**Citi Fourth Quarter 2013 Fixed Income Investor Review**
**TRANSCRIPT**
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**Host**
Peter Kapp, Head of Fixed Income Investor Relations

**Speakers**
John Gerspach, Citi Chief Financial Officer
Eric Aboaf, Citi Treasurer

## PRESENTATION

**OPERATOR:** Hello, and welcome to Citi's Fixed Income investor review with Chief Financial Officer, John Gerspach and Treasurer, Eric Aboaf. Today's call will be hosted by Peter Kapp, Head of Fixed Income, Investor Relations. We ask that you please hold all questions until the completion of the formal remarks, at which time you will be given instructions for the question-and-answer session. Also, as a reminder, this conference is being recorded today. If you have any objections, please disconnect at this time. Mr. Kapp, you may begin.

**PETER KAPP:** Thank you, operator. Good morning and thank you all for joining us. On our call today, our CFO, John Gerspach will speak first, then Eric Aboaf, our Treasurer, will take you through the fixed income investor presentation, which is available for download on our website, Citigroup.com. Afterwards, we will be happy to take questions.

Before we get started, I would like to remind you that today's presentation may contain forward-looking statements which are based on management's current expectations and are subject to uncertainty and changes in circumstances. Actual results and capital and other financial condition may differ materially from these statements due to a variety of factors, including the precautionary statements referenced in our discussion today and those included in our SEC filings, including, without limitation, the Risk Factors section of our 2012 Form 10-K. With that said, let me turn it over to John.

**JOHN GERSPACH:** Thank you, Peter. Good morning, everyone. We're very pleased to be hosting our Fixed Income Investor Review this quarter. Eric Aboaf, our Treasurer, will review some specifics on our strong balance sheet, liquidity profile and capital position, as well as our 2013 issuance activity and current funding plans for 2014.

Before I turn it over to Eric, however, there are some key points from our fourth quarter results that I would like to highlight on Slide 2. 2013 was as challenging as we thought it would be. Low interest rates, changing expectations regarding Fed tapering, and increasing legal settlement costs all had significant impacts on our bottom line. We reported 2013 adjusted earnings of $13.8 billion and fourth quarter adjusted earnings of $2.6 billion, and our net interest margin was stable at 285 basis points for the year.

However, we continued to make progress on our execution priority. We improved our operating efficiency and completed the repositioning effort announced in December 2012. We continued to reduce the earnings drag associated with Citi Holdings and put several legacy issues behind us through settlements with Fannie Mae and Freddie Mac. And we utilized $2.4 billion of our deferred tax asset throughout the year. Our credit quality remains stable, and we maintained our balance sheet around $1.9 trillion.

Finally, our capital and liquidity remains strong with an estimated Basel III Tier 1 Common ratio of 10.5%, and high quality liquid assets in excess of $420 billion at the end of the fourth quarter.

Turning to Slide 3, we summarized Citigroup's financial results for the quarter. On an adjusted basis, we reported $2.6 billion of net income for the fourth quarter of 2013 and $13.8 billion for the year. For the full year, revenues grew 1% while operating expenses were 2% lower and credit costs also declined by over $2.8 billion, driving earnings growth of 15%. We improved the operating efficiency in Citicorp in 2013

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while reducing the net loss in Citi Holdings by nearly half. As a result, Citigroup returns on both GAAP assets and tangible common equity improved year-over-year.

And with that, let me turn it over to Eric.

**ERIC ABOAF:** Thank you, John. Let me start on slide 4 with a review of how we're managing our balance sheet to achieve our business objectives. First, over the past year, we've purposely held our total assets at or below $1.9 trillion, while adding loans and deposits in a disciplined manner. Second, managing a compact balance sheet has allowed us to main our net interest margin, which I'll discuss more in a moment. And third, this approach allows us to operate at appropriate levels of leverage and build towards our ROA goals.

Overall, on the asset side, net loans grew 3% year-over-year and 2% quarter-over-quarter, as demand from our consumer and corporate customers continued to be supported by the underlying economic recovery, partially offset by the continued wind-down of Citi Holdings. Trading assets and reverses, by contrast, were down 7% year-over-year, and 4% quarter-over-quarter, as we held less inventory in our markets business. Our counterparties became cautious during the second half of the year as they reacted to news of Fed tapering and possible government default while also positioning themselves for rising interest rates. Cash and investments remained stable in the second half of the year as we maintained a liquid balance sheet.

On the liability side, we maintained a diversified, stable and low cost funding profile. Deposits were roughly half of our balance sheet, up 4% year-over-year, and 1% quarter-over-quarter as we maintained deposit pricing discipline. Total long-term debt was flat in the second half of the year, consistent with previous guidance. And our equity base grew, primarily due to retained earnings and preferred stock issuance.

On slide 5, you can see how our active balance sheet management has helped us maintain a stable net interest margin. In the fourth quarter, net interest margin increased to 288 basis points as loan and investment yields somewhat stabilized, and funding costs continued to improve, with continued reductions in deposit costs, as well as a significant reduction in long-term debt cost.

On a full year basis, our NIM improved from 282 basis points for 2012 to 285 basis points for 2013. Loan and investment yields declined throughout 2012 and most of 2013, as the low interest rate environment filtered through both floating rate and fixed rate assets. However, our funding costs also declined, offsetting declining yields. Our deposit costs of 50 basis points this quarter are down 15 basis points year-over-year, with improvement in both our U.S. and international deposit base. We also saw a decline in the interest expense associated with our long-term debt, and more recently, a step wise reduction in long-term debt rates of nearly 30 basis points. In particular, our debt and TruPS redemptions in the third and fourth quarter targeted higher coupon securities. In addition, we have increasingly replaced maturing debt with new issuance at more attractive levels, reflecting both the tightening of our credit spreads and the growing contribution of lower cost debt issued in the securitization markets. This slower long-term debt cost is a good step-off for 2014.

