we need to provide clear guidance on the type of clients that we wish to bank, as well as training and support for the new employees that will help deliver our growth targets.



Why us?

Given CCB's focus on new client acquisition, it's essential that we provide a simple, concise and scalable framework for assessing new opportunities. The guidance also allows CCB to consolidate a number of distinct policy requirements into a single process.

Red, Amber, Green ... What Do They Mean?

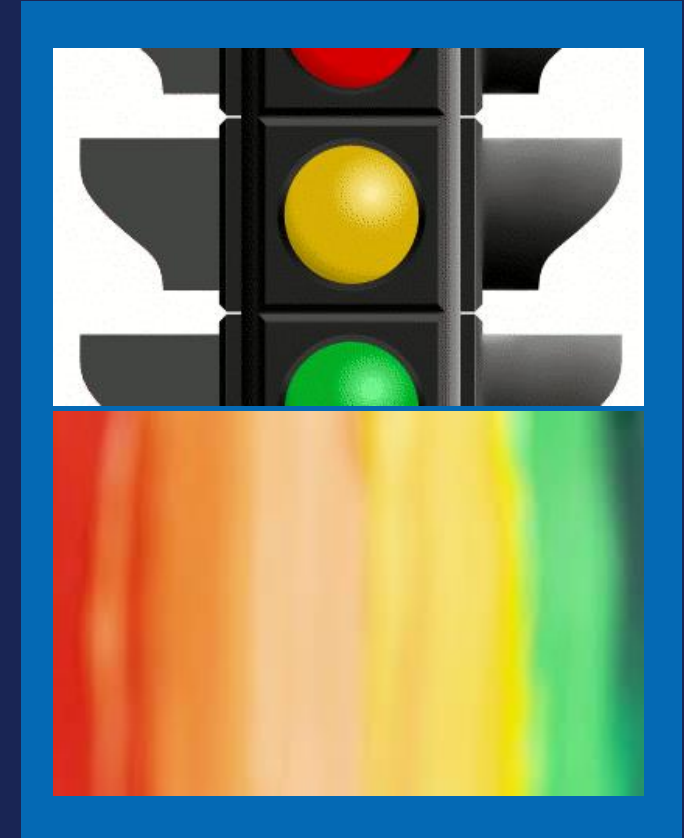
It is common to see risk ranges portrayed as red, amber green (RAG) and displayed as a traffic light; each color separate from the others. However, “lines” can be blurred and not as definitive as we see.

Let’s talk about how this is applicable to our risk appetite when reviewing our target market guidelines

Green is ideal noting the “path to green”. Most of our clients are green as that is the target market we want.

Amber usually represents a state or condition that can be changed. If amber stays in the amber range, Citi may likely proceed. If, after due diligence and analysis, amber shifts toward red, Citi may not proceed or require deeper analysis. Companies that are amber and are shifting toward green may likely be more acceptable to Citi, with a caution??

Red is indicative of higher-risk companies or segments; ones that Citi normally stays away from. More attention upon this item. Out of our risk appetite



Do You Know?

If the assessment identifies a risk, does this mean we cannot onboard the client?

No, it simply means that the case will require additional due diligence and/or approval. While this may result in some opportunities being declined, the overall objective of the Guidance is to ensure that risks are correctly identified, recorded, and approved.

Do I need to apply all three pillars in every case?

No. The “Opportunity Assessment” and “Risk Assessment” should always be applied, but the “Credit Compatibility” only needs to be considered when a client wishes to commence a credit relationship.

Our Pillars

CCB's Target Market is assessed through three foundational pillars

	Pillar 1	Pillar 2	Pillar 3
	Opportunity Assessment	Risk Assessment	Credit Compatibility
Objective	Ensures the opportunity is aligned with CCB's strategic priorities	Ensures adherence with Citi's key Operational, Compliance & Reputational Risk frameworks	Ensures alignment with the WCR TM Framework
Applicability	Considered before onboarding and throughout the client lifecycle	Considered before onboarding and throughout the client lifecycle	Considered before a client applies for credit, and during modifications or annual reviews
Method	Assessed against a set of Client Principles	Assessed against a set of Risk Principles & a list of Higher Risk Activities	Assessed against a set of Credit Principles
Exception Approvals	CCB Regional/Cluster Head or an MD-level delegate	CCB Regional/Cluster Head and applicable risk specialists and/or policy owners	Follow the WCR framework - one level higher on the Credit Approval Grid

