

Speaker

Mark Mason, Chief Financial Officer

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Good morning, everyone, and thank you for joining us today. I'm very excited to be here in person with you today. And for those of you who've been with us for a while, you know exactly what I mean by that. The last investor day we had to do virtually because I caught COVID, so my bar this morning was pretty low, and we're winning right out the gate here.

I'm Mark Mason. I'm the Chief Financial Officer for Citi, and this morning I'm going to discuss the financial performance of the firm since our last Investor Day and then walk you through the path to our medium-term targets, including how Services fits into our overall financial path forward. I'm going to kick off by reminding you of the vision and the strategy that we established at our last Investor Day in 2022, and the three phases that we articulated to set up our company for long-term sustainable growth and higher returns.

Our strategy and path forward remain unchanged. We're on a mission to be the preeminent banking partner for institutions with cross-border needs, a global leader in wealth, and a valued personal bank in our home market. And Services is at the heart of this strategy and is highly connected with our other businesses. We've been hard at work over the past two years simplifying Citi and making the necessary investments in the Transformation and in our five interconnected businesses. So here's what we've done so far.

First, we've closed nine of the consumer exits to date and have made meaningful progress on the wind-downs, and we're on track for the IPO of our Mexico consumer business in 2025. Second, we completed our recent organizational simplification, which eliminated multiple management layers and put the five businesses at the center, directly accountable to our CEO. Third, we've made investments in talent, bringing in new leadership, both in Banking and Wealth, and we're building a winning culture that will deliver our Citi to our clients.

And lastly, and most importantly, we've made great strides executing our Transformation work, which is our number one priority. And we've said in the past that this is a multi-year process and is not linear. So this work is going to continue into phase two. So now that we put our exits and our organizational simplification largely behind us, 2024 is the year that we are pivoting to focus solely on the continued execution of our Transformation and driving improvement in our overall performance. With that as a backdrop, let's move to slide three.

I don't think any of us could have predicted what happened over the last couple of years. As you can see on the left, we saw unprecedented global events, such as the war in Ukraine and conflicts in the Middle East. We also saw a macro environment that was very different than our expectations at the time of our last Investor Day. We saw slower growth, persistently high inflation, and significantly higher interest rates. And we also witnessed the collapse in failure of a handful of regional banks in the United States, as well as a dynamic regulatory environment that continues to evolve.

Now looking at the right side, we show our total revenue over the past three years, illustrating how

revenue growth was driven by an increase in NII from both interest rates and volume, particularly in Services and USPB. Banking and Wealth, however, were negatively impacted by macro uncertainty, which led to an NIR decline that you see at the bottom of the slide. But one of the key takeaways on this slide is that, despite the challenging macroeconomic environment, we were still able to deliver revenue growth. This speaks to the diversification and resiliency of our business model.

On slide four we show our diversified combination of businesses supported by our unmatched global network with a local presence in 95 countries. You'll see that we've maintained leadership positions in key areas like Fixed Income, Treasury and Trade Solutions, and US Cards, and we drove strong revenue growth in Services and USPB, which more than offset the declines in Banking and Wealth. Again, this speaks to the value of our diversified franchise and the connectivity that we've established across the five businesses.

These synergies are a powerful driver of growth and, no surprise, Services plays a central role as it connects to all of our businesses. Whether we're providing custody and clearing for family offices in Wealth or fund administration for institutional investors in Markets or delivering our FX capabilities to corporates, the five businesses are truly interconnected and provide important diversification benefits to Citi's overall revenue profile.

Moving to slide five, we provide key drivers of our expense growth since 2020. As you can see, we've invested significantly in technology, with over 20% of our annual reported expenses dedicated to tech spend in each of the last three years. This cuts across transformation, business-led investments, and risk and controls. In fact, we've grown our tech spend by an 11% CAGR since 2021. These investments in transformation to modernize the firm's infrastructure, automate manual processes, and enhance data and analytics are essential to our long-term success.

Beyond Transformation, our technology investments are focused on digital innovation, new product development, client experience enhancements, and areas that support our infrastructure, like cloud and cyber. This is critical work for the businesses and a key driver of their medium-term revenue growth targets, which is something I'll take you through in just a minute.

Before moving on to the medium-term expectations, I wanted to bring some of our recent Transformation investments to life for you. You can see this on slide six. I won't go through each example, but they're fully aligned with our effort to simplify, automate processes, and improve risk and controls. This year in particular we're focused on regulatory reporting, data, and strengthening our stress testing and resolution planning processes. And many of these investments across this Transformation spend will ultimately lead to productivity savings and efficiencies over time.

And as you heard from Jane earlier, we're going to spend whatever it takes to address the consent orders and modernize the firm, as this is an incredibly important body of work and critical to our long-term success. And of course we'll look to self-fund over time.

Now, I want to spend a few minutes highlighting one of the biggest changes that we've seen versus our original expectations at our last investor day: higher capital requirements.

On the upper left we show the progression of our CET1 ratio since 2020. The chart highlights the

increase that we've seen, which was driven by both the GSIB surcharge and stress capital buffer. On the lower left corner we show the progress that we've made on increasing our RWA efficiency. We've exited non-core activities like Munis and Distressed Credit and we've redeployed capital into higher-returning businesses. This helped to drive a 50-basis point increase in revenue to RWA since 2020.

And as you can see on the right, our balance sheet is in excellent shape. We maintain a robust liquidity coverage ratio of 116%. We have a high quality, stable deposit mix skewed through our institutional deposits from our multinational clients and our Services business. And while most of our loan growth was in Cards, the portfolio was mostly prime, with about 85% above a 660 FICO score as of the first quarter of 2024. So in conclusion, our balance sheet strength positions us to be a source of strength for our clients, particularly in times of stress and uncertainty.