We currently believe our net interest margin in 2014 should be at or around the full-year 2013 level of 285 basis points, with some fluctuations quarter-to-quarter. This should position us well for revenue growth as we add loans and deposits during the year.

Turning to slide 6, let me summarize our loan growth trajectory. Citicorp loans increased 9% year-over-year, excluding FX, with growth in both our consumer and corporate loan portfolios. Consumer loans grew 6% year-over-year. International consumer loan volumes increased 7% year-over-year, led by double-digit growth in markets such as Mexico, Hong Kong and India, offset by our ongoing repositioning efforts in Korea. North America consumer loan growth of 4% year-over-year included the $7 billion Best Buy portfolio acquisition in the third quarter.

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Corporate loans grew 13% year-over-year, excluding FX, with 12% growth in Asia, 7% growth in EMEA and 19% growth in North America, which included the consolidation of a $7 billion trade loan portfolio in the second quarter. Within our corporate segment, Private Bank loans grew 14%, with the greatest growth in Asia and North America, Transaction Services loans grew 16% ex-FX with growth in each of our regions reflecting strong origination growth in trade finance throughout the year. Traditional corporate lending balances increased 7% year-over-year as we funded previously extended commitments. Going forward, we expect demand for new loan commitments may remain episodic, as many corporates remain highly liquid.

Citi Holdings loans decreased 20% year-over-year due to $16 billion of runoff and nearly $7 billion of asset sales, including sales of nearly $2.5 billion of non-performing mortgages.

On slide 7, I'd like to review the credit trends in our Citicorp Consumer and Corporate loan portfolios globally, so that you can see how our geographically diversified portfolios have performed over time. The top half of the page illustrates Citicorp's consumer credit trends across our four regions. In the fourth quarter, total net credit losses declined to 2.39% of the portfolio. We have approximately $11 billion of reserves against this portfolio, representing 18 months of coincident NCL coverage. Credit remained favorable in North America in the fourth quarter, with a decline in the NCL rate reflecting both underlying improvement, as well as the impact of the Best Buy portfolio, which was acquired late in the third quarter.

In Asia, credit trends remain stable. In Latin America, we saw an uptick in NCLs. The higher NCL rate in the fourth quarter primarily reflects the impact of portfolio seasoning in Mexico. Looking to full year 2014, we currently expect this portfolio seasoning to continue with the NCL rate in Latin America being broadly in the range of the levels we saw in the second half of 2013.

The bottom half of the page highlights the quality of our corporate portfolio. Non-accrual loans as a percentage of corporate loans continued to improve, and as of the end of the fourth quarter, were approximately 58 basis points for the entire portfolio. Current loan loss reserves allocated to our corporate loan portfolio provide non-accrual loan coverage of approximately 1.5 times.

On slide 8, I'd like to provide some additional texture around the international exposures in our loan portfolios. At the top of the page, you can see our consumer business, where we have tailored our product offerings and geographic footprint to best serve customers who are urban-based and globally minded. This segment, which tends to be more affluent and grows faster than the general population in many markets, is generally more resilient through economic cycles. We provide them with deposits and investment services and also lend to them through a mix of products – credit cards, mortgages, personal loans – depending on market convention.

42% of our consumer loans are in the emerging markets, with the five largest emerging geographies representing 28% of all consumer loans. The largest of our consumer exposure is in Mexico where we remain constructive on the economic outlook and where we have a leading market position. In Korea, our loans have been declining. However, NCLs have remained relatively stable at 1.2% for the past year, even as we have actively repositioned the franchise to focus on achieving higher returns. Singapore, Hong Kong and India are all showing stable, and 70 basis points or less loss rates, as you can see on slide 28 in the appendix.

The bottom half of the page highlights our corporate loan composition. Our clients here are top multinational corporates, as well as regional champions, who value our international network and the breadth and depth of our local capabilities. Many of our institutional relationships begin with our Transaction Services business, which is why you see a large position in trade finance in both developed and emerging markets. The operating partnerships central to that business also allow us to capture meaningful share of other products such as foreign exchange, capital markets advisory and credit extension.

About half of our corporate loans are in the emerging markets. However, our focus on diversification results in no single emerging market country accounting for more than roughly 5% of our total exposure.

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We continue to believe that emerging markets GDP growth will outpace developed markets, even though recent EM growth has slowed to what we believe is a more sustainable pace. At the same time, our carefully selected investment grade and affluent-oriented target market, which we also describe on slide 26 of the appendix in more detail, should leave us less exposed to volatility in these markets.

On slide 9, let me shift briefly to the credit trends in North America Citi Holdings mortgage portfolio. We ended the quarter with $73 billion of North America mortgages, down 20% from a year ago, while net credit losses declined by 50% and the loss rate improved by roughly 120 basis points. Here we show the breakdown of residential first mortgages originated in CitiMortgage, versus the legacy CitiFinancial business. As you can see, while loan balances and net credit losses are declining in both portfolios, the loans originated in CitiFinancial are becoming a larger proportion of the total.

