TRANSCRIPT

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Speakers
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PRESENTATION

MOSHE ORENBUCH: Good morning, everyone, and thanks for joining us for the second day of our 15th annual financial services conference. We are very pleased to have the management of Citigroup with us.

Over the past several years, the Company has significantly repaired its balance sheet. It's well-positioned to meet capital standards a full five years ahead of schedule and at the same time working very hard to improve both the level and consistency of earnings. I think what investors really are looking for from the banking sector has been revenue growth, and it has not been easy to find.

With us today we have got Jud Linville, the Chief Executive Officer of Citi Cards. Jud joined Citi several years ago from AmEx, where he ran the consumer card business and prior to that ran the network business, so making him uniquely qualified to run Citi's businesses, which spans, I believe, 35 countries on six continents. His focus has been on making those units work together to become more efficient and create more growth opportunities and a global brand.

Citi has been the leading mailer in the United States for the past several years and we think is poised to see growth in both revenue and earnings from that business, from the Cards business, both in the US and globally in 2014. So we look forward to Jud's presentation, after which he will take our questions. Jud?

JUD LINVILLE: Thank you, Moshe. It's good to be here. Good morning, everyone. Good to see all of you here given the snows that are headed to the Northeast. It looks like you are probably leaving just after this or staying for the next three days.

Today I want to share some insight into Citi's Global Card business, its strategy, execution priorities, the results, and, frankly, the business that we are building.

First, just a bit of background. Citi is the largest issuer of credit cards in the world, about 140 million accounts with about $150 billion in outstanding loans. We have a unique and diversified business model with $46 billion of those loans in our U.S. Retail Services, think private-label business; $71 billion in U.S. Branded Cards; and $34 billion in the international markets.

Cards generates over $21 billion of revenues and is close to $5 billion in net income in 2013. In fact, in 2013 $1 out of every $3 of net income generated by Citicorp came from Cards. As you'll see later, this is a business that is exceptionally efficient and generates very attractive returns on both assets and capital. And, more than I believe any other product at Citi, is the face of the brand and in fact the means to restore what was once a very valuable brand.

Global Branded Cards, which I run, is a business operating in 34 countries around the world. Nearly a third of our Branded Card loans are generated outside of North America and no single international market is more than roughly 7% of our total portfolio. Our international presence gives us exposure to faster-growing markets where card loans and purchase sales have continued to expand, while the U.S. gives us global scale in the ability to optimize how we grow the total portfolio over time. It is this scale and opportunity, along with Citi's heritage in Cards, that drew me to this business. I used to refer to Citi a decade and a half or so ago as Credit Card University.

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Our strategy in Cards is aligned with the Global Consumer franchise. First and foremost, we are a customer-centric, service-oriented business - more on that in a second.

Secondly, we focus on markets and client segments were we have or can build a competitive advantage. In Cards, our goal is to serve specific client segments from the upper end of the mass market through to high net worth, with a compelling set of offerings. And while our geographic diversity is clearly a strength, we also need to be clear about where and how we allocate resources by market, by customer segment and by product offering.

Third, we believe we are well positioned for organic growth, leveraging our unique presence in faster-growing markets and investing in differentiated products, services and capabilities from marketing to analytics to digital sales and servicing.

Fourth, we are leveraging our global reach from how we transfer best practices across the markets and capture the benefits of scale to how we deliver global capabilities that drive local market competitive advantage.

Historically, Citi's franchise was one I held in great admiration as a competitor and a true innovator in this industry, but it had lost its way over the last decade. The business had suffered from over-engineering and underinvestment. As such, it lost its focus on the customer and was a sprawling portfolio that was late to respond to changes in the environment leading up to the crisis.

When I joined Cards I was the fifth CEO in six years. Now three years later I believe we are seeing the benefits of consistent direction, a commitment to invest and a principle-based culture rooted in execution. First, we had to fix the basics. This meant addressing product infrastructure and service gaps, particularly in North America, as well as reducing the risk profile in the portfolio and bringing it back to pre-crisis profitability.

We are now in what I think of as in the next stage, which is simplifying and standardizing the way we come to market, and simultaneously focused on delivering the full potential of our franchise. Optimizing our portfolios to serve specific target segments with unique and truly global solutions.

