TRANSCRIPT

Citi Second Quarter 2017 Earnings Review

Friday, July 14, 2017

Host
Susan Kendall, Head of Investor Relations

Speakers
Michael Corbat, Citi Chief Executive Officer
John Gerspach, Citi Chief Financial Officer

PRESENTATION

OPERATOR: Hello and welcome to Citi's second quarter 2017 earnings review with the Chief Executive Officer, Mike Corbat, and Chief Financial Officer, John Gerspach. Today's call will be hosted by Susan Kendall, Head of Citi 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. Ms. Kendall, you may begin.

SUSAN KENDALL: Thank you, Natalia. Good morning and thank you all for joining us. On our call today, our CEO, Mike Corbat, will speak first. Then John Gerspach, our CFO, will take you through the earnings presentation, which is available for download on our website, citigroup.com. Afterwards, we'll 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 2016 Form 10-K.

With that said, let me turn it over to Mike.

MIKE CORBAT: Thank you, Susan. Good morning, everyone. Earlier today, we reported earnings of $3.9 billion for the second quarter or $1.28 per share. During the quarter, we saw continued momentum in our businesses, with loan and revenue growth across both sides of our house. In Global Consumer Banking, our U.S. retail bank showed significant growth outside of mortgage operations, and we saw 10% revenue growth in Branded Cards, driven by the Costco portfolio.

Internationally, we had continued revenue growth in both regions. Latin America, where we've been investing in Citi Banamex, has now had revenue growth and positive operating leverage for five straight quarters. And in Asia, we've seen growth and positive operating leverage for four straight quarters.

The Institutional Clients Group had a very strong quarter all around. While trading revenues were down 7% from the prior period, which had benefited from a surge of activity following the UK referendum, our banking results were excellent. Investment Banking had its best quarter in seven years. Treasury and Trade Solutions has shown consistent year-over-year growth for over three years now. And the Private Bank had its best quarter in its history.

We also generated $4.7 billion of regulatory capital during the quarter and returned over $2 billion of it to our shareholders, resulting in a payout ratio over the last 12 months of nearly 90%.

During the past year, we've reduced our outstanding common shares by 6%, helping to increase our tangible book value per share to $67.32, and that's up 6% from a year ago and 14% higher than two years

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ago. Even still, our Common Equity Tier 1 capital ratio has grown to 13%, 150 basis points above the 11.5% we believe we need to prudently operate the firm.

That's why our recent CCAR results were so important. Our capital return of $18.9 billion, or nearly 130% of consensus estimates of net income, enables us to reduce the amount of capital we hold, which will help drive increased returns for our investors.

The momentum we established last year has continued throughout the first half of 2017 with our net income up 6% so far. And we continue to show steady progress towards our near-term financial targets. For the first half, our operating efficiency was 58%. Our return on assets was 87 basis points, and our Return on Tangible Common Equity ex-DTA was 9.7%. Paired with our successful CCAR results, we're on a course to increase both the return on and return of capital for the benefit of our shareholders.

We'll go into a lot more detail on how we're going to pursue both of these objectives when we host our Investor Day in less than two weeks and we look forward to seeing you there.

With that, John will go through our presentation, and then we'd be happy to answer your questions. John?

JOHN GERSPACH: Thanks, Mike, and good morning, everyone. Starting on slide 3, we show total Citigroup results. Net income of $3.9 billion in the second quarter declined 3% from last year. But EPS improved to $1.28 per share, driven by a 6% decline in our average diluted shares outstanding.

Revenue of $17.9 billion grew 2% from the prior year, reflecting 5% growth in our consumer and institutional businesses, offset by lower revenues in Corp/Other, as we continued to wind down legacy assets. Expenses were up slightly, as higher volume-related expenses, performance-based compensation, and ongoing investments were largely offset by efficiency savings and the wind-down of legacy assets. And cost of credit increased, mostly driven by lower reserve releases versus the prior year as well as higher volumes and NCL rates in consumer.

Looking at the first half of 2017, total revenues grew 3% year over year, including 7% growth in our consumer and institutional businesses. Total expenses remained flat and net income grew 6%, driving a 12% increase in earnings per share, including the impact of share buybacks.

Citigroup end-of-period loans grew 2% year over year to $645 billion, as 4% growth in our core businesses was partially offset by the continued wind-down of legacy assets in Corp/Other. On a sequential basis, we saw particular strength in loan growth this quarter, with an increase of $16 billion in our core businesses that was broad-based across regions and products. And finally, deposits grew 2% year over year to $959 billion.

Turning now to each business, slide 4 shows the results from North American Consumer Banking. Total revenues grew 5% year over year in the second quarter. Retail banking revenues of $1.3 billion declined 2% from last year, driven by lower mortgage revenues. Mortgage revenues declined by roughly $90 million year over year, reflecting lower origination activity and higher cost of funds as well as the impact of the previously announced sale of a portion of our mortgage servicing rights. Excluding mortgage, retail banking revenues were up 7%, driven by continued growth in average loans, deposits, and asset under management, as well as a benefit from higher interest rates. We're continuing to see positive results from the launch of our enhanced Citigold Wealth Management offering last year, driving growth in both households and balances with higher penetration of investment products.

