

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS

Citi Australia

CAB05QW: Whether the valuations on large commercial investments or like large commercial investments financed 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) In addition to conducting internal valuations, Citi uses independent (ie. not Borrower instructed) valuations, prepared by an appropriately qualified and licensed appraiser in the relevant market, and complying (at a minimum) with the United States Uniform Standards of Professional Appraisal Practice (USPAP), as published by the Appraisal Standards Board of the Appraisal Foundation. Citi maintains an approved panel of globally approved appraisal firms.

(b) Citi has documented procedures for monitoring collateral risk on a portfolio and on an individual credit basis in order to understand its collateral position over the life of a credit and effectively manage the risk in its real estate credit portfolios. In establishing these procedures, the business must ensure that an annual value estimate of collateral is made and recorded.

This can take several forms, including internal valuation, use of external valuation reports or use of external market disclosure and comparable market data.

While an independent appraisal is required at the inception of a transaction and the advancement of new monies, a subsequent appraisal by an independent appraiser is required for material changes to the transaction, including:

- Loan renewals including loans that renew annually
- Extension of maturity date
- Modification of interest rate or amortization

(c) All real estate appraisals are reviewed by Citi's Office of the Chief Appraiser, as identified above.

(d) Not applicable.