When I arrived at Citi, our immediate focus was U.S. cards, which accounts for roughly two-thirds of our loans and over half of our revenue. Coming out of the financial crisis we hadn't launched a new product in years. Our customer satisfaction scores were among the lowest, if not the lowest, in the industry and we had a shrinking customer base that had suffered year after year of re-pricing and service cutbacks. Our portfolio had been in decline for nearly 10 years.

Our co-brand relationships were managed by legal terms rather than as a true partnership, failing to capture the power of these loyalty assets and very valuable distribution channels. Some of our infrastructure in things like fraud, decision models, marketing analytics was more than 20 years old and we simply couldn't target and attract new customers and engage with our existing customers in the right way.

First, we knew that delivering new and compelling products in North America was crucial. In rewards, as an example, we had 10 different programs competing not only for share of mind with consumers, but also for marketing dollars and technology support. Our first step was to consolidate these programs and introduce a single ThankYou product suite with a good/better/best model that several of us were familiar with.

We launched ThankYou in 2011, converted all of our existing reward products and customers to these new products, and began to invest in customer acquisition and engagement. If you look at this portfolio roughly two years later, it's delivering strong growth with accounts up 8%, purchase sales up 10%, revenue up 3% on a year-over-year basis. And we have gained share in the rewards category.

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It is good quality growth with reduced reliance on balance transfers. Similarly, we re-launched a product that was referred to as Simplicity. When I arrived I said it was anything but simplicity; it should be called complexity. We, in fact, removed a lot of the impurities in that and simplified it dramatically. And we have now a truly simple, lend-centric product with no late fees, no annual fees, and no penalty rates. It is designed not to get around the limits of the new regulation but to embrace these rules in the spirit of transparency and responsible finance. Basically we said use the regulations as your design principles.

Finally, we focused on our co-brands such as Hilton, Expedia, and American Airlines, the last of which I will address in just a minute. So today about 80% of our U.S. business sits in segments where we are investing to drive growth and we have more new products coming out to fill the remaining gaps in our portfolio. But there is also a legacy portfolio in our business which is not growing. We have reengineered these portfolios for better profitability and they are having an ever-smaller impact on our total franchise.

We also tackled the core infrastructure issues that I had mentioned earlier with investments in marketing, analytics, and risk infrastructure, each essential in an analytically-derived and driven business like Cards. In marketing, we have focused on acquiring new customers through digital, which we have grown 25% over the past few years. We've also tripled distribution through our retail branches during this time, which not only lowers our cost of acquisition but also improves the profitability of these relationships.

Through better analytics we have reduced our use of promotional balance transfer programs, basically weeding out customers who, quote, “rent our balance sheet” and focus more on customers who are looking for longer-term, sustainable lending relationships. In addition, we brought our risk infrastructure to the leading edge with a new SaaS platform and, frankly, a bunch of skilled decision modelers as well as better service processes. As a result, we have shrunk our fraud losses while cutting in half the false positive declines at the point of sale and our net promoter scores on fraud interactions have increased nearly tenfold.

Net promoter scores are a key metric for us, measuring the percentage of customers who would recommend Citi to a family member or friend, less the percentage who would not do so. Think 10-point scale, 9 and 10 promoters; detractors are 1 to 6 and you get a net number there. Three years ago, as an example, our net promoter score for customers who contacted us over the phone for any reason was zero. Meaning we had just as many people who would not recommend us as who would.

Over three years the score has risen to a positive 50%. We have worked to win back customers' trust, reducing pain points in relationships, becoming simpler and easier to transact with, and executing consistently at key moments of the relationship, whether that's new account onboarding, point-of-sale that I mentioned, reward redemption, or simply problem resolution. We are proud of this progress, but there is still work to do to achieve best-in-class levels.

So what has all of this delivered in terms of results? You can see our progress here with pretax earnings and pretax earnings before the benefit of loan-loss reserve releases -- we think core EBT is the true beacon of health in this -- improving from a loss of roughly $600 million in 2010 to a positive $2.7 billion in 2013.

Today North America Cards business generates more pretax earnings, again excluding loan-loss reserve releases, than it did pre-crisis despite being about $10 billion smaller in terms of loans. A key profit driver, without a doubt, has been lower net credit losses, but I will tell you it has also been a focus on expense control and reengineering to fund these new investments. And you will see in our operating efficiency what I mean.