Turning to Branded Cards, revenues of $2.1 billion grew 10%, reflecting the impact of the Costco acquisition as well as modest organic growth in our core portfolios, partially offset by the continued runoff of non-core portfolios. We continue to see strong client engagement in Branded Cards, with end-of-period balances up 10% year over year and 4% sequentially. Average card loans were up 1% sequentially, driven by higher transactor balances. Average full-rate balances were stable quarter over quarter, and we continue to expect

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growth in these full-rate revolving loans with a resulting improvement in yields in the second half of the year as our investments mature. Finally, Retail Services revenues of $1.6 billion grew 4%, reflecting loan growth and a favorable prior-period comparison.

Total expenses for North America Consumer were $2.6 billion, up 6% from last year, reflecting the Costco portfolio acquisition, volume growth, and continued investments, partially offset by efficiency savings. We grew our operating margin by 4% year over year. And credit costs of $1.3 billion increased roughly $275 million from last year. Net credit losses increased to $1.2 billion, driven by the Costco portfolio, organic volume growth, and seasoning as well as the impact of collections activity in Retail Services, and we built roughly $100 million of loan loss reserves during the quarter.

Looking at our card portfolios in more detail, in Branded Cards, the NCL rate of 2.9% was down from the prior quarter, with continued improvement in delinquencies, in line with our full-year outlook for an NCL rate of around 280 basis points. And in Retail Services, the NCL rate increased to 4.8%, reflecting the impact of portfolio seasoning as well as continuing softness in the collections rates we are experiencing once an account reaches mid-stage delinquency.

We're not seeing any deterioration in the rate of current accounts becoming delinquent. And we continue to expect NCL rates to be seasonally lower in the second half of the year, consistent with the trend we saw in the month of June. However, given the lower collections rate, our full-year NCL rate in Retail Services will likely be around 460 basis points versus our prior outlook of 435 basis points.

On slide 5, we show results for International Consumer Banking in constant dollars. In total, revenues grew 5% and expenses were up 3% versus last year, driving an 8% increase in operating margin.

In Latin America, total consumer revenues grew 8% driven by a 12% increase in retail banking, reflecting continued growth in average loans and deposits as well as improved deposit spreads. Card revenues were down modestly year over year, but improved sequentially as we continued to see improvement in full rate revolving loan trends. Full rate card balances grew slightly year over year this quarter. And with continued momentum, we should see revenues grow year over year as we exit the year. And expenses grew 4% in Latin America, reflecting ongoing investment spending and business growth, partially offset by efficiency savings.

Turning to Asia, Consumer revenues grew 3% year over year driven by improvement in cards and wealth management, partially offset by lower retail lending revenues. Higher card revenues reflected 6% growth in average loans and 7% growth in purchase sales versus last year, as well as a modest gain from the sale of our merchant acquiring businesses in certain countries. And while retail lending revenues declined versus last year, we saw sequential growth in both revenues and average loans this quarter, driven by personal loans.

Expenses in Asia grew 3% as volume growth and ongoing investment spending were partially offset by efficiency savings. Total international credit costs grew by $70 million year over year, mostly reflecting reserve builds in the current quarter to support volume growth in Latin America as compared to a net release in the prior year.

Slide 6 shows our Global Consumer credit trends in more detail across both cards and retail banking. NCL rates improved in every region this quarter while delinquency rates remained broadly favorable as well.

Turning now to the Institutional Clients Group on slide 7. Revenues of $9.2 billion grew 6% from last year, reflecting solid progress across the franchise. Total banking revenues of $4.8 billion were up 13%. Treasury and Trade Solutions revenues of $2.1 billion grew 3%, or 4% in constant dollars, driven by continued volume growth and improved deposit spreads. Investment Banking revenues of $1.5 billion were up 22% from last year, reflecting strength in equity underwriting and M&A as well as continued momentum in debt underwriting.

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Private Bank revenues of $788 million grew 17% year over year mostly driven by loan and deposit growth, improved spreads, and increased investment activity. And Corporate Lending revenues of $477 million were up 25% reflecting lower hedging costs as well as the absence of a prior-period adjustment to the residual value of a lease financing. While average loans were down modestly year over year, we saw good sequential growth with volumes up 3% supporting core business activity among our global subsidiary clients.

Total Markets and Securities Services revenues of $4.4 billion decreased 5% from last year. Fixed Income revenues of $3.2 billion declined 6%, primarily reflecting lower G10 currencies revenues given lower volatility in the current quarter and the comparison to higher Brexit-related activity a year ago. Our G10 rates business was broadly stable versus last year. And our local markets, rates and currencies business were stable as well as we remained engaged with our corporate clients across our global network.

Equities revenues were 11% lower versus last year, reflecting episodic activity in the prior period as well as low volatility. Investor client activity in Equities remained strong, however, with cash equities up year over year as well as continued growth in prime finance revenue and client balances.

And finally, in Securities Services, revenues were up 10%, driven by growth in client volumes across our global custody business. We view Securities Services as similar to TTS in many ways; serving as the core operating infrastructure for our investor clients around the world and providing the foundation for broader franchise relationships.

Total operating expenses of $5 billion were up 5% year over year, as higher incentive compensation, investments and volume-related expenses were partially offset by efficiency savings. On a trailing 12-month basis, excluding the impact of severance, our comp ratio remained at 26%. Looking at the first half of 2017, revenues grew 11% year over year, with broad-based momentum.

We continued to grow our network-driven businesses in TTS, Securities Services and rates and currencies as we helped our clients grow and transact around the world. We grew revenues and deepened relationships in our Private Bank. We continued to support our clients with loan and debt capital markets financing. And our franchise strength was evident in more episodic products as we gained significant share in equity underwriting and M&A.