Pillar I – Opportunity Assessment

Profile

The client must have the potential – and intent – to build a long-term and multi-product relationship and the opportunity should align with Citi's value proposition

Geography

The parent relationship (L2) or management team must be located or managed in an approved CCB footprint country

Profitability*

CCB needs to earn revenue of at least \$50,000 per year from any new relationship.

Size*

The client must have annual sales revenue of >\$10MM

Industry

Clients should align with the Target Industries that have been defined by the Global Industry Heads

Pillar II – Risk Assessment

1

We must understand the client's business model

The client should have a clear and logical strategy, sell goods/services that offer value and have an operational structure/footprint that aligns with their strategy

2

We must understand the client's reason for wanting to bank with Citi

We need to understand why the client is looking to change banks, why they are considering Citi and ensure that our value proposition is aligned with their needs

3

The client must have a reputable management team

The management team must have the relevant skills, competence and industry experience. Management must also act with integrity and be comfortable answering questions about their business

4

Our understanding of the client must be consistent with publicly available information

Externally sourced information should match our understanding of the client's business, performance, operating locations and structure

5

The relationship should not create reputation risk

The client should not negatively affect our standing in the eyes of any of our regulators, employees, investors, existing clients, the general public, or any other stakeholders (e.g. NGOs)

Pillar III – Credit Compatibility Assessment

1

Risk Rating

6–

Or Better (Prior to the
Sovereign Cap)

2

Size

10 MM

Minimum Revenues

3

Minimum Years in Business

3 Years

Of Financial Statements

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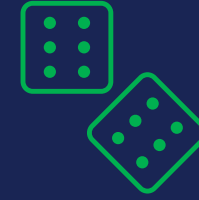
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High Risk Industries

Cash Intensive Business



Gambling



Dating Apps/sites



Freight Transport



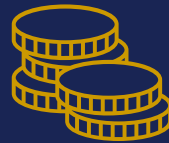
High Profile Sports



Electronic Nicotine
Delivery Systems



Virtual Asset
Cryptocurrencies/NFT



Deepfake Technology



Appendix – Target Industries

Global	Country-Specific*
Business & Professional Services	Energy: United States
Consumer & Retail	Non-bank Financial Institutions: Australia, Brazil, Canada, China, Hong Kong, Singapore, United Kingdom ,United States and India
Digital, Technology & Communications	Nonprofit: United Kingdom & United States
Healthcare	
Industrials	

* Notes

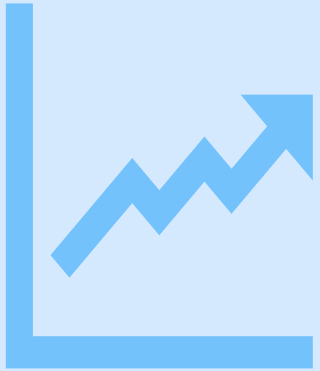
1. Country-Specific Target Industries can only be onboarded in the countries listed above.
2. Non-Bank Financial Institutions (NBFIs) are subject to an additional Target Market framework, which should be read as an addendum to this document.
3. The “Energy” segment is normally known as “Energy & Clean Energy Transition”, however has been shortened for this guidance, as “Clean Energy Transition” is not subject to any country-level restrictions.
4. Any subsidiaries – or Non-Resident Accounts – of an approved NBFi or Non-profit relationship will also be deemed within Target Market but require proactive approval from the country where the client would like to open the account(s), as there may be local legal/regulatory/reputational considerations or restrictions.

Wrap up

What questions do you have?

Please remember to review the reference hand-out and FAQ

In closing, thank you for your participation and remember our Growth Strategy!



CCB Growth Strategy

“Be the preeminent banking partner for institutions with cross-border needs...”

Grow market share

Build long term deep client relationships

Develop our talent

Simplify and further enhance our controls environment