

Speaker

Chris Cox, Head of Trade & Working Capital Solutions

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Welcome back and hello everyone. It's a pleasure to be here with you this morning. My name's Chris Cox and I've been leading Citi's Trade and Working Capital Solutions business now since 2021. Like many of my colleagues here, I've had the pleasure of working for Citi for many years. Prior to my current role, I was Citi's Head of Data, Digital and Strategic Projects in Security Services and led the EMEA Security Services franchise. Before that, for much of my career I spent in Markets with about a third of that time spent internationally.

So, let's start with what we do for our clients in Trade.

We are the leading trade finance bank to the institutional segment and the number one provider of Payables Finance solutions globally. The team in Trade does exactly what it sounds like. We offer a comprehensive set of working capital solutions to global multinationals. We offer clients a unique cross-border vantage point and we support their businesses with the proprietary digital platforms through which we deliver our services wherever they need it.

Everyone in this room will have benefited from Trade Finance. It's a fundamental part of our global economy and let me give you an example whether you are an iPhone user or you prefer Android, that handset that tablet has been through a procurement, production, sales, shipping cycle. As businesses typically procure from the most cost-effective sources and then ship those finished goods to where the demand is, whether that's done domestically or cross-border. That process, however, can be protracted and it ties up a company's working capital and that's where Citi's Trade and Working Capital Solutions business steps in.

The solutions we offer are in the middle of the slide. In Core Trade, we help two commercial counter-parties to get comfortable with one another from a credit perspective, we provide forms of credit support so our client can do business with other companies and typically that's through products such as Letters of Credit and Guarantees.

In Supply Chain Finance, through our Payables Finance solutions, we support our client's suppliers with access to capital and that improves the resilience of their supply chains. We also offer Receivables Finance where we seek to accelerate the receipt of sales proceeds to our client by bridging the payment gap for their buyers or distributors.

Trade Loans are exactly what they sound like helping clients, finance, imports, exports or domestic procurement and sales of goods and services.

And our fourth pillar - Export Agency Finance, we partner with government agencies and development finance institutions to fund capital-intensive projects like a recent deal we did in Kazakhstan financing electric locomotives.

And this is a business we recently reset. It's extreme efficient from a returns perspective and we also generate fees when we lead transactions and we're very pleased with the momentum we're

seeing from those changes. As Stephen touched on, we are able to leverage the data we have to provide client diagnostics, insights and benchmarking and you'll hear a little bit more about that later from a client.

The sum of those activities combines as you can see on the right-hand side of the slide into a 9.4% share of the global institutional wallet and that's a share we successfully grew by 50 basis points in 2023.

Now let's double click into our positioning in a little bit more detail.

Our clients use our products extensively. If you took a snapshot of the firm's Top 300 corporate clients, more than 90% use one or more of our products. Trade is a fundamental part of what they do every day. As you can see from the middle row of this slide, we are the largest Trade Finance provider in North America and Latin America and we're top three both in EMEA and Asia Pacific ex-Japan and that makes us the most complete and geographically balanced partner for clients globally. And by using that network and also being dynamic, we were the only bank amongst our key banking peers to grow our business in 2023. We benefited from nearshoring in Latin America, whilst others were more singularly exposed to slowdowns in North Asia, and that reiterates the value both to clients, and to shareholders, of that network. We're also a leader across our solutions with the largest in the Payables Finance space with a more than 20% global market share.

In fact, we are larger than our next four competitors combined. And this is a business which accounts for 25% of our Trade revenues and one where we have real scale and technology advantages. And we are the second-largest provider of working capital loans and Core Trade solutions globally with these businesses combined accounting for almost 60% of our revenue. And I'm delighted to be able to share with you that we just won Global Trade Review's Trade Finance Bank of the Year for 2024, another checkpoint on our progress.

You heard what we do for Microsoft earlier. Let's perhaps take a look at a couple of other case studies to help bring the business to life for you.

On this slide, you can see the scale of support we bring to a very well-known global telecommunications company. We've exclusively supported this client now for over a decade. The business is programmatic, it's not transactional. We are digitally integrated into their flows and that has allowed us to support them with over 150 billion of frictionless financing over the last four years. We're also their cash management bank, supporting their local and cross-border payments and FX flows. We can accelerate payment to over 500 of their suppliers across 10 countries via our Supply Chain Finance platform, what we call discounting with our client paying Citi upon invoice maturity. Whilst on the receivable side we understand their distributors and that allows us to advance to the client their sales proceeds with the distributors paying us on the due date.

And this particular relationship is a good example of what we call 'Originate to Distribute'. 'Originate to Distribute' is where we use our balance sheet dynamically and in this case, we distribute more than 50% of the volume financed to investors. That's great for the client because they can access a deeper pool of capital. It's also good for Citi because we can earn fees on that distribution and that increases returns. And it's the quality and integration of our platforms that makes this work so effectively for long-term partners like this client.

Now let's take a Core Trade example. In this instance, we are looking at a leading global industrial components company and here we are the perfect match for this client. Why? Because they do their business through 43 subsidiaries in 38 countries everywhere they need finance. We are there supporting their procurement of parts and materials with the solutions listed. Our network enables a powerful combination of both dedicated central coverage and local expertise, very few banks can do that.

With this client, we also co-designed an improved global guarantee program, and this has led to around 70% of all the guarantees that they need for their business being issued inside of 48 hours. You can appreciate just how much confidence that gives them doing their business.

Why don't I take a pause now and let you hear from a relationship that we've been privileged to support for the last 15 years.