We grew the business while maintaining our expense discipline, driving nearly 800 basis points of operating leverage. And credit quality remained strong, consistent with our target client strategy. Together, this drove an improvement in net income of nearly 30% over last year.

Slide 8 shows the results for Corporate/Other. Revenues of $653 million declined significantly from last year, driven by legacy asset run-off and divestiture activity as well as the absence of gains on debt buybacks in the prior year. And expenses were down 24% to $990 million, reflecting the wind-down of legacy assets.

The pre-tax loss in Corporate/Other was roughly $200 million this quarter, better than our prior outlook for a loss of $350 million, mostly due to a benefit from cost of credit related to our legacy mortgage portfolio.

Slide 9 shows our net interest revenue and margin trends, split by core accrual revenue, trading-related revenue and the contribution from our legacy assets in Corporate/Other. The split between core accrual and trading-related net interest revenue had been refined to attribute a slightly higher amount of funding costs to trading-related activities than under our prior disclosures. As you can see, total net interest revenue was roughly flat year over year in constant dollars, at $11.2 billion, as growth in core accrual revenue was offset by the wind-down of legacy assets as well as lower trading-related net interest revenue.

Core accrual net interest revenue of $10 billion was up 7% or over $600 million from last year, driven by the addition of the Costco portfolio, organic volume growth and the impact of rate increases, partially offset by an increase in our FDIC assessment and higher long-term debt.

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On a sequential basis, core accrual revenue grew by over $200 million this quarter reflecting day count, the impact of the March rate increase and loan growth. However, we still saw a decline in the core accrual net interest margin, to 344 basis points, reflecting higher cash balances.

For the first half of 2017, core accrual revenue was up by $1 billion year over year, and we expect to see a little more than $1 billion of growth in the remainder of the year. So, in total, core accrual net interest revenue should grow by a little more than $2 billion in 2017 over 2016. However, as previously noted, we still expect this increase to be offset by a roughly $1 billion decline in the net interest revenue generated in the legacy wind-down portfolio in Corporate/Other.

And finally, we believe it is most relevant to look at trading-related net interest revenue in the context of overall trading results. While trading-related net interest revenue was down by roughly a third in the first half of 2017, our total Equity and Fixed Income Markets revenues grew by 4% year over year.

On slide 10, we show our key capital metrics. During the quarter, our CET1 capital ratio improved to 13% driven mostly by earnings, partially offset by $2.2 billion of common share repurchases and dividends during the quarter. Our supplementary leverage ratio was 7.2%, and our tangible book value per share grew by 6% to $67.32, in part driven by a 6% reduction in our shares outstanding.

So to conclude, we're seeing momentum across the firm that gives us confidence as we go into the second half of 2017 and beyond.

Starting with Consumer. In North America, our investments in retail banking are delivering results, with revenues excluding mortgage growing by 6% year over year in the first half. Retail Services revenues continue to outperform our original outlook for a run rate of $1.5 billion per quarter this year driven by higher-than-anticipated loan growth. And finally, in Branded Cards, we continue to see strong client engagement and balance growth.

In Asia, we generated year over year revenue growth and positive operating leverage for the fourth straight quarter driven by strength in cards and wealth management.

And in Mexico, we also generated revenue growth and positive operating leverage for the fifth straight quarter, reflecting momentum in retail banking.

On the Institutional side, as I described earlier, we saw strong performance across the franchise in the first half of 2017, driving double-digit revenue growth and nearly 800 basis points of operating leverage. And we're encouraged by the progress we're seeing in recurring accrual businesses like TTS, Securities Services, Corporate Lending and the Private Bank, as well as episodic products like equity underwriting and M&A.

As we look to the third quarter, in North America Consumer, we expect continued year over year revenue growth in retail banking excluding mortgage, as well as modest organic growth in cards as we grow full-rate balances. Mortgage should continue to be a headwind as we hit a particularly strong third quarter last year. And importantly, we expect earnings to grow modestly year over year in North America, with continued momentum into the fourth quarter.

In International Consumer, we expect continued revenue growth and positive operating leverage.

And turning to the Institutional side, we expect continued year over year revenue growth in our accrual businesses, including TTS, Securities Services and the Private Bank. Market revenues will likely reflect a normal modest seasonal decline from the second quarter. And Investment Banking revenues will likely return to a level closer to the first quarter, perhaps a little lower, assuming a seasonal slowdown in third quarter underwriting activity. Expenses should decline sequentially. Cost of credit is expected to increase quarter over quarter, driven by the normalization of credit costs in Corp/Other as well as continued

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volume growth in Consumer. And we expect our tax rate to be in the range of around 32% for the second half of the year.

And with that, Mike and I are happy to take any questions.

QUESTION AND ANSWER

OPERATOR: And your first question comes from the line of John McDonald with Bernstein.

JOHN MCDONALD: Hey, John. Just a quick follow up on the net interest income outlook for the second half for slightly more than $1 billion of growth in net interest income in the second half. What does that assume in terms of the interest rate environment, Fed hikes, and also just roughly loan growth assumptions in there?

JOHN GERSPACH: Well, we've only got one more interest rate hike that we're assuming for this year, and it's in December, so that really isn't going to have much of an impact on that outlook at all, but it is inclusive of loan growth. We continue to see loan growth, but, quite frankly, it's nothing more than we had baked into the outlook that we gave you at the end of the first quarter.