The loss rate overall for North America mortgages was 2% for the fourth quarter, down from 3.2% a year ago. The evolving composition of this portfolio partly obscures some of the underlying credit trends. Given the borrower profile in CitiFinancial, these loans tend to have higher loss rates at around 5% versus a loss rate of around 1% at CitiMortgage. We ended the quarter with $4.9 billion of loan loss reserves allocated to North America mortgages in Citi Holdings, or 39 months of NCL coverage. Looking to 2014, assuming the U.S. economic environment remains favorable, we continue to expect to utilize loan loss reserves to offset a substantial portion of our mortgage net credit losses.

Turning to slide 10, let's discuss deposits, which continue to serve as our primary source of funding for our bank. Our overall deposits have grown significantly over the past year, in part reflecting elevated levels of market liquidity and strong corporate balance sheets. Citi's average deposits grew $27 billion, or 4% year-over-year in constant dollar terms, even though we had a $26 billion reduction related to the transfer of deposits to Morgan Stanley during the second half of the year.

Consumer banking deposits increased 2% ex-FX, as 8% growth in consumer checking and savings balances was offset by deliberate reductions in higher cost time deposits. Corporate deposits increased 7% year-over-year ex-FX, as continued strong deposit flows led to 10% growth in Transaction Services, notwithstanding our declining deposit pricing during the year. In addition, through pricing actions, we reduced some higher cost deposits from our Markets counterparties in our Securities and Banking businesses, offset by good growth in Private Banking. Operating account balances increased this quarter to 80% of our total deposits as we continue to focus on improving the overall quality of the base.

Now, let me turn to slide 11 to cover our long-term debt, which is the primary source of funding for our parent company, and is also a valuable liquidity management and funding tool for our bank subsidiaries. Over the past years, we significantly reduced our long-term debt balances as Citi Holdings assets declined, and our deposit base grew. During 2013, we slowed the pace of reductions in the aggregate level of outstanding long-term debt. As you can see, we stabilized at about $221 billion during the second half of the year.

During 2014, we expect to maintain our long-term debt at approximately these levels, though we may have small reductions in parent company debt, partially offset by small increases in securitizations activity at the bank. We have maintained the weighted average maturity of our unsecured debt at approximately seven years to ensure the stability of our longer term debt funding base. As of the end of the year, we had holding company debt, preferred stock and Basel III Tier 1 Common equity equal to 23% of our estimated Basel III risk-weighted assets, consistent with prior periods, as we detail on slide 24. While potential regulatory debt requirements have been widely discussed, we don't yet have clarity around the exact form of the requirements, although we continue to believe we are well positioned to adapt to the proposals being discussed. We will continue to evaluate opportunities to achieve our funding costs, liquidity and capital objectives.

Slide 12 provides further context for our debt issuance and redemption activity at our parent company. During 2013, we issued $19 billion of benchmark long-term debt, as well as $8 billion of structured notes and local country debt. We also exchanged $3 billion of trust preferreds for subordinated debt.

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In addition to the U.S. dollar, we issued in a range of foreign currencies – Euros, Aussie dollars, Japanese yen, Norwegian krona – and have maturities ranging from 3 to 30 years, as we saw to diversify our funding sources and maintain a benchmark funding curve. Combined with our maturities of $31 billion and buybacks of $12 billion, we had total net redemptions of $15 billion last year.

In 2014, we currently expect to issue approximately $20 billion of benchmark long-term debt, consistent with last year. We would also expect to issue another $10 billion of structured debt and local country debt. In addition to $25 billion of expected maturities, we also expect to buy back or redeem approximately $10 billion of our debt throughout the year, as opportunities arise to replace our higher coupon securities at attractive levels. This would result in approximately $5 billion of total net redemptions at our parent company during 2014. As we have said, the market environment, as well as clarity around minimum debt requirements and other regulatory developments, could alter our outlook.

During late 2012 and 2013, we re-entered the credit card securitization issuance market as we looked to diversify our funding sources at our bank after a multi-year absence. On slide 13 we outline our recent activities and our expectations for securitizations in 2014.

Citi was historically a very active issuer in the securitization markets across a range of asset classes. With our rapid deleveraging starting in 2009 we created cash, which in turn was used to fund our routine lending growth and which temporarily reduced the need for securitizations. During this time, our securitization outstandings declined to $24 billion, including $20 billion of net redemptions in 2012. Today we find that credit card-backed debt is less expensive than our marginal term deposit rates, and helps us manage our liquidity position efficiently.

During 2013, we issued $11.5 billion of securitizations backed by Citi-Branded card receivables. We structured our offerings with a focus on a balanced maturity profile, and to respond to our investor preferences. Combined with the approximately $2 billion of maturities, we had $9 billion of net new issuance in 2013. We ended the year with outstanding securitizations at our bank of $34 billion.

Throughout 2014, we currently expect to issue $10-$12 billion in the securitization market, primarily backed by Citi-Branded credit cards. Factoring in $8 billion of securitization maturities, we anticipate net new issuance for the year of $2-$4 billion. Last week, we issued $850 million of a 7-year fixed rate credit card securitization to kick off our issuance program for the year.

On slide 14, I'll cover the size and composition of our liquidity portfolio, which is a direct result of our deposit and long-term debt funding. We size our liquidity portfolio to meet our operating needs, and to withstand a variety of stress scenarios in addition to satisfying regulatory requirements. As of the end of the fourth quarter, we had $424 billion of high quality liquid assets, somewhat higher than the $410 billion last quarter, and an average of approximately $400 billion over the last two years. As we've said before, our HQLA will fluctuate from quarter-to-quarter. As an example, our HQLA was unusually low in the fourth quarter of 2012, driven by cash outflows and deposits related to the expiration of the TAG program, as well as routine year-end customer balance sheet changes. More recently, growth in HQLA was driven by continued deposit inflows.