On slide eight we lay out what we've accomplished over the last few years despite an unexpected macro and geopolitical backdrop. We talked about 2024 being a pivotal year, as we put the organizational simplification behind us and begin to see related expense benefits.

And now I'd like to turn your attention to what we expect over the medium-term, which I'm going to go into in more detail over the next couple of slides.

As you can see, on the left side we show our revenue growth since 2021 and on the right side we show the drivers of our medium-term growth expectations. The diversification of our business model gives me confidence in our ability to deliver on our 4% to 5% top line revenue growth. Through the medium-term we expect increased volumes including in Cards, growth in Services, a rebound in Banking, and growth in Wealth to drive overall revenue growth. Given the importance of revenue growth as a driver of higher returns, I'm going to spend a few minutes walking through our current expectations for revenue growth by business on the next two slides.

Here on slide 10, we lay out the expectations for Services, Markets, and USPB. Here we expect growth to moderate relative to the levels that we've seen over the last couple of years. In Services, we expect revenue growth in the low to mid single digits. This growth will be led by a mix of NII in addition to NIR as we expand our relationships with existing clients and with new clients, which we'll do through our continued investments in client experience and product innovation.

In Markets, we expect to maintain our leadership position in Fixed Income, specifically in Rates and Currencies, and to grow Spread Products financing, while in Equities we expect to increase Prime balances. We're also laser-focused on continuing to increase the efficiency of the capital that we deploy in this business. As we look ahead, we expect Markets' revenue to grow at a low to mid single digit CAGR through 2026.

Wrapping up with USPB, we continue to focus on improving our client experience, and we're investing to grow our Cards businesses. And as we work to renew and bring on new partnerships, we're doing this with an eye towards growth and appropriate returns.

We're also maximizing the value of our Retail Bank through investments in our digital capabilities and partnering with our Wealth business between 2023 and 2026 we expect revenue to grow at a mid- to high-single digit range as we continue to scale our portfolio of lending products, including

personal installment and point-of-sale loans.

On slide 11 we cover Banking and Wealth, where we expect strong revenue growth going forward. I'll start with Banking. After an industry-wide slowdown of activity, we're expecting meaningful growth in our Banking business as wallets recover. Vis Raghavan joined us earlier this month as head of Banking, and he'll bring rigor and focus to our coordinated coverage across our Corporate, Investment, and Commercial Banking businesses.

The targeted investments that we've made in talent position us to benefit from the recovery in client activity and to gain share over time, particularly in areas like tech and healthcare. We expect Banking to grow revenue at a high teens CAGR from 2023 to 2026.

And in Wealth, you heard from Andy Sieg last week that he's been hard at work putting the right senior leadership in place to grow investment assets and fee revenue through better banker productivity as well as a better mix between the front office and the back office.

The more than \$100 trillion of new global wealth that's expected to be created by 2030 and the \$5.4 trillion in investment assets that our clients hold away from us present a tremendous opportunity to scale this business in the right way. So from 2023 to 2026, we expect Wealth revenue to grow at a high single digit to low double-digit CAGR.

On slide 12 we turn to expenses, which will to the achievement of our medium-term return target.

As we discussed in the past, we expect our expenses to come down starting this year. There are three drivers that will reduce our expenses over the medium-term. The first is the saves related to the organizational simplification, which will result in approximately \$1.5 billion of annualized run rate saves. The second is a reduction in stranded costs, which we expect to drive another \$500 million to \$1 billion in saves. As you can see in the waterfall, the combined benefit is approximately \$2 to \$2.5 billion dollars of annualized run rate saves over the medium-term. The third will be beginning to realize productivity savings from our investments. These drivers will underpin our path to \$51 to \$53 billion of expenses subject to volume-related expenses over the medium-term period.

Looking at capital on slide 13, capital optimization and efficiency remain a top priority in reaching our medium-term targets.

And while it's too early to predict the precise outcome of the Basel III End Game, we do expect to see some improvements from the NPR. Either way, we will adapt accordingly with mitigating actions. And on the right we lay out our expectations for the individual drivers of how we will improve our CET1 ratio over time. We'll continue to improve RWA productivity, and as we make progress on our exits and the ongoing shift of our business mix, we do expect to improve our capital levels as well as our utilization of our disallowed DTA.

On slide 14 we recap the drivers of our ROTCE target that we gave you today. Business-led revenue growth targets that underpin the overall 4% to 5% revenue growth going forward. Expected medium-term expenses of \$51 to \$53 billion. Cost of credit, which will be a function of growth, and mix, as well as the macro environment. And as we discussed, capital will be subject to how the



regulatory environment continues to evolve. So it's the combination of these things and the diversification of our business model which gives me confidence in our ability to achieve our ROTCE target of 11% to 12% in the medium-term.

So wrapping up, we'll spend most of the day talking about how Services remains a key part of our strategy and a driver of our overall performance going forward. As you'll hear from Shahmir and his leadership team, our Services business is often the gateway for new clients and is highly synergistic, which is a core part of our strategy. It has the largest global network and innovative product suite, and is truly integrated in our clients' day-to-day operations. It's also a high-returning business that we expect to continue to grow.

I'm delighted that we have the opportunity to give you a better understanding of Services today, and by the end of the day I suspect that you'll agree that this is not only one of Citi's most valuable businesses, but one of the most valuable in the financial industry.

So thank you, again, for your time this morning. I'm going to turn it over now to Shahmir, and I'll see you later for Q&A and at lunch. Thank you.

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