JOHN MCDONALD: Okay. And then for you and Mike, I was just wondering. Do you guys still feel good about the RoTCE targets getting to 10% ex-DTA in 2018 and 10% on a fully loaded basis in 2019? And just maybe a little bit of talk about what you see as the drivers of those RoTCE goals? Do you need a pickup in trading activity or further rate hikes? What are some of the key drivers there?

MIKE CORBAT: We do. We feel I think very good about it. I referenced the metrics in terms of operating efficiencies, returns, et cetera, in the first half of the year, and the momentum that we carried out of the latter half of last year. I think John has set up our expectations for the second half and feel the combination of the levers we have, John, between some revenue growth, between continued expense discipline, a reasonable environment around cost of credit and obviously meaningful capital return gives us the pathway to hitting those.

JOHN GERSPACH: John, we'll go into a little bit more detail on that, obviously, at our Investor Day in 10 days or so. But, as Mike said, the drivers are going to remain the drivers that we've been talking about all along. It's improving that return of capital. And you saw the first indication of it when we got the CCAR results at the end of June. So we anticipate continuing to be able to return the right amount of capital. And we expect consumer to be a driver into the future.

When you take a look at the two businesses that we have, and we lay it out for you in one of the pages in the back of this deck, consumer for the trailing 12 months is generating an RoTCE of 12.8%. And we believe that it should be, over time, capable of generating returns in excess of 20%, just over 20%. So that's going to be one of the critical drivers, and we'll take you through those details on Investor Day.

JOHN MCDONALD: Okay, we will look forward to that. And then maybe one just quickie on the quarter here, John. It looks like for the first half of the year, the DTA utilization has been about $900 million for the first half.

JOHN GERSPACH: Yes.

JOHN MCDONALD: A little bit more in the first quarter than the second. What are you thinking about for the rest of the year? I think annually, you also talked about $2 billion to $3 billion as a target. How do you feel about that?

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JOHN GERSPACH: We always talk about $2 billion as our usage coming out of earnings. And so for the first half of the year, we're at $900 million, so we're roughly on pace to utilize that $2 billion for the year.

JOHN MCDONALD: Okay. And you said some OCI swings, I guess, throughout the year affected it.

JOHN GERSPACH: Exactly. First quarter OCI giveth, second quarter OCI taketh away.

JOHN MCDONALD: Okay, thanks.

OPERATOR: Your next question is from the line of Jim Mitchell with Buckingham Research.

JIM MITCHELL: Hi. Good morning, guys. Maybe we could talk a little bit about the international. It seems like the outlook has improved economically overseas. Are you starting to see some impact from that in terms of growth? And with the backup in the yield curves overseas, do you see any help from the rate environment overseas yet, or does it have to be more the short end of the curve to help you on that front?

MIKE CORBAT: When you look at – and John and I each referenced the sequential growth and positive operating story continuing in Asia and Mexico. And I would say that those environments are reasonable environments. Are they growing where we'd like them to grow from a macro perspective? No, we've had downgrades in terms of Mexico growth rates. But again, 8% revenue growth coming out of Mexico in a country that's growing sub-2%. Again, I think illustrating what we've talked about, that we believe over the intermediate and longer term, we've got the ability to grow our international franchises at, or in many cases, at multiples the pace of domestic growth rates.

And the other piece that you look in there is that in Mexico, it's the combination of our retail business. In Asia, it is wealth management. And if you look at wealth management AUM year over year and different metrics continuing to attract AUM into the business so we feel good about the trajectory of those businesses and the ability to continue to get this type of growth. And as we've said, we expect that trend to continue in the near term in the second half of the year, again, with growth and positive operating leverage.

JOHN GERSPACH: And, Jim, you get a sense of some of the momentum that we're seeing. If you look at the chart that we included on slide 18 of the deck that we just went through in the appendix, and you can see that in so many countries now, we're getting growth quarter over quarter. It's that sequential loan growth that is really driving it.

And that's a combination of things. As Mike said, it's good engagement with the clients. You're seeing the result of a lot of the repositioning actions that we've been taking. And as we reposition portfolios, we've started to focus on different types of lending. A lot of it is in Asia specifically, better use of digital channels to engage with clients and actually be able to engage with them at the point of making – when they're entering into a store, they're about to make a purchase, and we can offer them alternatives. And so you're seeing that. Now year over year in international, we had 1.3% loan growth, and we had 1.5% loan growth sequentially in the second quarter. So that's one of the reasons why we feel pretty good about the momentum that we're getting there.

And it's not just in consumer. In similar fashion, we saw good momentum in Asia, in particular in our ICG business, in our corporate lending. And this wasn't lending that was episodic, not linked to a deal. This was lending where people were taking down loans to either address working capital or CapEx needs. So again, we feel pretty good about the momentum that we're seeing.

JIM MITCHELL: And any impact from – my other question on rates, from rates, yield curves steepening overseas, obviously, that's still very low rates. Do we need to see short rates move up for that to really be an impact?

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JOHN GERSPACH: Again, we're not counting on that type of environment, so again in the projections that I've given you, we're not looking at interest rates suddenly wildly increasing across the board. So, our outlook is not rate-dependent. I mentioned when I answered John McDonald's question that we've got one more rate hike for the U.S. built in, and its December of this year. And quite frankly, we're assuming one more rate hike in 2018, one more rate hike in 2019, and one more rate hike in 2020. So, again, we're not looking as though this is all going be rate-influenced growth. We like the franchise that we've built.