As we've seen real momentum in the revenue drivers as we deepen customer engagement, we have also grown accounts every quarter since 2011 and annual purchase sales are up over $6 billion in the same

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period. Importantly, we have seen revenues stabilize in 2013 as growth in the core portfolios has started to offset the legacy runoff.

Internationally we were, frankly, starting from a very different position than the U.S. These markets recovered more quickly post crisis and our franchise remained intact fueled by an aspirational brand position that was often number one or two financial services brand in many of these fast-growing markets and regions. But even with stronger fundamentals and macro drivers internationally we have to ensure that we are allocating resources to the right markets in line with the strategy that our CEO, Mike Corbat, outlined last year. So we have a clear strategy around markets to invest to grow, where we need to optimize our model, and where we need to restructure.

In 2013, we announced four market exits -- Turkey, Romania, Uruguay, and Paraguay -- where we didn't have a strong competitive position and it wasn't clear that we would establish one any time soon, as well as the sale of Credicard in Brazil, which was not aligned with our target segment. Still in Brazil, but spun off a portfolio.

This rationalization and focus of resources is helping to fund growth in other markets such as our expansion in China, where we were the first global bank to issue our own branded credit card. And, in fact, still remains the only bank to do so.

Historically, Citi Cards had some great portfolios, but our resources were spread too thin impeding our ability to serve our customers, diluting our message in the market, and increasing our risk of control gaps. We operate in 34 markets and historically each market would create local products for local customers. As a result, there was an enormous product sprawl and little consistency.

Think of the complexity, for us and our customers, in managing hundreds of products across these markets. We are now in the process of simplifying our portfolio and plan to reduce the number of products globally by nearly 60%. We are also standardizing the portfolio based on five common chassis, products with a common core globally that can be customized to work with the local markets.

Each of these chassis is lined up against distinct target customer segments covering the full spectrum of lend to spend and making sure that we are clear about who that design target is, what job the product needs to do, and making sure that it resonates with that design target.

Citi Prestige is our first chassis. It currently is available in six markets and will have another five markets this year. Prestige targets the affluent segment with features including global concierge, complementary airline lounges, as well as local benefits such as our dining program in Singapore.

Where we have launched the Prestige Card it's generating three to four times the market average in sales per customer, and we have particularly seen strong response among our Citi Gold and private banking clients. In fact, in the U.S. we already have about three times the number of Prestige holders as we have had in the entire portfolio that was Chairman's Card built with Smith Barney.

Having the right value proposition is vital to attract customers. A good rewards program not only drives loyalty, but also drives engagement and spend.

Historically, let me tell you, our rewards programs were based on breakage. We basically discouraged people from redeeming; capping the rewards you could earn in a given year and having points expire. Over the last few years we've removed a lot of these policies, driving redemptions and adding more value.

We have streamlined our merchandise catalog, removing 30% of the SKUs, to focus on higher demand products. We redesigned the rewards website for better navigation and we improved access to customer support, amazingly opened our call center on the weekends.

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As a result, since 2011 we've increased the number of customers redeeming rewards by 30% while reducing our cost per point. And the result is that we are seeing much higher engagement, lower attrition, and significant improvement in customer satisfaction. Our net promoter scores here for people redeeming rewards have more than doubled over this period.

When I look across the globe, Citi has some of the best reward capabilities and partners in our industry. On a global basis we provide points transfer, the ability to transfer your rewards points to an airline or hotel program for example, in 24 markets with 16 global partners.

In North America we launched unique programs to make it easier for customers to use their points. Shop with Rewards is a great example. With three clicks customers can redeem ThankYou points on Amazon for millions of items, and I trust over the holiday period several of you used your ThankYou points at Amazon. And with Citi Rewards account number you can use your points to pay now anywhere that Visa and MasterCard are accepted online.

These three reward options have delivered better customer experience at lower cost per point and all together resulted in over 10 billion points redeemed in 2013.

Not only are we making it easier to redeem your ThankYou points for concert tickets from Live Nation, a relationship we've got, one of the largest concert promoters in the world, we are also a providing our card members with access to 10,000 events annually across music, sports, dining. And, Larry, your daughter is doing a great job on that program. By creating memorable experiences for customers from preshow Q&A and acoustic sets like Katy Perry to a youth clinic with Mariano Rivera, we are building loyalty and driving engagement.

