

Corporate Finance and Corporate Banking Business

Corporate Bank Taiwan
Citi N.A., Taipei
Apr 15th, 2009



Agenda

Citi Organization

Account Management

Credit Process and Analysis

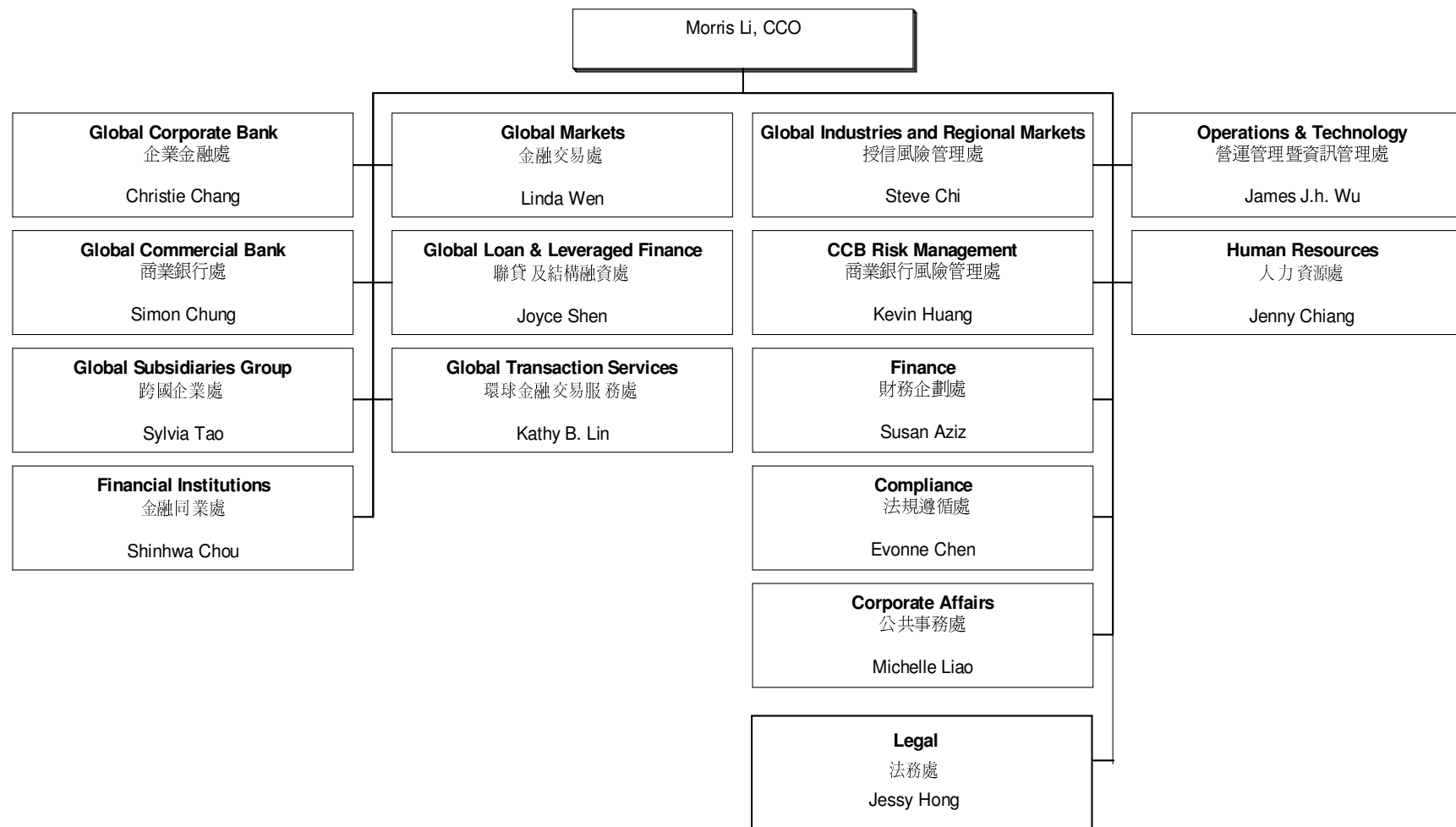
How We React to Economic Turbulence

- **Strategy**
 - **As large as a large local bank**
 - **The most dominant foreign bank**
 - **The most global of all banks**