JIM MITCHELL: Right, okay. Great, thanks.

OPERATOR: Your next question is from the line of Matt O'Connor with Deutsche Bank.

MATT O'CONNOR: Hi, guys.

JOHN GERSPACH: Hey, Matt.

MATT O'CONNOR: I was hoping you could provide a little more detail on the expense outlook for the back half of the year. I think you had said down versus – sorry, on the third quarter, I think you said it would be down versus 2Q. And you've also talked about full year efficiency ratio target in the past, I think, of 58%. So, just hoping to elaborate a little bit more on the back half year expense outlook, and then what you think on the efficiency side – efficiency ratio.

JOHN GERSPACH: We're still targeting that full-year efficiency ratio of 58%. And so, in a lot of cases, the expense performance in the tail half of the year is going to be driven by how revenues come up. That's why I'm always a little hesitant to give specific reference – guidance as to like expenses more than a quarter out, because if revenues go up, we'll have some increase in expenses. If revenues come down, we'll manage to that 58% efficiency ratio.

MATT O'CONNOR: And besides expenses tied to revenue, are there some costs that you know are going to drop off, whether its severance or legal repo embedded in the current run rate, or efficiency savings that you know are lined up?

JOHN GERSPACH: What we still have is we'll have the legacy assets continue to wind down, so there would be revenues that run off associated with the wind down of the legacy assets. We'll have expenses that come off with legacy assets, but that is the kind of things that we've baked in, and we've been reporting on all along.

Obviously, legacy assets now have been further reduced. Now we went into the year with legacy assets, the assets formerly known as Holdings, at $54 billion. And by the end of June, they were down to $44 billion. So, we've already had a significant runoff in those legacy assets. They'll continue to come down, but there's just less of them to run off.

Legal and repositioning, we went into the year I believe, we gave you some guidance that we thought just for the year legal and repositioning costs would be running something close to 200 basis points on Citigroup revenues. And we're running a little bit below that right now. And I would anticipate, probably for the full year, legal and repositioning costs are probably going come in somewhere around maybe 25 basis points less than we had originally guided.

MATT O'CONNOR: Okay, all right. Thank you.

OPERATOR: Your next question is from the line of Erika Najarian with Bank of America.

ERIKA NAJARIAN: Yes. Good morning.

JOHN GERSPACH: Hi, Erika.

ERIKA NAJARIAN: John, thank you so much for the outlook on net interest income for the back half of the year. I'm wondering if you could give us a little bit more of your insight. Two of your peers mentioned that they anticipate corporate or wholesale deposits to outflow as a result of Fed balance sheet reduction and I'm wondering what Citigroup's outlook is for how sensitive your deposit base could be from outflow on the back of Fed balance sheet reduction?

JOHN GERSPACH: Obviously this whole topic of Fed balance sheet reduction is uncharted territory. It's a place we've never been before, so it's really hard to say that you've got a model. And it's really hard to say that it's going have any sort of major impact over the course of the next six months. So, we're assuming that as rate increases occur and as the Fed does wind down its balance sheet, we will see betas increase slightly in our corporate side business. But we don't have anything major put into the outlook for the second half of this year.

ERIKA NAJARIAN: Got it. And my second question, and I expect that maybe some of this would be deferred to your Investor Day, but given how much capital that you generate, even if we assume that you can continue to increase your payouts from here, you clearly are still well over where you think a normal level of capital would be that's appropriate for your business. And also, with reg reform that could even free up even more capital. And I'm wondering, Mike, as we look over the next three years, what businesses do you think you would plow in some of this excess capital that you think would be great growth opportunities for Citigroup?

MIKE CORBAT: As you look, I think, Erika, they would largely stay consistent with what we've talked about and where you're seeing the growth. So one is, you shouldn't expect any outsized investments. I think what we've talked about is investments as BAU, investments largely being, or really exclusively being, self-funded. But, again, we continue to expect to see good growth rates in no particular order in terms of our TTS businesses, what we're doing in the private bank across our retail franchises around the globe. Again with an emphasis on things we're doing here in the U.S. and we're going talk about that quite a bit in terms of Investor Day, the cards investments we've made. So, we don't necessarily see a lot to do there, but we see trajectory from that in the future.

And then, again, what we do is we just look at where our clients want to go and be there to support them. And so, it's difficult to go too far out in terms of exactly what that environment's going to look like, because we could have some changes to tax or trade, and we'd be in a position to be able to help those clients realign their interests and to support them in that.

ERIKA NAJARIAN: Okay, thank you so much.

JOHN GERSPACH: Okay, Erika.

OPERATOR: Your next question is from the line of Brian Foran with Autonomous.

JOHN GERSPACH: Hi, Brian.

BRIAN FORAN: Hi, good morning. I had a couple questions on the retail partner card business, maybe just a start. One I get a lot is just how the general struggles of traditional offline retailers might be effecting or affect that business in the future. Maybe I'll start there, and then I have a couple more detailed follow-ups.

JOHN GERSPACH: Okay. So far we're not really seeing anything like that in the numbers, certainly in our business. If you take a look, as I mentioned, our loans are growing nicely in that business right now, and we're still seeing very good customer engagement with our retail partner cards. You know, if you take a look in the supplement, you'll see that purchase sales, up 22% sequentially, up 2% year over year. So, there's no indication yet that we've got any sort of impact in our retail services business from that.