*\*\*Video\*\**

I hope you enjoyed that video as much as I did. Brandy did a wonderful job of describing our partnership with Walmart and she touched on the role of technology and how this partnership's partnership benefits both their suppliers and their customers. Now let me share the opportunities and growth drivers we see for the coming years.

You can see on this slide our target client segments - Institutional on the left, Commercial on the right. With Institutional clients we're doing well with that 9.4% market share. I mentioned earlier we believe we have room to grow here given our differentiated offering and global reach and in the medium term we are targeting to grow share to more than 10%. However, we have the most opportunity to grow in the Commercial segment. This is a highly fragmented market where we can leverage our proven institutional capabilities to support our Commercial bankers to win more business.

Importantly, the wallet in the Commercial segment is more than two times the size of the Institutional segment, but where we have less than a half of a percent of market share, the opportunity there is clear and it's to grow to between one to one and a half percent over the medium term. And this would significantly improve revenues and returns. So, we're not just investing in bankers, we are also investing in the technology and sales resources to support that success and we're confident we have all the product capabilities and that's a view supported by our position in the Institutional segment and the momentum that we're experiencing.

Let's keep moving.

In today's rapidly changing global landscape, it is critical to remain on the pulse of the latest trends and focus on helping our clients navigate them. This slide summarizes a few key trends and how we are helping our clients to address them. First, it's the uneven impact of higher interest rates on growth and investment in developed and emerging markets. As you've heard from many of us today, one of our competitive strengths is quite clearly that network. If our clients want to pivot because they see stronger growth in certain locations or simply want to diversify, we are going to be there to support them with local expertise and capital.

Second is the changes in trade corridors due to shifting geopolitics, socioeconomics and the rise of eCommerce. As our clients explore capturing new business opportunities, we have the product suite to support them not just across trade but across services and the firm.

Third, supply chain stress and reconfiguration as Brandy clearly illustrated. Before Covid, it was taken for granted that goods and services miraculously arrived just when you needed them. That has changed forever.

I've talked to our strength in Supply Chain Finance. We lend support deep into client's supply chains and combining this with our strength in Distribution ensures that we maximize access to capital, whilst using our balance sheet as efficiently as possible. As our clients grow, we flex with them.

Fourth, in the wake of what we have and are going through a recognition that doing trade internationally needs to become easier and that requires more digitization and defragmentation of the industry and processes. Which leads me on to Technology.

I want to echo what you have already heard from Shahmir, Stephen and Debo. It's truly a differentiator for us. Providing our clients with an unmatched suite of digital solutions to meet their ever-evolving needs remains a top priority. We benefit from a largely proprietary technology stack, so we are not beholden to vendor development and all of it is highly functional at scale and resilient. Yet we're steadily increasing investment so that we can take even more advantage of those attributes.

Our key priorities include simplifying our offerings, which means we've made the conscious decision to exit some non-core and subscale activities. We want to eliminate as much of the paper as possible and move in the direction of fuller end-to-end digitization. We want to minimize our unit cost-to-serve so we can scale with the lowest possible variable expense and that will increase the leverage in our network further, and we intend to modernize and de-risk.

Naveen is going to talk in a moment about the work being done across TTS from a data and Client Experience perspective, so I'm not going to cover that ground. Suffice to say that we are investing to deliver more of that through our technology and improve product design.

We also constantly horizon scan for new technologies, meet potential partners for co-creation, and we explore opportunities for enhanced services and new business models. Our aspiration is to challenge how things have traditionally been done and we've listed some initiatives on the lower half of this slide. It's not comprehensive, merely intended as a flavor of what we're exploring.

In the Supply Chain space, time to money matters. Last year we completely rethought how we onboard new suppliers, we co-created with clients. The net result? An 85% reduction in supplier onboarding time. Given that we onboard around 10,000 suppliers every year, you can begin to appreciate the benefit this will bring to clients and also Citi.

Middle right, compliance. We are a highly regulated financial institution. We need to comply with the latest sanctions as well as other financial crimes compliance requirements. Trade involves a lot of document processing. We execute around 12 million transactions annually. We used to do this

manually. We now have automated significant elements of this using advanced technologies, speeding up delivery to clients whilst also meeting regulatory expectations.

Bottom left, some document negotiation is unduly repetitive and it's memoryless and there's a particular process that we and others in the industry do thousands of times per annum. So we are co-creating with a big tech partner how we might tackle this using LLMs. We're optimistic we can take a process that sometimes took days to a 'best starting fit' recommendation in minutes.

And finally, bottom right, we are exploring how we can use smart contracts and digital asset technology to automate conditional payments and financing, eliminating all of the manual touch points involved today. And this solution is built on the same Citi Token Services rails, so we can look to offer this functionality to clients within an integrated platform.

To conclude, we have opportunities to grow by deepening and broadening our client penetration. In the Institutional segment, though we are the clear market leader, we continue to see opportunity to pull further away from the competition and gain additional market share.

In the Commercial segment, we are growing rapidly as we introduce more clients to our capabilities. And, we see tremendous opportunity to use those capabilities, our scale and leading technology, to double our share of that large and highly fragmented market.

Our technology is strong. We're focused on improving and modernizing it to deliver an even stronger value proposition to clients, not just across Trade, but the entire Services business. We already have high client satisfaction scores. These can be improved further delivering, better client service, experience and integration, and we will remain very disciplined on capital usage. We have strong tools to support decision-making and our Distribution model should support additional fee growth, balance sheet optimization, and enhanced returns further.

And, we've done well from a risk management perspective. We will remain vigilant here, we do not intend to budge from that rigor going forward.

Now, over to Naveed, who I know is going to do a great job of stitching together how all that technology investment comes together for clients. Thank you very much for your time today.

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