

Speaker  
Okan Pekin, Head of Securities Services

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Hello everyone, and welcome back. I hope you took a moment to stretch your legs during the last break. I'm Okan Pekin, Head of Securities Services at Citi, and I'm delighted to welcome all of you here today. I've been at Citi for over 30 years. I joined the bank in Turkey many years ago, and since then, I had the pleasure of working in various Citi businesses, including Markets and Securities Services.

So far this morning, Shahmir and my partners have covered how Services facilitates commerce globally. I'm now going to take you through the second part of the Services story, which is how we support global investors and issuers to access global markets. But first, here is a short video introducing Citi and the world's largest Securities Services network.

*\*\*Video\*\**

To underline what you've just heard, at Citi, to repeat, we run the world's largest securities network for both global investors and issuers and we facilitate investments across all asset classes. Our network includes an unmatched on-the-ground presence that makes Citi critical to the global market infrastructure. Our local insights give global investors an edge, and we also play a key role in the development of local securities markets.

Let me call out a few points that speak to the power of this network. We support clients in over 100 markets worldwide, of which 63 belong to us, they're proprietary to Citi. These cover 95% of the world's market capitalization. No one else comes close to this. We offer securities lending in 75 markets. Across this footprint, in 2023, we grew assets under custody and administration by 13% to \$23.5 trillion. This figure makes Citi the fourth-largest Securities Services provider in the industry.

Many of you may be familiar with Citi as a custodian bank, and that is indeed true given our leadership and history, but our business offers much more than that. I think of us as the connective tissue between clients and global markets. We cover the entire trade and investment lifecycle and drive value for our clients with four product lines. In fact, we are one of the very few banks in the industry that can partner with clients across pre- and post-trade services.

So how do we do this?

First, our Custody business, which safekeeps assets serves clients in 100 markets, including the 63 proprietary I've mentioned. Second, Fund Services, which offers data-driven solutions to support portfolio management. And third, through Execution Services, we optimize our client's investment performance. These three products sum up our comprehensive platform for investors. And finally, in Issuer Services, we facilitate fundraising for working capital, as well as strategic capital needs for M&A and corporate restructuring transactions.

Moving on to clients. Who do we serve? We are the industry leaders with banks and issuers.

We also serve high growth client segments of asset managers and asset owners, and these include pension funds and sovereign wealth funds and insurance companies. We see a tremendous growth opportunity here as together these segments represent more than three quarters of the \$50 billion of wallet for Securities Services globally.

Our network is at the heart of what we deliver. This gives us a pulse on emerging trends and changes so that we are at the forefront of our clients' needs. With this advantage, we have cemented deep and sticky client relationships. Many of our clients have been with us for multiple decades and we expect this to continue.

As Shahmir mentioned earlier, 89% of our clients believe that we are well positioned to be their long-term strategic partners. I'll tell you more about how we've built these relationships and our momentum. Our global platform is a key client differentiator because of its scalability and ability to meet evolving client requirements. This global platform has enabled us to capture the lion's share of the market with banks and issuers. .

With banks, we count 65% of the world's top 100 financial institutions as our clients. Among issuers, we are proud to be the go-to bank for 72% of the Global Fortune 100. We serve seven of the top 10 global asset managers with significant potential for growth. And with asset managers, we generated around 12% growth last year.

As you can see, our platform has driven consistent growth and share gains.

To summarize, we've delivered an extraordinary 14% compounded revenue growth over the past two years annual, outpacing our peers. This strong growth momentum has led us to a market share gain of 120 basis points, taking us from 7.7% in 2021 to 8.9% in 2023, a very substantial gain indeed. While we are currently a top four player, these market share gains have helped us to materially close the gap to our top three competitors.

Currently, around 50% of our revenues are generated in custody, but looking ahead, we expect all of our four product lines to grow as we address client needs with our fully integrated offering.

We are producing compelling returns on equity and we are doing so with execution discipline.

Let's now move on to technology. To keep this momentum, investments in technology and our platform are critical to success.

The industry is facing more consolidation every day and our clients are telling us they're under pressure, on fees, but also on investment returns. Over the last few years, we've seen a significant flow into ETFs and private assets as investors have shifted portfolios around the world, and data is growing exponentially in volume.

Data management is key to achieving efficient and low data delivery, supporting alpha generation for our clients.

In an environment of shifting local regulatory and geopolitical changes, our unrivaled global connectivity and our ability to understand local markets are truly compelling competitive

differentiators. So how do we intend to keep growing in the medium term? First, we will extend our leadership position in Custody and Issuer services. Second, we will grow share with asset managers and asset owners, and third, we will continue to invest in leading data and digital capabilities that are critical for the future.

Let's talk a little bit about Custody. Custody continues to be our foundation. We want to deepen existing client relationships and win new ones. Let me begin with the growth drivers on this page. First is the structural growth of the pool of investible assets around the world.

Second, we can capture growing portfolio flows effectively with our network and platform. The higher the velocity of the change of these assets, the more that flows through our books.

And third, many clients have been telling us about their growing interest to outsource their middle office activities. This trend will create new revenue streams not only for Custody, but also for Fund Services and for Execution Services.