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BRIAN FORAN: Two maybe smaller follow-ups. I mean, one detailed question I get a lot is what happens if a retailer goes bankrupt? So, I'm sure every relationship is different, but maybe just – I'm sure you get the question – I mean, do you charge off-spike? Is there an offset from RSAs or lower marketing? Does it book on run-off, or can you move it over to a branded offer? So, just any thoughts you can provide there.

And then, two, on the comments around the charge-off guidance. Anything that stands out to you why mid-stage collections would be deteriorating for the retail partner book, but not for the Citi Branded book?

JOHN GERSPACH: Yes, we can go anywhere you want in any order. But if you stay with – what happens if there's a bankruptcy, one of the core competencies that we have in the business is actually helping our clients. When you look at that, our client in retail services is the retailer, and so, we're definitely focused on partnering with them and really becoming their partner and advising their approach to selling. We provide them with advanced analytics, digital, therefore, so if there is a restructuring that one of our retailers has to go through, we actually think that we can help them by leveraging our broad set of proprietary loyalty platforms, et cetera, et cetera, in order to help them through.

So I'm not going to say that we've looked for it as an opportunity, but we actually think that we could be of use there. Plus, depending upon the retailer, we also have on average about a third of our book are general purpose cards. So there are cards that are able to be used outside the store as well, which would serve to mitigate then any sort of impact on us. Do you want to move to collections?

BRIAN FORAN: Yeah, just why it would be showing up in retail partner, but it didn't seem to be showing up from your comments in Branded?

JOHN GERSPACH: Yes, and that's because it really is something that is focused in Retail Services as opposed to Branded. And it could be because of the nature of the receivables. With Branded, obviously, it's a slightly higher FICO base, but also, with Branded, you're dealing with – the average receivable is higher, so Retail Services tend to have lower average balances.

And what we're seeing, and one of the reasons I mentioned it being a collections issue, we're really not – normally, if you're facing a credit quality issue, you're going to see deterioration in your early bucket flows. In simple English, you're going to see current accounts moving to delinquency at a faster rate, but we're not seeing that. We've had fairly stable early bucket flows for the past two-and-a-half years in this business. And I think that's reflective of our continued strong overall borrowing profile in this business.

So, it doesn't appear to be that we're really seeing a deterioration in the credit quality of what we're booking. But what we are experiencing, compared to what we've had in prior years, is that there's a higher rate of accounts advancing to the later delinquency buckets once they get to being two or more payments behind, and that's really why we're focused on the collections process. And we're developing a number of new and enhanced ways to communicate with our customers using their preferred channel.

I was talking to Bill Johnson the other day, and we've doubled our text messaging rates over the last few months. So, we've begun to see some evidence of progress, but it's slower than what we had originally targeted, and, therefore, that results in our change in guidance.

BRIAN FORAN: Thank you. That was all very helpful.

JOHN GERSPACH: Okay.

OPERATOR: Your next question is from the line of Saul Martinez with UBS.

SAUL MARTINEZ: Hi. Good afternoon, a couple of questions. First of all, just more of a clarification on the guidance in North American consumer. You indicated that earnings should be up moderately, I believe,

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year-on-year. Is that from, I guess, it was $780 million and $811 million 3Q, 4Q of last year's. So, we should expect some moderate increase versus that threshold. Is that the right way to think about it?

JOHN GERSPACH: I think I said modest instead of moderate, but yes.

SAUL MARTINEZ: Okay. Modest. Okay. Fair enough. Okay. So, if my math is right, that's still something around the neighborhood of, I don't know, 130 basis point points ROA, or so. So, I suppose you'll give a more expansive description of the ramp-up you expect in that segment at your Investor Day over the next couple of years.

Secondarily, on capital deployment, is it premature to start thinking about M&A as a strategy to deploy excess capital? It sounded like it from the answer to an earlier question, but you obviously have a ton of excess capital. Can you just share with us how you're thinking about potentially looking at non-organic types of opportunities in terms – whether it'd be from a product's financial return, segment strategy, you've obviously done Costco in the past, but how do you think about that as part of the tool kit, so to speak, for capital strategies?

MIKE CORBAT: Yes. So, one is we're open to M&A opportunities. Again, you referenced Costco, Best Buy, other things we've done along the way. We clearly have the financial capacity and our capital, our leverage ratios, our balance sheets, but importantly, anything that we do, Saul, is going to have to be within the target of our footprint, our clients, and the businesses we're in. What you shouldn't expect is that we're going to go out, and we're going to go venture into some place or some products that we historically haven't been. So, if something's in footprint, in strategy, the price makes sense, we're happy to go after it.

SAUL MARTINEZ: Okay. Got it. Final one, just more of a ticky-tacky question, page, I guess, nine. The $280 million of NII from legacy assets, is that primarily Brazil? And, I guess we're still expecting that transaction to close. Is that the right way to think about that?

JOHN GERSPACH: Well, it's a collection of a whole bunch of assets. Don't forget, we still have a sizable mortgage portfolio – U.S. mortgage portfolio in that as well.

SAUL MARTINEZ: Okay. But some portion of the $280 million, I guess, should be going away in the second half?

JOHN GERSPACH: Well, I think you should continue to expect that to wind down over time, but it's not all going to go away in the second half. But, yes, assuming that we closed Brazil, which we should close during the second half of the year, then a portion of that will go away.

SAUL MARTINEZ: Got it. Okay. Thank you very much.