Over 80% of our HQLA as of year-end is held in the form of Level 1 assets – cash, U.S. government securities, and high quality foreign sovereigns. Just under 20% is held in Level 2 assets – U.S. agency securities, U.S. agency MBS and investment grade debt. As you know, there is a 40% cap on Level 2 securities under the proposed Basel Committee liquidity rules, which puts a real constraint on the size of a bank's agency MBS portfolio. Our Level 2 assets represent less than 20% of our HQLA, leaving us significant flexibility to optimize our investments for both liquidity and yield.

On slide 15, I'd like to discuss our liquidity ratios under various proposed regulations. Under the Basel LCR guidelines, as of year-end 2013, our LCR was 117%, up from 113% in the third quarter, and representing a $62 billion liquidity cushion above the 100% proposed minimum future requirement. Our LCR calculated on this basis increased during the quarter, principally due to the increase in our HQLA balance and improvement in the mix of our deposits.

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As you are well aware, the U.S. agencies released a Notice of Proposed Rulemaking in October which included several changes to the computation of the LCR for U.S. financial institutions. First, the definition of Level 2 assets in HQLA is more limited, especially around investment grade credit. Second, the proposal changed several assumptions regarding the classification of certain deposits, debt buyback requirements, and certain repo financing. Based on our understanding of these changes under the NPR, we believe we are still in compliance with the proposed minimum requirement. However, there are other aspects of the proposal that are less clear, and we are working with the industry associations and our regulators to better understand the details. Depending on these discussions, including the formulation of net outflows, and as our regulators finalize the proposal, we expect there could be additional refinements to the proposal or to our estimates, particularly resulting from any further clarity regarding implementation.

Additionally, the Basel Committee recently released a consultative document with updated guidance regarding the NSFR (Net Stable Funding Ratio). We continue to evaluate this guidance relative to our overall liquidity position. There is a lot of detail to review, but our initial estimate of NSFR at year-end is in the 90% to 95% range, and we believe we should be able to close the gap under the revised guidance over the next 12 to 18 months, without significant changes to our current plans. Of course, once we complete our analysis of where we are, we'll be in a much better position to judge the actions and timeframes needed to close any gap.

Turning to slide 16, let me summarize our capital position, which remains among the strongest in the industry, as compared to both our U.S. and international banking peers. Our regulatory capital continued to increase during the fourth quarter, driven by continued growth in retained earnings and utilization of an additional $600 million of DTA. However, our estimated risk-weighted assets under the Advanced Approaches also increased by approximately $40 billion, related to operational risk. We continue to further refine and enhance our models under Basel III, and given the evolving regulatory and litigation environment, we felt it prudent to increase our operational risk RWA during the quarter. As a result, our estimated Basel III Tier 1 Common ratio under the Advanced Approaches remained at 10.5%. It also remained slightly lower than our ratio under the Standardized Approach, making Advanced Approaches the binding ratio for Citi this quarter. As you know, we must report the lower of the two ratios.

Our estimated SLR under the final U.S. Basel III rules increased to 5.4%, while Citibank's SLR remained in excess of 6%. As you know, the Basel Committee updated their leverage ratio rules last week. Under the prior SLR guidance, we estimated that the U.S. adoption of the Basel guidelines could reduce our SLR by approximately 40 basis points. While we are still refining our estimates under the updated guidance, we currently estimate that the revised Basel proposal could increase our SLR by approximately 10 basis points, as compared to the U.S. rules. Of course, this all depends on further analysis and guidance, as well as action by the U.S. regulators with respect to the Basel Committee's guidance.

Slide 17 shows the composition of our Tier 1 Capital under Basel III. On a fully phased-in basis, our estimated Basel III Tier 1 Common ratio is 10.5% and our estimated Tier 1 Capital is 11.1%, both of which are in excess of the expected minimum. Once the capital ratio rules are fully phased in, we would expect to hold up to 150 basis points in the category of Additional Tier 1. As of now, we estimate that our Additional Tier 1 Capital amounts to 70 basis points of RWA, meaning we are nearly halfway to filling the Additional Tier 1 bucket. To reach 150 basis points of Additional Tier 1 by 2019, we would need to issue approximately $10 billion of additional preferred stock over the next four to five years. With our Tier 1 Common position currently in excess of the required levels and given the remaining time to final implementation in 2019, we believe we can issue preferred stock at a measured pace to reach our desired capital structure. Our estimated SLR is above the proposed U.S. regulatory requirement. We believe that continued growth in our common equity position, as well as modest issuance of preferreds, should provide ample cushion to this regulatory capital measure.

On slide 18, let me comment on how we have positioned our balance sheet to respond to a range of interest rate scenarios. Our intention is to benefit from a rise in rates while limiting the impact of changes in AOCI on our regulatory capital position. As the economic conditions have improved since 2010, we

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have adjusted our interest rate position progressively with a goal of meaningful net interest revenue growth as rates begin to rise.

On the right side of the page, we show how net interest revenues and AOCI would change in several different interest rate scenarios. At the top of the table, you see that if interest rates were to increase by 100 basis points in a parallel shift, we estimate our net interest revenue would increase by $1.8 billion over the first year, for an 11 basis point benefit to NIM, as our assets would reprice faster than our liabilities. In this scenario, we estimate that our AOCI would decline by approximately $3.1 billion after-tax, reflecting a decline in the value of our securities portfolio, partly offset by a benefit related to our pension plans. The net effect of this change in our AOCI equates to a decline of approximately 36 basis points in our Basel III Tier 1 Common ratio.

