In Euromoney's 2009 Awards for Excellence, Citi floundered in trans-
action banking as a result of the bank's broader problems: clients
sought to avoid concentration risk with an institution that had to
be supported by the US government. Moreover, some questioned
whether or not Citi could maintain its global presence and massive
technology investment budget given its new stakeholders.

Citi has quashed such talk: its performance improved even as
it raised fresh capital and reduced risky assets. Most important, in
December 2009 it repaid $20 billion of the $45 billion it received in
Tarp money and exited its loss-sharing agreement with the govern-
ment (Citi’s other $25 billion in bailout money had already been
converted into a 27% government stake in the bank). While these
measures lowered earnings per share (through the issuance of new
equity) and capital ratios (by removing the government guarantee
for Citi’s riskiest assets) the benefits in terms of perception were
invaluable.

Citi’s leading rivals claim that it has continued to lose market
share in the past year. However, the bank explicitly denies this and
points to staggeringly high win rates (by number of deals) ranging
from 88% to 94%. At worst, Citi is winning almost nine of out every
10 mandates for which it is invited to pitch. Of course, this omits
instances where the bank in not invited. However, even Citi's rivals
admit that for regional – and especially for multi-regional or global
mandates – the bank is almost always in the running.

With the financial crisis hangover out of the way, Citi has been
able to concentrate on overwhelming the competition with its scale – Global Transaction Services (GTS) has 22,000 employees
worldwide – aggressive strategy and pricing and, above all, ruthless
ambition. That is not to say that the three other shortlisted banks
– Bank of America Merrill Lynch, Deutsche Bank and HSBC – do not
have clear merit. Each has adopted a unique business strategy that
is delivering impressive results. It will be intriguing in the coming
years to see which of these different models prevails.

Francesco Vanni d’Archirafi, head of GTS at Citi, says that the
proof is in the publicly available figures. “We’ve continued to out-
perform our competitors in cash, trade and the securities business by almost every measure,” he says. “The low interest rate environ-
ment of the past year has been tough for everyone in the business
but Citi has fared best.” After a strong performance in 2009, GTS
achieved steady growth in the first quarter of 2010, with income up
3% on year and 3% quarter on quarter. While direct compar-
sions between the shortlisted banks are difficult because of different
structure and breakdowns, across both GTS and Treasury and Trade
Solutions (which accounted for 73% of GTS revenues in the first
quarter), Citi has comprehensively outperformed its peers in terms of
revenue growth.

Citigroup chief executive Vikram Pandit is on the record as de-
scribing GTS as “a key component of Citicorp and its strategy”.

The centrality of GTS to the new model Citi has been reflected
by continued investment even during the worst periods of the past
two years. Citi’s boast of $1 billion a year investment in transaction
services infrastructure and delivery platform is cited so often it has
become a mantra for GTS. However, it remains undeniably impres-
sive and has allowed the bank to create products such as banking
platform CitiDirect BE, which despite the protestations of its rivals,
does offer something genuinely new, with integrated analytics and a
media and video channel, for example.

Moreover, the bank has “focused surgically on service” – an area
where rivals say Citi falls short – in the past two years, according
to Vanni d’Archirafi. “Every year we survey over 600 of our most
important clients worldwide with Greenwich Associates,” says Vanni
d’Archirafi. “The results show that our increased attention to their
needs is being recognized: our satisfaction scores have gone from
72% in 2009 to 82% in 2010.”

What is perhaps most impressive about GTS, especially given
its position as the world’s largest transaction bank, is its relentless
ambition. Indeed, the bank’s drive rivals that of many start-ups.
While all of Citi’s largest rivals are constantly seeking new ways to
better serve their consumers and expand the services they offer,
Citi actively tries to create new markets. “We believe that our major
competitors in the future will be non-traditional players,” says
Vanni d’Archirafi. “To that end, we’re now working on a digital wal-
et offering that could redefine the transaction services industry.”

Meanwhile, in another initiative that vividly displays the bank’s
aspirations, it aims to become the bank of choice for city adminis-
trators in the world’s largest cities through the Citi For Cities
programme. “More generally, we are firmly focused on the emerg-
ing champions from the high-growth regions and countries that
will dominate the next 20 years of global growth,” says Vanni
d’Archirafi. Matching Citi’s naked ambition – should its rivals have
the appetite – will prove a formidable challenge.
The period from April 2009 to the end of March 2010 saw constant change in North America. While markets faltered, boomed and then faltered again, banks were simultaneously picking themselves up from the financial crisis, or, for the fortunate ones, taking advantage of the easing of competition. By the end of the first quarter, however, although markets were still volatile the banking industry in the region had calmed. Those that had suffered were now firmly back in play, and competition had never been fiercer.

In cash management, Citi has continued to dominate in North America by virtue of its global integrated network. Competition in cash management has heated up during the financial crisis as financial services groups realized it is a business that is highly profitable and relatively unaffected by business cycles. Citi’s North American cash management business was the fastest-growing unit in the firm by revenue in 2009, up 33%, taking pressure off some of Citi’s other businesses.

It is hard to find a cash management house that has the global reach of Citi. That has worked in its favour in North America. Julie Monaco, the region’s head of global transaction services, points to wins for North America-based firms as well as US subsidiaries of firms headquartered outside the US as proof. She says the firm won almost 80% of mandates when competing against the top-five global competitors.

In the public sector, Citi has also been extremely successful, especially in light of public sentiment that Tarp recipients should not be the primary choice in beauty competitions. Citi was selected by the US Department of Transportation to process and manage claim reviews for its cash-for-clunkers programme. It increased its staff from 200 to 800 in one month to process the claims. In Canada, Citi reorganized its legal vehicles to offer larger daylight overdraft lines. It needs to make further headway in Canada, however, but Monaco says the firm is investing in the country to broaden its business there.