JOHN GERSPACH: Not a problem, Saul.

OPERATOR: Your next question is from the line Steven Chubak with Nomura Instinet.

STEVEN CHUBAK: Hi. John, had a question on some of the capital targets that were outlined on the call. One of the things that we've been hearing from a lot of folks is just given the strong improvement in your CCAR results, you have some of the benefits outlined in the Treasury white paper that was published recently. It does feel to us like the 150 basis points of cushion that you're assuming within your 11.5% target is very conservative. And I recognize that it's going be a multiyear process for you to take your 13% today and bring it back down into 11.5% over time. But has your thinking changed or evolved at all with regards to your capital targets? I'm just wondering if there's any flexibility to manage that even lower over time.

JOHN GERSPACH: Well, over time, if regulatory rules change, sure, we'll have the ability to manage that over time. But right now, I'm still comfortable leaving it. We originally started to talk about a range of between

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11% and 11.5%, and we're still targeting within that range. But Mike and I being the personalities that we are, if there's a range, we're going to go towards the more conservative end of that range. And so right now, our guidance would be that we expect to be able to operate prudently at 11.5%. And if there are some clarifications in regulatory rules over time, then we will definitely adjust that target.

STEVEN CHUBAK: Understood, and then maybe just one follow-up on leverage exposure. You've spoken in the past about how leverage is not your binding constraint. You see compelling opportunities to deploy some of that excess. We saw pretty decent uptick in leverage exposure this quarter and even some last quarter as well. I'm just wondering which product lines are you deploying that capacity. And just given the prospect for some SLR relief, are you seeing any changes in terms of competitive dynamics in some of the more leverage-intensive businesses?

JOHN GERSPACH: Let me start at the back end. No, we're not seeing any change in competitive practices as a result of people thinking that there are going be changes in the SLR because, again, there's been a paper put out that's made some proposals, but nothing's been implemented yet. And so we're not going to act on proposals.

What's been driving the growth? Certainly, for this quarter, that growth is really – don't forget, leveraged exposures is off your average balance sheet. Our average balance sheet, really as a result of a lot of the growth that we had in loans, grew during the quarter. So the single largest driver of that change is the growth in the average balance sheet sequentially. Our average balance sheet grew by about $40 billion quarter on quarter. And if you take a look at the leveraged exposure, it grew about $40 billion – $46 billion. So, it's the average balance sheet.

When you think that about, okay, so well then, what's growing your average balance sheet? The average balance sheet, that $40 billion, it's about equally split between an FX impact. Don't forget, the dollar did weaken in the quarter. We grew cash, and then we had growth in loans and some growth in trading assets.

STEVEN CHUBAK: Got it, and just one more quick one for me. Just on liquidity, which has been certainly a popular topic ahead of the Fed balance sheet unwind. Looking at your LCR, it's at a very healthy 123%. And despite significant cushion, you've talked about resolution planning as a binding constraint on liquidity deployment. I'm just wondering whether you believe – or what you think is at least an appropriate LCR target for the firm, and how we should think about maybe some excess capacity for deployment as the Fed begins to unwind the balance sheet, maybe providing some opportunities to deploy some of that excess cash in higher yielding MBS.

JOHN GERSPACH: As you say, we're currently running in that 123-ish range. It will probably tick up a little bit this quarter, I think closer to 125% when all is said and done. And resolution has been the driving factor in that.

So if you look at our balance sheet, during the course of the last year, we've had a significant growth in our cash balances. Our cash balances have grown by about $36 billion year over year. Since the beginning of this year, it's grown $26 billion, and most of that growth is as we began to finalize the plans that we had in order to come to compliance with what we needed to do for resolution purposes.

That is pretty much behind us now. We've filed our plan. We like where we are. We'll see whether or not the Fed and the FDIC hold our plan in the same high esteem that we do. But now that we've built the cash and we've built the liquidity, now we can go about what we normally do and begin to optimize it. So I don't see cash becoming something that we continue to build from here on out. Hopefully, we will be able to take some of that cash down and then put it to other use.

STEVEN CHUBAK: Okay. But if I'm understanding you correctly that your comments, John, suggest that you need to manage to around 120% liquidity in order to meet the standards for the resolution plan that you hold yourselves to and hopefully the Fed and the FDIC will approve.

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JOHN GERSPACH: I don't want to give out guidance yet because we haven't come to the conclusion yet of the optimization process. So don't take what I said as guidance other than we would expect that 123% to ultimately be lower, but I'm not ready to give you a number yet.

STEVEN CHUBAK: Understood, very helpful, John. Thank you.

JOHN GERSPACH: Okay.

OPERATOR: Your next question is from the line of Ken Usdin with Jefferies.

KEN USDIN: Hi. Thanks. Good morning. Good afternoon, just a question or two on the loans and the loan yields. You guys showed your pretty good loan growth, but yet you did mention that loan yields were down a little bit, and you had some mix as far as the NIM is concerned. But I'm just wondering can you help us distill whether the decline in loan yields was related to the ongoing Corporate/Other runoff, and/or is there just a different mix in terms of the – it looks like it's card that's growing the most, so I'm just wondering what's happening underneath the surface, especially with a couple of rate hikes in between the last couple quarters.

JOHN GERSPACH: So there are several underlying stories that go in there, and you're touching on a couple of them. Certainly, when you take a look at overall NIM, or overall yield, then that definitely gets impacted by the runoff of legacy assets because those are for the most part higher yielding assets. So that's one.