Now for two other interest rate scenarios: if overnight rates were to rise by 100 basis points with proportionately smaller changes at longer maturities, we estimate that our net interest revenue would also increase by $1.8 billion in the first year. Alternatively, if a 10-year Treasury yield were to rise by 100 basis points, with shorter maturities making proportionately smaller rate moves, our first year benefit to net interest revenue would be only $100 million, based on this static balance sheet analysis. If, however, we decided to adjust our investment portfolio duration after such a rate rise, that could meaningfully increase the contribution to earnings. While rising rates have the ability to reduce our Basel III regulatory capital ratios through AOCI, we would expect to recover the AOCI through both increased revenues and accretion of our investment portfolio as the investments roll down the curve towards maturity. In each of these scenarios, we estimate that these effects should allow us to recover the AOCI at risk within approximately 18 months.

Moving to our last slide, let me summarize four major points. First, while the environment remains challenging, we continued to make progress on our execution priorities. Second, our credit trends remain favorable, reflecting the high quality of both our consumer and corporate portfolios. We managed our balance sheet efficiently, which contributed to stable net interest margin of 285 basis points for the full year.

Third, during 2013, we continued to optimize our funding profile with programmatic issuance of both benchmark debt and securitizations to support the operating needs of our parent and bank. Our 2014 funding plans are consistent with our 2013 actions. Fourth, and lastly, our liquidity reserves and capital base remain among the strongest in the industry, as reflected in our regulatory metrics. During the fourth quarter, Moody's and S&P acknowledged our progress by upgrading our standalone ratings.

That concludes our fixed income review. John and I would be happy to take your questions.

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**Question and Answer**

**OPERATOR:** Your first question comes from the line of Robert Smalley with UBS. Please go ahead with your question.

**ROBERT SMALLEY:** Hi. Good morning, John, Eric and Peter. Thanks for the call. Couple of questions on emerging markets and then on the funding side, if that's all right. First, thank you for the AOCI slide. My question is, in past calls we've talked about some of the emerging markets operations. In order to maintain liquidity you've kept local government bond portfolios. Given what happened in emerging markets in the fourth quarter, did these take a valuation hit at all and how does that flow through? Is that done on a local level or does that flow through AOCI?

**ERIC ABOAF:** Robert, it's Eric here. You are right in describing our liquidity portfolio as both existing in the U.S. market, right, in dollars as well as in foreign sovereigns, and those foreign sovereign AFS portfolios as you know are funded by the local deposit base. If you think about kind of two time periods for the fourth quarter, we didn't see very much of an interest rate move in the emerging markets. That's

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different than what we saw about six months ago. If you recall in the second quarter, there was quite a move up in interest rates in the emerging markets. And so as a result, when you look at our impact of OCI, it's actually in the appendix on page 33. You'll see that there are investment securities OCI in the bottom table of about $400 million. Most of that in the fourth quarter came about from the rise in interest rates in the United States. And there was actually very little change from any of the rate moves in foreign sovereigns, at least on average.

**ROBERT SMALLEY:** Okay. So in the future, if that should happen, that's the line we should look at though?

**ERIC ABOAF:** Yeah, absolutely.

**ROBERT SMALLEY:** Okay. On Korea, could you give us a little bit more color to characterize where the restructuring is? When do you think that would be done? What other charges you think you might have to take there? I know a competitor of yours took a large goodwill charge in Korea. Is that something that is possibly down the road?

**JOHN GERSPACH:** Yeah, it's John. We've been in the process of repositioning Korea probably for the last 18 months or so, and for the most part, the repositioning has to do with changing some of the target markets. We've decided, as we've described in the earnings call that we did last week, moving to a customer segmentation that is much more in line with the customer segmentation that we have elsewhere in consumer. You know, that urban-based, globally mindset, call it the “affluent” or “emerging affluent” customer base. And so the repositioning you've seen so far has been largely with just the books themselves and moving to that customer mix. What we do, we still need to do, though, is to complete the repositioning of the branch structure so that the branches then are more aligned again with that urban type of strategy. So we're again as we have elsewhere in our various countries, have branches much more centrally focused around the larger city. That is work that is yet to be done, and we hope to begin – we have done some of that – but we really hope to begin more in earnest this year. We haven't discussed what the potential is for the repositioning charges associated with that, but that's clearly something that we'll be talking to you about later in 2014.

**ROBERT SMALLEY:** Okay. Thanks. Moving on to some of the funding details. You put in Slide 32 issuance over the course of 2013. And I was wondering if 2014 issuance is – if you're looking to follow a similar issuance pattern there? Or if you're looking to front load more issuance given where rates have gone down to and where credit spreads are?

**ERIC ABOAF:** Rob, it's Eric. We'll address that in a way based on how the market evolved. We tend to be fairly regular in our issuance. You don't see quarters where we issue half of the total need for the year, nor just a billon or two – we tend have some balance. But in truth, we're going to see how the first quarter shakes out, second quarter, and third quarter. And I'm not really in a position to share that with you now, because it's the kind of assessment that we do literally every day and every week when we look at the market. What I can tell you is that we'll be active in the markets every quarter, and it's just a matter of how much.

**ROBERT SMALLEY:** Okay. And you had also talked about credit card securitizations as a main issuance vehicle for funding the bank. Have you also reviewed looking at the senior deposit market as well?