Since inception, Private Pass has become the largest program of its kind and has driven a 25% increase in entertainment spend among Citi card members. In 2013 alone we offered 6,000 music events and access to more than 60 of the top 100 concerts, from the Rolling Stones to Justin Timberlake and Jay-Z to Pink to, amazingly, One Direction.

As we look to expand Citi Private Pass internationally this year, beginning with Latin America and Asia, we have a unique opportunity to build on the success this program has in North America and our relationships with top talent to drive top-of-wallet behavior.

The real differentiating factor at Citi is bringing all these valuable assets together on a global basis and providing a common global rewards platform that no other bank can deliver. We want our customers to have the same access to rewards, exclusive offers and redemption capabilities wherever they are in the world or by whatever channel. This provides tremendous choice and flexibility for our customers and increases access to new geographies and speed to market for our partners.

We are launching Global Rewards this year and expect to be rolled out in about a third of our markets by year-end.

In the co-brand space, we have deep relationships with some very important partners and brands including the world's largest airline. American Airlines, which, as all of you know, recently merged with USAir. We believe there's even greater opportunity ahead to grow this business by better penetrating the combined customer base and working with the new American management team to help drive their business forward and, frankly, become indispensable.

Starting next month, Citi will offer the only U.S. credit card with membership benefits at American Admiral's Club lounges. Any other credit or charge card that currently provides Admiral's Club access, our competitors' cards, will lose this card benefit. Citi also won the exclusive rights to issue new credit cards

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accounts for the new American following the integration of the American US Airways frequent flyer programs expected in 2015.

There's great upside for us and already we are seeing new accounts and purchase sales in the American Advantage portfolio grow faster than they have at any time in the past many years.

These card businesses are not just about capturing spend, however. It's also about making sure we've got the right mix of revolving behavior with borrowers who meet our target characteristics. Either at the upper end of the mass market or the occasional revolver among transactors.

Citi has always had a core competency in consumer lending, particularly in credit cards, but we really never focused on leveraging our expertise across markets or in combination with the retail market.

I already talked about the Simplicity Card here in the US and we are employing similar principles of transparency and responsible lending in other markets. In Mexico, we are leveraging our significant network in Banamex, with a focus on growing our card loans with customers who already have a retail banking relationship with us. We have proven that these relationship customers are not only more profitable, but are also lower risk and more engaged.

We've created the ability for customers to not only apply for the card in one of our 1,700 branches, but to obtain a functioning card they can use within 15 minutes. By the way, the same capability we have rolled out in China as well in our branches.

What we have seen is, if we provide customers with the right product at the right moment, activation and usages much higher. Say in the range of about 20% better. What is powerful is that we are already managing these customers' operating accounts today so that we have greater insight into their credit quality and can easily set up automatic payments on these loans.

Similarly, we are tapping into our existing card relationships to provide installment loans, drawing on a customer's existing line of credit, combining the flexibility and convenience of revolving credit with the structure of an installment loan.

So we are constantly assessing ways to leverage our existing international customer relationships, managing risk while delivering what I believe can be a remarkable lending experience for our customers. And we are doing all this under a common framework and disciplined risk management framework designed to both optimize returns and to reduce volatility.

Over the past few years, we have made a significant shift from acting as a federation of what I consider to be independent territories to becoming one global business. Harnessing this scale has been powerful for us with the networks as an example, Visa and MasterCard. Where our relationships were previously splintered across 34 markets, now we take a global approach. This is, quite simply, less complex, more efficient, and allows us to partner more effectively on strategic initiatives or play bigger from new economic structures to new products and marketing programs to the rollout of new technology and collaboration on setting standards for digital payments and tokenization.

This is particularly effective in international markets where adoption of mobile payments is growing at a much faster rate than in the U.S. In Asia, we have a deep partnership with Hutch, with Hutchison Whampoa. And late last year we introduced 3Citi Wallet in Hong Kong, which turns a customers' iPhone or Android smartphone into a wallet, that enables them to pay with their Citi account at thousands of merchants and, frankly, with hundreds of merchants offering discounts or other offers. In Latin America we are working closely with America Movil through a joint venture on mobile payments and banking. And I could go on.