Let me now remind you just how far ahead Citi is in Custody. Our 63 proprietary markets put Citi in the number one spot in direct custody and clearing, with a dominant 26.8% market share. With the largest proprietary network in the industry, Citi facilitates execution flows and safekeeping of assets for the world's largest custodians and banks in markets where they're not present.

In custody overall, we hold the number four position, and we are closing in to the top three spot, having gained 120 basis points market share since 2021.

We will continue to capture these growth drivers by expanding our share of flows with asset managers and asset owners given the growth potential here, and defending the edge we already have with banks.

Through our platform-as-a-service model, we will enable access to our custody platform for clients who do not necessarily own a global custody platform themselves, offering an end-to-end solution with consistent delivery across all markets.

Moving on to Issuer Services, where we are a top three provider, there are several growth drivers in this space. First, secular growth in capital market issuance presents a structural, not a cyclical opportunity, and there is a lot more here our network can do.

This is followed by the uptick in corporate market-driven corporate actions. This is where the unique opportunity to connect TTS and the broader Services franchises makes a huge difference. Our cash platform, coupled with our Securities Services network and our fiduciary capabilities, makes Issuer Services truly compelling to clients.

Finally, we are bringing these strengths into the future for efficient access to capital through digitized debt issuance and tokenization.

As a relevant example, in 2023, Citi acted as the issuing and paying agent for a digitally native note issued by the World Bank. It was the first such issuance under English law and was done via Euroclear's DLT platform.

Citi's network and the strength of Issuer Services have contributed to an over 20% increase in revenue CAGR since '2021. Here too, we are closing the gap with our competitors. We hold a number two position in global structured finance as well as depositary receipts, enabling clients to raise capital and diversify their shareholder base. And we are ready for the future of this business, with plans to do much more with technology.

Let me now come to the largest segments. The global Securities Services wallet is expanding, having grown 13% since 2021. This is a significant long-term source of growth for us. We will capture our share of that opportunity with target market discipline based on where our proposition is strongest.

As we target to grow our share of Custody with asset managers and owners, we will deliver integrated product solutions. This approach is complimentary to the two other growth drivers you see on this slide.

The outsourcing of middle office functions is particularly relevant for our Fund and Execution services businesses, as is the ongoing shift from mutual funds to ETFs. Let's look at how we are going to capture this market share.

We are deepening our capabilities in response to increased demand for outsourcing. As an example, we entered an alliance with BlackRock's Aladdin, making Citi one of the first movers to provide a single tool for middle office operational workflow. Combining Citi's infrastructure and the powerful Aladdin platform, we provide outsourced functions on a client's instance of Aladdin for seamless integration.

We are also continuing to enhance our ETF servicing capabilities, working closely with our Markets franchise to capture these funds. In just three years, from 2021 to 2023, we have added \$425 billion in assets under administration to this platform.

And we are scaling Execution Services as clients seek out value-added services. To give you a sense, active FX volumes rose 76% in 2023 compared to 2020, while passive FX increased by 26% in the same period. Our securities lending program was around 41% higher in 2023 compared to 2019.

Next, I'll share a more detailed overview where we are investing in technology and how we are innovating.

We are modernizing our core platforms to support our global operating model and to deliver greater efficiencies, consistency and resiliency. We will retire legacy infrastructure and move to common platforms using the cloud.

We are building a delivery model that integrates our global and direct custody platforms, collapsing these layers into a single, unified global settlement platform. Already live in six markets, this is a game-changer that only Citi can make a reality. With this unified platform, clients make quick decisions on corporate actions, realize new process efficiencies, and reduce risk.

Next, we are continuing to invest in data, which is the engine of our business and powers our

clients. We will support our clients in their structural transformation and offer a core set of modern-day capabilities. Our consolidated data platform will offer frictionless data on demand via the cloud and APIs, driving transparency and decision-making.

And finally, our technology investments are focused on innovation that have the greatest potential for groundbreaking chain.

Blockchain and distributed ledger technology are making tokenization a reality, enabling high automation and processing efficiency at the same time. As an example, we've recently completed a proof of concept for the tokenization of a private fund, bringing us closer to liberating assets, making them tradable and creating new distribution channels. Ultimately, we want to deliver a best-in-class client experience characterized by the ability to produce customized data and insights that are supported by resilient and adaptable platforms.

To conclude, our business is firmly rooted in leading capabilities across Services, leveraging the deep and the close connectivity and integration of product lines between TTS and Securities Services. We are set on building where we already have an unmatched foundation, as well as breaking new ground where there is scope to innovate at scale.

We will capitalize on our leading Custody and Issuer Services franchises as a critical driver of continued growth. Second, we will drive share gains with asset managers and asset owners. And finally, we will continue to invest in leading data and digital capabilities that set us apart.

I look forward to what's in store and sharing our story of continued momentum in time to come. Until then, there is no better way of bringing that story to life than through the experience of one of our key clients so will leave you with Mike Tumilty, Global Chief Operating Officer of Aegon Asset Management.

Thank you.

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