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Citibank shores up its core offerings with plan to shrink its Mexico footprint

Article

The news: **Citibank** plans to divest its consumer, small business and middle-market banking businesses in Mexico.

The exact structure or timing of the exit is not yet known, but the bank shared that it "could include a sale or a public market alternative."

More on this: The move to reduce its presence in Mexico is part of a broader strategy by the bank to simplify and focus its core operations.

As part of its Q1 2021 earnings release, Citibank revealed it intended to exit 13 markets across Asia and Europe. The bank will instead "execute a targeted consumer strategy, double down in wealth, and focus on our higher-returning institutional businesses," according to Mark Mason, Citibank's CFO.

Trendspotting: Citibank joins a slew of banks in the US and abroad shedding non-core assets.

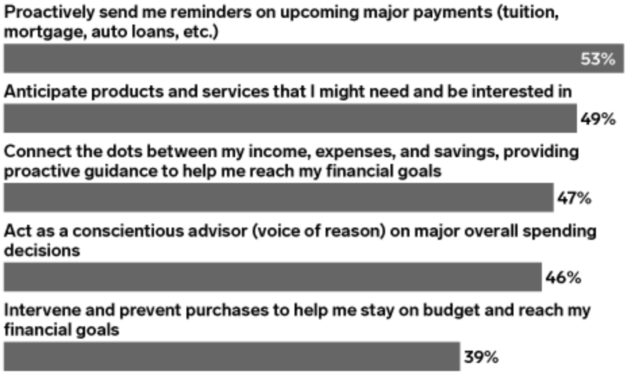
- Several European banks with a US retail presence have exited, or are in the process of exiting their operations in the region: **BNP Paribas** is looking to divest **Bank of the West**, **HSBC** has pending agreements to sell its branches to **Citizens** and **Cathay Bank**, and **BBVA** completed its sale of **BBVA USA** to **PNC** in June 2021.
- **Wells Fargo** has recently been divesting from businesses deemed as less critical, including its asset management arm, its Canadian direct equipment finance unit, and its student loan book.

The big takeaway: Banks that sell off non-core assets will free up significant financial and operational resources that could help strengthen core technologies and product offerings.

- **Increased spending on technology and talent could help stave off digital challengers.** With the coronavirus pandemic accelerating a shift to digital, incumbents have been allocating more resources to technology—multiple bank executives indicated in 2021 that the spending increases would continue. To remain competitive, banks will need to both modernize their tech stack, and fight with neobanks and big tech to hire the data scientists and engineers that support it.
- **Banks could make customers more profitable by strengthening value-added services.** Customers across the US largely agree on the importance of a personalized banking experience, and Insider Intelligence predicts that banks will turn to AI to help customize customer interactions. Investing additional funds into the chatbots and digital assistants that help facilitate these bespoke experiences could not only deliver useful financial insights in app, it could also help steer consumers toward more profitable product offerings.

What Banking Customers Worldwide Would Like Financial Institutions to Provide, Q4 2020

% of respondents



Source: NTT Data, "Get Personal: Banking on AI to Help Customers Reach Their Hopes and Dreams," Feb 1, 2021

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