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Payments has always been an inherently digital business and we design digital first so that all of our products and services are built for how our customers want to interact with us -- simply, easily, and, quite frankly, without having to think much about it. Not only does this drive customer engagement and satisfaction, it also has clear benefits when you consider cost and efficiency.

This begins with providing consistent experience so it's equally easy for the customer to navigate, whether they are looking at a smartphone while commuting or viewing an iPad while traveling, perhaps sitting in one of those airport lounges. And I have talked about our global scale and how this creates opportunity to evaluate new technology and apply what we've learned in markets and drive greater share of wallet.

In Japan, as an example, we are using new technology to deliver relevant merchant offers for Citi Card purchases in real time. So as I was playing with this, walking through the Ginza district in Tokyo not long ago and seeing offers pop up on my iPhone for some of the shops around me using Google Maps and with Pinpoint, telling me what offers were available, I can tell you how powerful a hook that can be.

We are also looking at ways to simplify the online checkout, which from a merchant perspective smoothing that checkout process, closing those shopping carts is an important piece for that other customer in the payment network. And that checkout process so that we can also capture greater share of spend. For example, in Korea, we have a program called EasyPay that provides one-click checkout at online merchants.

In addition, if a customer goes to buy something and does not have enough open to buy, we can ask if they would like to raise their credit limit. Without leaving the checkout process we can collect information we need, process the line increase if appropriate, and notify the customer and process the transaction all in real time without them leaving the checkout page. What that does from a customer experience standpoint is huge. It turns a negative, a point-of-sale decline, into a wow; the line increase without having to cancel an order or to contact us and then replace it.

So digital is not just about cost arbitrage, it's a way to drive the customer experience that delivers engagement in that drives good revenue growth. When it's done right it also can take out cost.

You can expect to see a lot more from us in this area, working with many of the partners I mentioned and several I haven't mentioned. Over the past few years we have made significant progress in generating consistent, high-quality earnings. Excluding loan-loss reserve releases, our pretax earnings have increased sevenfold, and when compared to pre-crisis levels, we achieved a similar level of profitability on a portfolio that is much smaller.

Improving credit has been a significant tailwind coming out of the financial crisis and we've invested in and repositioned our business while maintaining strong credit standards.

Over the past two years, net credit losses in our international portfolio have remained broadly stable as a percentage of loans, while North America has continued to recover, driving the loss rate for global branded cards from 5% to now 3.7%.

As credit has stabilized globally, our loan-loss reserve releases have also slowed, creating a drag on year-on-year profit comparisons but improving the overall quality of our earnings. In 2013, loan-loss reserve releases contributed to less than 10% of our pretax earnings in Cards.

Going forward, we will look to revenue growth along with continued expense discipline and structural reengineering to become greater profit drivers. Here we show revenues on a trailing 12-month basis for North America and international over the past two years, along with loan and interest margin trends. As you can see, the international revenue growth has largely been driven by loan expansion with net interest spreads remaining stable and, by the way, at very attractive levels.

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In North America, by contrast, loans that declined over the past two years but we have significantly improved the net interest spreads on this portfolio, driven by higher yields as we move away from promotional rate balances as well as lower funding costs.

As I described earlier, we have transformed our North America portfolio to a more rational set of core products. This positions us well for high-quality loan growth as we expand and deepen customer relationships.

Our Cards franchise is also, as I mentioned, highly efficient boasting an efficiency ratio of 41% in 2013 compared to 54% for Citi's overall consumer business. And I think if you compared it to other card issuers you would see how efficient that is.

Like our Global Consumer Bank, Citi's Branded Card franchise generates attractive returns on both a GAAP assets and regulatory capital basis. In Branded Cards we generated a return on assets of 3.2% in 2013 relative to Citigroup at just over 70 basis points. And a group-wide target that Mike and Manuel well have communicated several times of 90 to 110 basis points by 2015. And our return on Basel III regulatory capital at 10% of risk-weighted assets was 33%.

I've covered a lot today and I want to leave you with just a few key thoughts.

Cards is an important and attractive business at Citi and we have taken significant steps to reposition this business for growth. We are already growing in our international franchise and investments in North America are paying off.

Moving forward, you will see us focus increasingly on differentiating our offerings, both in the US and internationally. We have a unique set of assets, that I have described, and capabilities that will serve as a foundation for growth over the coming years. We are building this business with the right discipline and rigor, focused not only on growth but on efficiency, reducing volatility, and generating strong returns on capital.