**ERIC ABOAF:** Rob, that's a good question. We've from time-to-time taken a look at that as well as all possible funding options. Right now we don't see a particularly good reason to access the senior debt market for the bank in particular. On one hand, deposits are our lowest cost of funds; securitizations are our second lowest; and sort of, unsecured senior, in the bank would be above both of those. So economically it doesn't seem to make a lot of sense, but maybe that'll change over time. At the same time, as you know, there are upcoming rules on Orderly Liquidation long-term debt requirements, and up until now, our understanding is that those requirements are primarily for debt issued at the parent

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company. Maybe it would be issued at the parent company and down streamed into the bank, but that bank issued senior wouldn't be particularly useful to address those requirements. Obviously we don't have a set of rules. We don't know yet. And perhaps if that changes, we'll obviously factor that in.

**ROBERT SMALLEY:** Great. One last one, if I could, on preferreds. And thank you for giving us a rough issuance schedule. Cost of preferreds, dividends paid, have more than doubled I guess, according to the slide, to $427 million. Given what you're looking at for issuance over the next several years, you could add another $600-$650 million to this and bring your annual dividend cost to over a billion. How do you think about that in terms of planning? When does that become too much, and how do you factor that into your long-term cost?

**ERIC ABOAF:** Rob, it's Eric. The truth is that the preferred equity that is required for any U.S. bank is 1.5% of RWA or up to that, obviously you can fill it with Tier 1 Common.

**ROBERT SMALLEY:** Right.

**ERIC ABOAF:** There tends to be an advantage of, given where rates are and the returns on common that we can achieve, to actually have that 1.5 percentage point bucket filled with preferred. So that's kind of the starting point. I think the second part of that discussion tends to be how quickly do we want to issue preferred. On one hand, we could issue them all tomorrow. We won't be doing that, but theoretically that's possible. And then the common equity holders would need to pay out that dividend, right, before we accredit earnings to them, and that would not be, probably, our objective. At the same time, we could wait for five years and issue them all at the very end of the time period. We're not likely to do that either. And so that's why we're kind of in this middle ground of issuing in a paced manner. We issued a good chunk last year, and in the coming year, we think we'll be issuing a little less than what we did in the past year and then continue to pace ourselves over the next four or five years.

**ROBERT SMALLEY:** Great. That's very helpful. Thanks for answering all of my questions.

**ERIC ABOAF:** Our pleasure.

**OPERATOR:** Your next question comes from the line of Mark Kehoe with Goldman Sachs Asset Management. Please go ahead with your question.

**MARK KEHOE:** Hi. Good morning. I just want to get your thoughts around the pre-positioning of any debt ahead of OLA and maybe also to touch on the point if you do think that OLA requires some sort of debt issued at the holding company, how do you think that debt could be deployed within the group and at the bank level? Whether that would be an exclusive portfolio that you would buy some more HQLA assets or whether you would repay FHLB borrowings? Thank you.

**ERIC ABOAF:** Mark, it's Eric. Let me try to share with you what I know up to now on the question of Orderly Liquidation Authority and the rules (or the potential rules), and then what might come out in pre-positioning rules, but the challenge with answering your question is that we actually don't have rules yet. Right? I don't know how else to say that.

That said, if you think about it broadly because I think that's what you're asking, ultimately it looks like we're going to have some kind of long-term debt requirement for the bank holding company. It sounds like some of that long-term debt may or may not need to be pre-positioned in either the dealer or the bank or other subsidiaries. And I think until we know more, we wouldn't necessarily actively move debt, or allocate it, or pre-position it, in those different subsidiaries. I think there is a range of views within the regulatory community that you've seen in some of the speeches. Some would argue that pre-positioning a little bit of debt makes some sense, some would say a little more debt. It seems like pre-positioning all of the debt has some disadvantages, and not pre-positioning any may not be the place that our regulators land. But

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we really need to see more, and as a result, we're a bit hesitant to get out ahead of something that we know is pretty ambiguous and uncertain.

**MARK KEHOE:** Great. Thank you.

**OPERATOR:** Your next question comes from the line of Dave MacGown with Morgan Stanley. Please go ahead with your question.

**DAVE MACGOWN:** Thanks. Good morning, guys. A couple of follow ups on your LCR disclosures. Eric, I may have missed it but I don't think you have said what your LCR looks like at the bank subsidiaries, and I'm wondering if you have an estimate of what the 117% at the bank level looks like under the U.S. rules.

**ERIC ABOAF:** David, it's Eric. Good questions. LCR disclosure, as you saw, we had on Page 15 – 117% in aggregate for the firm. And we don't disclose the individual subsidiaries, but you can rest assured that if we feel confident that we should run the LCR above 100% for the firm, we also feel like we should run it above 100% for the bank, and that's how we are running that today.

**DAVE MACGOWN:** I understand. And the U.S. rule impact?

**ERIC ABOAF:** The U.S. rule impact we've done in aggregate so far. To be honest, if – I don't know if you flipped through it, it's 118 pages. So we've done the aggregate assessment for the impacts to the 117%. We feel like we're still in compliance, well above the minimum requirement in aggregate. I'm not done – to be honest, the bank, dealer, parent split, but we think that we'd be within the range of where we need to be. We don't run with particularly large amounts of excess liquidity in one entity that funds another entity. And so we should be within the range of generally where we need to be.[1]

**DAVE MACGOWN:** Okay. And Eric, you mentioned the cap on Level 2 assets. Looking at your disclosures versus some of your peers, you have relatively high cash balances, and you teased out agency RMBS. Even with that cap, you have pretty low agency balances. Do you think there's room to optimize and generate some growth in NII as you do that?