Citi Organization



Citi Institutional Clients Group- Taiwan



Citi Institutional Clients Group – by Customer Groups

- **Global Relationship Banking**
 - MNCs
- **Global Corporate Bank**
 - Top tier local corporates
- **Financial Institutions**
 - Banking, Insurance and Investment industries
- **Global Commercial Bank**
 - SME (Small & Medium sized Enterprises)

Citi Institutional Clients Group – by Products

- **Fixed Income, Currencies & Commodities**
 - Foreign Exchange, Interest Rates, Derivatives, Securities & Trading, Fixed Income, Loan Syndication, securitization
- **Global Transaction Services**
 - Cash Management, E-Commerce, Trade Finance & Services, global custody, Clearing, ADR, Securities Lending

Account Management



How we work together to cover our client?



Account Management in Corporate Bank

- **Meet Customers' Needs**
- **Better Utilize Bank's Resources**
- **Maximize Bank's Revenue**
- **Monitor and Control Clients' Credit**



Spirit of Account Management

- **Contact Window between the Bank and Customers**
- **Four Major functions:**
 - Business Origination / Execution
 - Cross-Selling Bank's Products
 - Customer Satisfaction / Service
 - Credit Monitoring / Decision



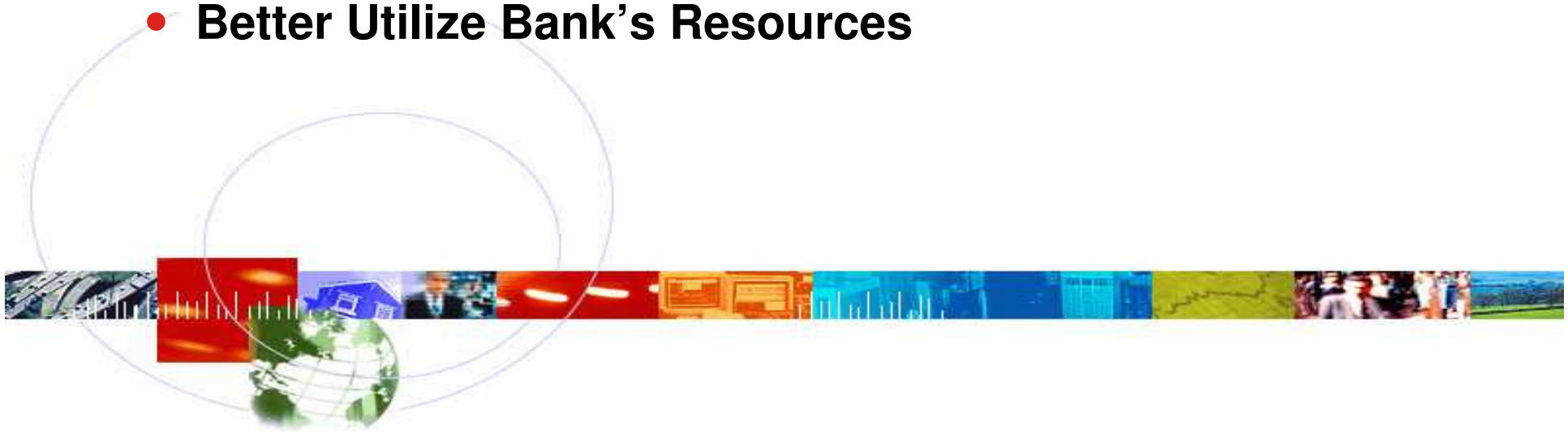
Business Origination / Execution

- **Identify business opportunities**
- **Knowing your bank**
- **What's the position of your competitors**
- **Product knowledge**
- **The desire to win “mandate”**
- **Execution capability**
- **Team work**



Cross Selling Bank's Products

- **Maximize Bank's Revenue**
- **Return on Risk Capital (RORC)**
- **Relationship with your product teams**
- **Better Utilize Bank's Resources**



Customer Satisfaction / Service

- **Information Collection**
- **Take Actions**
- **Value Added Services**

Credit Process & Analysis

Credit Monitoring

- **Safe Guard of Bank**
- **Capability of Financial Analysis**
- **Industry Knowledge**
- **Plant Visit**
- **Senior Management Assessment**
- **Cross Checking**
- **Dual Control Functions**

Credit Process – Initiation

Who Are We Going to Do Business with?