We believe we are on the right path and one that will generate greater customer engagement, higher shareholder returns, and sustained value creation.

I am immensely proud of the team that we have built and, frankly, of the business that we are creating.

With that, I'm happy to take your questions. Thank you.

QUESTION AND ANSWER

MOSHE ORENBUCH: I will kick it off. You just mentioned a bunch of kind of the broad strokes that you're thinking about in the U.S. -- your North American Cards business being a big part of your business and one that's in the process of turning. Can we just talk about that for a minute, the competitive environment? I think that's -- what I heard is that you're actually not just going after spending but have a balanced approach, and I think that's probably going to be an advantage. But talk about the things that you think are going to be positioning that business to turn to positive revenue and earnings contribution in 2014.

JUD LINVILLE: Sure, Moshe. I think that the most basic in the payments business is making sure you've got the right product mix with clarity about who your design target is and what job they do. So I'd say we've got most of our portfolio repositioned, but we still have a couple of gaps. You can imagine where those gaps are and what we might focus on next, but not really announcing new products launches here.

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The second piece is making sure that we not only stabilize but then turn and differentiate our servicing, particularly our digital servicing. We announced a mobile app just two days ago and some of the tools that we can build that I think differentiate the marketplace. Certainly those mobile apps, when reviewed by Forrester or Javelin, are seen as some of the best in the industry.

And the third is restoring our brand, so that I think we were outside of the consideration set and so for a lot of investors they may not think hard about brands. But I will tell you, when you build a strong brand and build it the right way, it really is a moat. And so we are focused not just on advertising but on that entire experience.

It then is a function of what's that mix between rewards, which is an intensely competitive space and has, in many respects, a higher cost of goods associated with it. I've got a team that I think is the best in the industry at knowing how to build relevant offers. I talked about taking rewards SKUs down by 30%, but then increasing redemption rates while taking costs per point down. We are gaining share in rewards because I think we have built a much simpler product suite that people understand.

But lending is a core piece, and if you were to look at our revenue mix, it is a core piece of our business. As different markets go through all kinds of challenges from interchange regulations and the like, lending is core to Citi. So that while we build rewards platforms to create aspirational brand elements and bring transactors in who may be occasional revolvers, building out the right consumer lending portfolio is absolutely essential to us.

MOSHE ORENBUCH: Great. We've talked before about your relationship with the various networks and I noticed you had all three large networks on the slide there. Could you talk a little bit more detail about what you've done?

We have observed that at times Citi, for much of the history in the U.S., has been a heavy MasterCard issuer, some shift over to Visa, and some of that kind of moving back. Can you talk about your relationship with the three networks?

JUD LINVILLE: I think I set the foundation, but let me elaborate a bit. We manage those network relationships at a local level and I would say that it was largely near-term financial engineering to see whether we would move different parts of a portfolio in a market based on a need to generate some short-term earnings.

To me, a much more advantaged model is looking at them on a global basis, negotiating as one. I brought a fellow who had run global networks at my previous employer over to run the network business here. And so now as we engage with Ajay or Charlie Sharp it's about thinking about the construct, the economic construct and the economic supply and how that's shared in this business. But I think over the next couple of years it's going to be really interesting to watch. And not just the economics of the relationship, but also how we set standards. I mentioned a bit on tokenization and digital wallets. The networks have a very critical role to play there. And then the third is on areas like fraud, which we may get into. Had a lot of conversations with them around their role in maintaining the integrity of their payments network, particularly as it relates to whether it's merchant acquirers or PCI standards and merchants.

To me, playing big with the networks and making sure that we are driving the right kind of agenda that is a joint agenda, because we've got, as you know, two customers here -- a consumer and a merchant. And our job is to bring buyers and suppliers together and take friction out of that system. While we are a very large merchant acquirer in the U.S. even though it's a borrowed network, we are a merchant acquirer in 27 markets around the globe, so we have a vested interest in how that's built.

MOSHE ORENBUCH: Any questions from the floor? Okay, I will move on then.

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You mentioned the Simplicity product and the idea really that you're trying to embrace the regulatory construct. Could you give us a little bit of an update what the regulatory environment is like in the U.S. with the CFPB and kind of how you are managing that?