**ERIC ABOAF:** David, I do think there is some room. I think the question is when and how, to be honest. Right? If you think about it, there are some banks out there who have very large agency MBS portfolios that are way above the 40% limit, a cap they're going to need to divest. I think we're in the opposite situation, we've got a pretty diversified set of assets. Like you say, we have a lot of cash, you can see that on Page 14. And we have a modest-sized agency MBS portfolio.

The challenge in a rising rate environment is that agency MBS are very tough to run. Because you have an extension risk there, you've got a fair amount of great exposure that you need to be careful about in particular with that asset class. So if you're looking for us to change the size of that portfolio tomorrow, I don't think that really makes a lot of sense. Right? But over the next few years, and as rates move up to different levels and maybe stabilize at some levels, it's a natural asset class for us or for any bank to continue to invest in. And like you say, we have cash. Ultimately there will be a choice around rates and value of relative asset classes that we'll make at the time.

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[(1)]As discussed in connection with slide 15 of the presentation, the U.S. agencies released a Notice of Proposed Rulemaking (NPR) in October 2013 which included several changes to the computation of the LCR for U.S. financial institutions. Based on Citi's understanding of certain of these changes, Citi currently believes it remains in compliance with the proposed minimum LCR requirement. However, there are other aspects of the NPR that are less clear, including formulations of net outflows, and as the regulators finalize the NPR, Citi expects there could be additional refinements to the NPR or to its estimates, particularly resulting from any further clarity regarding implementation.

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**DAVE MACGOWN:** Helpful, Eric. Thank you.

**OPERATOR:** Your next question comes from the line of James Strecker with Wells Fargo. Please go ahead with your question.

**JAMES STRECKER:** Good morning, gentlemen. Thanks for the call. I guess these questions would be for Eric probably, and they're kind of a follow-up on what Rob and Mark and what David had asked. So last week BAC said they would look at issuing senior bank debt out of the bank obviously. More so to help with any LCR compliance at the OpCo versus the cost of funding advantage and the OLA concerns, etc. Is that part of the matrix that you guys have evaluated potential bank issuance out of, or are you not concerned with that?

**ERIC ABOAF:** James, it's Eric. As I just said, our LCR is very healthy for the aggregate company at 117% and above the requirement for the bank. So we're in good shape. We don't need to do anything particularly strenuous or different in the bank on a go-forward basis. I think if we were to continue to think about diversifying our funding sources, which we're always looking to do, I'd kind of look at the tiering of economics, because in the end, we want to do that at the lowest possible cost to get the best kind of tenor construction. And we're still back to the deposits tend to be the lowest cost, and after that it's securitizations, which is why you've seen us leg back into a modest and a relatively important program in that asset class. After that, we don't really see the need for unsecured at the bank, and we're not necessarily going to go in that direction obviously unless some regulatory rules change or for some other reason. But we don't see the motivation.

**JAMES STRECKER:** Okay. So it's purely an economic decision at this point. Switching gears a little bit, you mentioned potentially holding up to 150 bps above the risk-weighted assets in preferreds. There is some caution or consideration on our side about how much of the Tier 1 Common buffers that everybody will presumably run with would count towards that bucket too. I mean, is it feasible that you could ultimately have a point or maybe a point and a quarter versus the full 150 bps, or do you think you would optimize that to the full 150 bps over time?

**ERIC ABOAF:** James, it's a fair question, but one I think that is hard to answer today. I think over time, we're going to get more regulatory guidance either formally or informally as an industry which is, it really should be filled with preferreds, or using common may be a very acceptable alternative. And then obviously we're going to have to continue as a firm, at our end, to do the optimization of, can we earn for the marginal amount of equity enough returns to offset the preferred dividend, which we typically can, and that would encourage us then to return common equity to shareholders and then to have that bucket more closely aligned with a point and a half of preferreds. But I think time will tell, and we'll learn more and obviously we'll address over the next few years.

**JAMES STRECKER:** Okay. Thanks, Eric. And I guess we could apply that same answer to 2% of risk-weighted assets and sub debt of wholesale debt?

**ERIC ABOAF:** Yeah, same approach.

**JAMES STRECKER:** Okay. Last but not least, you had had mentioned some of the things you think you're hearing, and we've been hearing some of the things we think we know about OLA. Any color on whether you feel there could be a specific sub holdco requirement that comes out of the rules, or are you just in the same bucket like everybody else, waiting to see the rules?

**ERIC ABOAF:** James, you're breaking up. The question is specific requirement on....

**JAMES STRECKER:** A specific sub holdco requirement as part of OLA, any thoughts, chatter, news on that, or are you in the same bucket as everyone else and just waiting to see the rules at this point?

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**ERIC ABOAF:** We're in the bucket of everyone else and just waiting to see the rules. And when they come, we'll obviously try to interpret it as quickly as possible and comment for you.

**JAMES STRECKERS:** Okay. Thanks, guys.

**ERIC ABOAF:** Our pleasure.

**OPERATOR:** Your next question comes from the line of Ryan O'Connell with Morgan Stanley. Please go ahead with your question.

**RYAN O'CONNELL:** Eric, good morning. Two questions if I could, on earnings. John, on the earnings call, you referred a couple of times to moving toward breakeven in Citi Holdings. Now, we all know there are a lot of moving parts there. But have you indicated the timeframe when you think Citi might achieve that? I mean, are we thinking 2015? Or something earlier?