- **Target Market**
 - Leading players of each industry
 - Identified as long-term survivors
- **Risk Acceptance Criteria**
 - Key Success Factors (KSFs)
 - Industry Benchmark
- **Risk Rating**
 - Quantitative - 5-year Audited Financials
 - Qualitative:
 - Industry Trend
 - Market Position
 - Management Depth

Credit Analysis – How to Determine a Company's Risk?

- **Industry**

- Industry Structure
- Industry Cycles/Trends
- Market Share / Competitive Position
- KSFs vs. Strategy

- **Management**

- Management Ability - in relation to Strategy, Economy, Industry & Competitive Environment
- Management Integrity
- Ownership
- Organizational Structure

Credit Analysis (Cont.) - How to Determine a Company's Risk?

- **Financial Analysis**

- Historical Basis

- Operating Performance

- Growth

- Margins: Operating vs. Non-Operating

- Liquidity & Cash Flow

- Cash Cycle & Working Capital

- Current Ratio: Short-Term Assets vs. Liabilities

- Capital Structure

- Leverage: Borrowed vs. Self-Funded

- Net Worth

Credit Analysis (Cont.) - How to Determine a Company's Risk?

- **Financial Analysis (cont.)**
 - Forecast
 - Assumption vs. Industry Outlook, Market Position and Company Strategy
 - Financing Flexibility vs. Funding Needs
 - Level of Internal Generated Cash
 - Banking Relationship
 - Access toward Capital Market
 - Financing and Hedging Strategy
 - Appropriateness
 - Suitability

Credit Analysis (Cont.) - How to Determine a Company's Risk?

- **Way-Out Analysis**
 - Source of Way-out and Level of Reliability
 - Support or Security Appraisal
- **Relationship and Account Strategy**
 - Size of Wallet
 - Share of Wallet
 - Cross-Sales Opportunity in Non-Lending Products
 - Credit Strategy and Credit Limit
- **Risk Summary**
 - Risks and Mitigates Associated with the Exposure
 - Justification for Exception on Stability Criteria
 - Expectation on Future Risk Profile

Credit Analysis (Cont.) –Frequent Causes of Portfolio Problems

- **Unreliability of Financials**
- **High Leverage (or Dependence on the Ability to Inject More Capital When Needed)**
- **Legal System Unpredictable**
- **Failure to Conservatively & Regularly Evaluate Collateral**

Credit Analysis (Cont.) –Frequent Causes of Portfolio Problems

- **Lending to Start-ups without Security or Guarantees**
- **Cross Currency Lending without a Hedge (Natural or Arranged)**
- **Lending to Groups with Little or No Control on Use of Funds**

Credit Analysis (Cont.) – How to Minimize Pitfalls?

- **Study and Learn the Tools of Analysis and Principles of Credit**
- **Know Your Customer and its Industry**
- **Learn from Experience**
 - Yours
 - Your Peers/Associates
 - Your Supervisor
 - Your Subordinates
 - Your Colleagues in other Banks

Credit Analysis (Cont.) – Wisdom from Lessons Learned

- **Discipline of Senior Management that Credit Decisions Flow Bottoms Upward**
- **Adherence to Target Market Criteria and Credit Standards and Processes**
- **Fact Based Decisions**
- **High Standards of Training**
- **Absolute Personal Integrity**

How We React to Economic Turbulence



Bank's Difficulties under Economic Turbulence

- **Client's credit deteriorates**
- **Client's size of wallet shrinks**
- **Adverse Selection: bank was asked to provide credit to troubled company by government**

How we react to the Economic Turbulence

As the strategic partner of our client, we keep dialogue with them to provide corporate finance solutions/idea

Ex: debt restructuring, debt refinancing, etc.

Ex: any M&A opportunity during the turbulence

As the safe guard of Bank, we keep doing credit monitoring to avoid the credit losses.

Ex: more frequent portfolio review

Ex: to get industry outlook/insight by senior call

Thank you



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