Latin America’s economic performance over the past 12 months can be summed up in one word – resilient. While many of the world’s advanced economies are stuck in a trough, emerging regions such as Asia and Latin America have rebounded much faster from the global downturn thanks to sound monetary and fiscal policies and generally healthy banking systems.

The region spent most of the 1980s and 1990s fighting financial crises, so it has plenty of experience of the problems facing Europe and the US. Over the past few years, however, policymakers in Latin America have followed a more cautious approach, irrespective of whether they lean politically to the left or right. This has left the region better placed to cope with the crisis. Latin America is much less indebted than the western world.

Some countries are, of course, faring better than others. Venezuela, Argentina, Bolivia and Ecuador continue to be trouble spots where economic and social breakdown is never far away. Mexico has struggled because of its dependence on the US. Other countries, though – especially Brazil, Peru, Colombia and Chile – have proven themselves to be equal to the shocks.

There are still challenges, including timing the removal of fiscal stimuli, absorbing capital inflows and addressing the huge inequities that mean that even the region’s best-performing economies remain emerging rather than advanced markets.

Still, there is no denying the progress that has been made. In 2002, just ahead of the presidential election that year, Brazil’s benchmark bonds were trading at spreads of up to 2,000 basis points over US treasuries as investors took fright at the prospect of former trade unionist Luiz Inácio Lula da Silva becoming president. A default seemed inevitable. Today, as Lula comes to the end of his two terms in office, those same bonds are trading at about 220bp over. The issue facing Brazil is an overheating economy not a stagnant one.

The best cash management award goes to Citi. The US bank was voted the leading cash manager in Latin America in Euromoney’s cash management poll in October 2009. Citi’s reach in the region is unrivalled, with a presence in 23 countries. That allows it to win business that few other banks can compete for. Last year, for example, a Mexican telecommunications firm mandated Citi to standardize its liquidity and payables management in 14 countries.

Overall, Citi’s cash management business grew deposits by more than $5.3 billion last year. It also increased local payments transaction volumes by 3% and international payment volumes by 4% over the same period.

Citi’s investment in technology is also paying dividends. Last year the bank experienced an 8% increase in electronic transactions through the CitiDirect online banking platform.

The past year has been extremely volatile in central and eastern European markets, with sentiment ebbing and flowing dramatically, testing the mettle of all the banks in the regions. The past few months have begun to provide some welcome clarity, however,
with the economic downturn in the region generally proving to have been sharp but short-lived. As a result most market players are now seeking to reap the long-term rewards of central and eastern Europe’s economic potential as a low-cost, high-quality base for manufacturers and service providers looking to serve western European and Asian markets.

With the ability to serve more than 16 countries in the region and more than 2,000 employees covering central and eastern Europe, Citi once again secures the best cash management title, given its compelling mix of local expertise backed by global scale, reach and technological know-how, which enables it to offer its clients seamless cash management, trade finance and trade services. In central and Eastern Europe, Citi serves more than 10,000 clients, including top-tier local corporates, public sector entities, multinationals, small and medium-sized enterprises and financial institutions. During 2009 the firm increased cash management transaction volumes by more than 70% and average liabilities reached $17 billion during the same period.

The global financial crisis hit Africa hard, with the sub-Saharan region growing by just 2% in 2009. But the continent is bouncing back – the IMF expects growth in sub-Saharan Africa to be close to 5% in 2010 and 6% in 2011.

Africa’s improving fortunes are mainly a result of strong Asian demand for the continent’s commodities. Trade between Africa and China has increased by around 10 times over the past decade.

South African lender FirstRand, for example, sealed a strategic cooperation agreement with China Construction Bank last July. FirstRand also signed a strategic cooperation agreement with India’s JM Financial in June. Meanwhile another South African group, Standard Bank, is building on its ties with Industrial and Commercial Bank of China, Standard’s biggest shareholder, as well as making alliances in other emerging markets.

Citi still dominates cash management in Africa. Except in Ghana and in Mozambique, there is not one African category in which Citi does not come top in cash management.

Citi’s transaction volumes and revenues continued to grow. It has introduced much-needed new ways of servicing its clients in areas such as cheque payments in Senegal, or through ATMs in Kenya. Citi’s clients in cash management reach from Algeria to Gabon and even to the south of Sudan.

Citi has been Euromoney’s best regional bank in Asia for more than a decade. It has built a business that delivers consistent results regardless of the fortunes of the global franchise. It has not faced a serious challenge for the title throughout much of that time as Asia-based banks have not yet reached scale in their own regions, and global competitors have failed to match the US bank’s reach and penetration across Asia.

The award for best cash management house goes to Citi, despite fierce competition from usual challengers such as Deutsche Bank and HSBC and faster-growing rivals such as Standard Chartered, Bank of America and JPMorgan. For proof of this increased competition, look at the investment-banking-style round of poaching that went on in transaction banking as Bank of America took Citi’s Ivo Distelbrink in February 2010 and then JPMorgan hired Deutsche’s regional head, Tom DuCharme, in June. Citi takes the award for offering the best all-round platform.

While rivals sniped that the bank was losing clients thanks to Citi’s global problems, in fact the franchise’s client deposits in Asia grew 30% in 2009 to $110 billion, providing more products in more countries than any other rival. Industry surveys show that Citi is improving in its area of traditional weakness, client service to the most demanding big regional firms. That weakness cannot anyway be too crippling: the firm’s revenues climbed 4% year on year in 2009, a list of client wins seen by Euromoney was full of top Asian names and the business is undoubtedly the jewel in Citi’s Asia-Pacific business, which itself is the stand-out region for the firm globally. New regional head of treasury and trade solutions Sridhar Kanthadai has inherited a fine business.