HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS

Citi Australia

CAB04QW: Whether the valuations on infrastructure investments finances by the bank are:

(a) independently completed?

(b) whether they are completed and/or reviewed annually?

(c) in reference to (b), if they are reviewed by whom?

(d) in reference to (b), if not annually, how often, the trigger, and the average timeframe between review?

Answer:

(a) Citi undertakes its own internal analysis but may make use of external independent reports such as technical, legal, accounting, tax, environmental and market reports. The financial models used by Citi, whether created by Citi, the Borrower or a third party may be audited by a third party such as an accounting firm. As a lender, Citi's principal focus is ensuring there is sufficient cash flow to repay the debt. Citi's policies determine whether a particular situation requires a valuation to be undertaken. Where valuations are required, there is no fixed policies for how the valuation is to be undertaken but typically the cash flow model is used.

(b) Citi reviews its lending exposure to Borrowers on a regular basis with the frequency being dependent on the asset quality – the rules are laid out in Citi's policies. Some exposures are reviewed as frequently as quarterly and some bi-annually.

(c) reviews are prepared by the business teams who interact with clients directly and these reviews are presented to an internal independent Risk chain for approval. The independent Risk chain approval process will review all aspect of the work including any valuations that may be included in the analysis.

(d) As (b) above: Citi reviews its lending exposure to Borrowers on a regular basis with the frequency being dependent on the asset quality – the rules are laid out in Citi's policies. Some exposures are reviewed as frequently as quarterly and some bi-annually.