JUD LINVILLE: Okay, where do I start? There are many regulators as to the safety and soundness and consumer protection. You asked about CFPB. I would tell you the first place I start, which is we have got a new regulator. I want them to be as informed as possible. I want them to be as technically proficient as possible. I want my team to be engaged with them. So, as an example, even before they were recognized as the CFPB, even before Director Cordray was appointed, I had teams go down to Washington and meet with some of the top folks that are in policy, David Silverman and others, and say here is a new product we are building; what do you think?

Obviously regulators' first response is we don't endorse products. I said I'm not looking for a Good Housekeeping Seal, I'm looking for a discussion about -- we took the regs and said how do we design a product that uses those as design guidelines?

We also the knew that the CFPB was trying to figure out how people understood their statements, how they understood what's called the Schumer box, whether things were clear, and we were willing to stand forward and do a lot of research. Actually retinal image research, watching where people kind of pay attention to show that we want customers understanding our statement, our disclosures, and how you can design that in the right way. So wrapped our arms around it and said do research with them.

I'll tell you more recently with Marla, who has since left, Marla Blow and her team, spent time really diving deep into digital payments so that the regulators understand where there's real advantages to digital payments, who the players are, and where there is some risk, and even regulatory arbitrage. So my view has been to bring them in.

But I also -- I think I'm talking with Director Cordray tomorrow about ideas they've got again about how we think about statement design and the information that's on it. The more that we can engage in making sure we've got experienced, talented regulators the better off I think we are.

MOSHE ORENBUCH: You had mentioned over 300 basis points ROAs on a third of the Company. That is pretty impressive. Do you have thoughts as to how the Cards business fits into the long-term view? Any kind of longer-term guidance or maybe guidance is too strong a word but targets that you are kind of aiming towards?

JUD LINVILLE: I was going to go with what role it plays in terms of the brand. I hear your question is what role it plays in terms of -- particularly when you use the word guidance, which you know I'm probably reluctant to go too far out on a limb on.

I guess the simplest, and what I said, was that this is a business that has very attractive return characteristics, is very attractive from a Basel III standpoint, is highly efficient. You could argue in some cases maybe running it too efficiently. And so, as we look at dollars of investment, we have at a corporate level created investment committees where we are looking across the enterprise.

And Mike and John have been very clear on a series of investments, be they China Cards -- which we could have gone into China and spent decades trying to build or put our thumb on the scale and say let's try and accelerate that business. Because if you look at China -- and I could go deep on China; I spent a lot of time kind of looking at this thing. Building our fair share within that market, particularly of outbound spend -- 70 million Chinese leave on international trips where there's a real interesting way for us to build a very strong proposition.

Or I mentioned global rewards. This is an area where it was very clear to Manuel, Mike, John and others that building out a platform that we could then scale globally in a common -- we have 11 platforms right

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now for rewards. Taking that down to one and building common, and I know that you've heard the management team talk about building to common. So I think the investment intensity within cards is quite high and so it's one of those things that – it's also a highly predictable business that you can look at with risk appetite ratios, each vintage and how they perform. And so it's also easy to have conversations with the operating committee about how Cards is performing. It tends to be a flow business with mid- to long-term kind of returns.

MOSHE ORENBUCH: We've got time for one more. We've got a question in front right here. Larry?

SPEAKER 1: *Inaudible.*

JUD LINVILLE: I would agree with you. I think the one thing that we have –

SPEAKER 1: *Inaudible.*

JUD LINVILLE: Not this one, but they have certainly seen a lot of data. And I think actually, if you were to talk to them, they would say that the work that we have done in cards is actually a model for a lot of how the CCAR stuff should do. Because it is one that is analytically derived and you can run vintages through and you can look at history.

I think the place where the change has been probably the most significant -- Susan, you can jump in -- is how they looked at international cards, because I think there was just a clear misunderstanding. The net credit margin for international cards is, call it, roughly double of U.S. And so, while there may be some spikiness to it, I think that's the one that they have probably moderated the most on. Is that fair?

MOSHE ORENBUCH: We are actually out of time. Jud will be doing a breakout in Salon 1 in this room. In five minutes will be International Exchange and U.S. Bancorp in Salons 9 and 10. Please join me in thanking Jud for his presentation.

JUD LINVILLE: Thank you.

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