**JOHN GERSPACH:** Yeah, Ryan, when we laid out the original target for 2015 for overall Citi, both as far as achieving the efficiency ratios that we laid out, but importantly, as far as achieving the minimum return on assets of between 90 and 110 basis points for all of Citigroup, getting Holdings closer to breakeven was clearly a part of that planning. So we've never said and I wouldn't say that in 2015 we will have Holdings at breakeven. But that is clearly the path that we're going down. So if you take a look at 2012 compared to 2013 in that one year span, we cut the Holdings losses by about half.

So we have made some good progress as far as getting Holdings closer to breakeven. Obviously there still is a ways to go, but we do have two years to do it in. And ultimately what is going to drive that, as we lay out in a four panel chart that is part of that earnings presentation, it's really going to be dependent on how quickly we can drive down the legacy legal costs. That is right now the big driver in that.

**RYAN O'CONNELL:** Okay. Thanks. That's helpful. And then my second question is – and we touched on International a bit before – but International Consumer. And there too I guess there are a couple of cross-currents. On the one hand, you indicated Korea is stabilizing, so at least my sense is overall that should help the pressure on the revenues in Asia. On the other hand you're getting good loan growth in Latin America. That's a good thing. You're building reserves rather than releasing reserves.

So here's what I'm trying to sort out. If we look at International Consumer Banking earnings on a reported basis, they were down about 10% for the full year. But if we exclude the effect of loan loss reserve releases as you pointed out, they're actually up about 2% for the year. So is it fair to assume that we should not think about material loan loss reserve leases in the future? And then secondly, that by the same token, the effect of the past reserve releases is already tapering off. So – and I don't know what guidance you're prepared to give on this – but in terms of a reasonable expectation for International Consumer, it's a big business for you all – low single-digits growth, is that realistic?

**JOHN GERSPACH:** Well, we've never really laid out the growth targets from a net income point of view. So I don't want to – and nor do we usually give forward guidance. But your observations are pretty spot on. The way I look at the International Consumer right now, we have for the most part moved past reserve releases in the International Consumer business. And so in thinking about that business on an ongoing basis, it should be one that is driven by – ultimately, once we get past the stabilization of Korea - it's a business that should be driven by the drivers, to be simple about it. As we grow the loans, you should anticipate – and again it's going to depend upon the interest rate environment in each of the countries – but those loans should generate additional revenue. We should get net interest revenue off of the loan. Obviously the asset management fees and the wealth management part of the business will be a little bit dependent on market environment. But you should see revenue growth along with loan growth. Along with the loan growth then, you're going to see some need to build reserves, because as the portfolios grow, we will need to increment the reserves. Not because of declining credit quality, but just because the portfolios are expanding. And then as we're doing that, we will grow those loan portfolios again with the same credit discipline that we've been showing.

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So you can make your own assessment as to where the NCL rates are going, but we have given some, some near-term guidance that certainly looking out into 2014, we see that as somewhat stable as to where we've been. So the NCL should be somewhat stable. Loan loss reserves will need to grow in association with the growth in the portfolios, but that growing portfolio should produce expanding net interest.

**RYAN O'CONNELL:** Okay, Great. Thanks. That's helpful. Really appreciate it.

**ERIC ABOAF:** Not a problem.

**OPERATOR:** Your next question comes from the line of Pri de Silva with CreditSights. Go ahead with your question.

**PRI DE SILVA:** Good morning, gentlemen. If you turn to Slide 12, the $20 billion of benchmark debt that you plan to issue this year, does that include any preferred stock, or that's not part of this equation?

**ERIC ABOAF:** Pri, it's Eric. On Page 12, and I think the corresponding page would be Page 11 where we have the stack of the long-term debt, we're only capturing the debt structure. Right, the preferred stock is obviously an equity account instrument.

**PRI DE SILVA:** And then if you turn to Slide 17, the comments you've made about up to $10 billion, I think in my calculation, it came closer to $11 billion of potential preferred that you could issue. I just want to make sure that this does not include any changes in RWA.

**ERIC ABOAF:** That's right. The estimate we gave was based on the existing RWA. We did that because RWA has actually been, you know, relatively flattish over the last year within a band, and we don't expect a lot of growth, and so we thought that would be the simplest way to do the estimate or you.

**PRI DE SILVA:** Thank you very much. And I have a follow-up question. I don't want to beat a dead horse on senior bank debt, so I will follow up with Peter. Thank you.

**ERIC ABOAF:** Thanks.

**OPERATOR:** Your next question comes from the line of Ian Jaffe with RBC Capital Markets. Please go ahead with your question.

**IAN JAFFE:** Hi. My questions were asked and answered related to potential use of excess common equity for the Tier 1 bucket and potentially Tier 2, so thanks a lot.

**ERIC ABOAF:** Thanks.

**OPERATOR:** The final question comes from the line of Jeffrey Bernstein with Cutwater Asset Management. Please go ahead with your question.

**JEFFREY BURNSTEIN:** Sorry to disappoint, but my questions were asked and well answered. Thank you.

**ERIC ABOAF:** Alright, Jeff. Thank you.

**OPERATOR:** Thank you. That concludes the question-and-answer session. Mr. Kapp, do you have any closing remarks?

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**PETER KAPP:** Thank you, everyone, for joining the call today. If you have any follow-up questions, please don't hesitate to reach out to us in Investor Relations. We'll talk to you again next quarter.

**OPERATOR:** Thank you this concludes today's conference call. You may disconnect.

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