And don't forget, our NIM statistics are all quoting average balances, and so therefore, the $16 billion of loan growth that I talked about as being there for end-of-period loan to end-of-period loan, a lot of that came on during the quarter, so we don't have the full quarter benefit of that. It's in the end-of-period numbers, but we roughly got $9 billion to $10 billion of growth in our average balance sheet. And it's the average loans that is actually then going drive your NIM.

In some of the cases, when you look at cards, we quoted that the increase of $1 billion in average loans was really driven by transactor accounts, so we don't get any loan yield off of that. But we like the business that we've been putting on. We certainly would rather have loan growth than not loan growth. Importantly, the loan growth that we're putting on, like I said, it is widespread. It is spread nicely across regions. It's spread nicely across products. And it's all in support of client-related activities. And therefore, when you look at the earnings not only that we get on the loan itself, but the earnings that that will provide us by further deepening the relationship that we have with each of our clients, whether that be a consumer client or a corporate client.

KEN USDIN: Right. Okay, understood, and then just one follow-up on the card business. It's also a piecemeal one, but simply, your net credit margin in both Retail and in Branded Cards, as you've talked, has continued to go down, and you're talking about that inflection. So are we close to the bottom in the net credit margin for both of those businesses, and how do you expect that to traject?

JOHN GERSPACH: Obviously a little bit of that from Retail Services is going to depend on just how quickly then our collection efforts are able to stem the tide of that NCL. But I would anticipate certainly in Branded Cards that either we are either at or very close to the bottom of that NCM decline.

KEN USDIN: Okay, got it. Thanks a lot.

JOHN GERSPACH: Okay.

OPERATOR: Your next question is from the line of Gerard Cassidy with RBC.

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GERARD CASSIDY: Hi, John.

JOHN GERSPACH: Hey. How are you doing?

GERARD CASSIDY: Good. Moving over to the Institutional Clients Group. Your Investment Banking numbers were very strong, the growth in ECM. Can you share with us, was it more market driven, or have you hired some folks in the last 12 months or 18 months, and now they're bringing revenues in?

MIKE CORBAT: Gerard, I think it's a combination of those things. We've brought in some good people, very good people. Again, we know in ECM, in M&A, it's your sectors, it's the calendar, it's the backlog. And I would say that obviously a pretty slow start to the first half of last year; obviously, a much better start to the first half of this year. And I think the activities in some sectors that we've got I think good positioning in came through in the numbers. And again, not just in equity but as well as in debt and as well as in M&A.

JOHN GERSPACH: Yeah. I mean, this is exactly what we've been working on for the last several years. It's that old story. We've worked the last three years to become an overnight success. And that's – when you look at it, we've been talking to you about adding talent, enhancing our industry coverage. It actually goes back to one of the changes that Mike made when Mike came in as CEO, where with he and Jamie, they decided to reduce the number of corporate clients that we had in our coverage. So, we've taken our client coverage down from 32,000 clients down to 14,000 clients. So, it's more focused coverage which allows you to have better understanding of your clients. When your clients see that you've got better understanding, you're in a better position then to serve them.

And I think you're seeing the combination of client segmentation, adding the appropriate talent and three years of hard work. And again, it's things that we've been building up to. I think even more impressive perhaps than the results that you see in the second quarter is when you combine it with the first quarter and you take a look at the first half results. Because now, for the first half, year over year, our advisory revenues are up 20%, our ECM revenues are up 82%, and our DCM revenues are up 21%. So, when we look at it, we think we've gained 100 basis points of market share in the last six months when you compare 2017, compared to where we were in 2016.

Now, as I said on the media call earlier, I don't want you to count on the fact that we're going to gain 100 basis points of market share every six months. But we do like the momentum that we've got building in our Investment Banking capabilities. And we've got great confidence in the team that we've got on the field. And obviously, so do our clients.

GERARD CASSIDY: And to follow up on comments you made in your prepared remarks, John, we recognize seasonality affects third quarter results. Keeping that in mind, how was the pipelines when you look at them maybe versus third quarter last year, which would reflect an apples-to-apples comparison for seasonality?

JOHN GERSPACH: I would say that we are in a stronger position as far as our engagement with clients. You don't have to look much further than the fact that, in announced M&A, I believe now that we are number two in the league tables.

GERARD CASSIDY: Very good. Coming back to the trading part, you mentioned that the FICC revenues were down due to G10 rates or G10 governments. Can you give us some color?

JOHN GERSPACH: Whoa, whoa, whoa....Back up the bus.

GERARD CASSIDY: Okay.

JOHN GERSPACH: Back up the bus.

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GERARD CASSIDY: Got an error there?

JOHN GERSPACH: If that's what I said, then I completely misspoke because FICC revenues are down really because of G10 FX. It's really all FX related. Our G10 rates is basically stable year over year, which is great performance in the market environment that we've had. So, when we look at the decline in FICC revenues, again, year over year, in the second quarter, it's really, the lion's share of it, is being driven by G10 FX just reflecting the low volatility that I think everyone have spoken about in the market. When you take a look at our G10 rates business, fairly stable. Our local markets rate business, fairly stable. Our local markets currency business, fairly stable. Spread products, fairly stable.

GERARD CASSIDY: Yeah, that was my error. But that's the color I needed, I was hoping you were going to give us. Very good.

JOHN GERSPACH: Well, you certainly got me there quickly. Great technique.

GERARD CASSIDY: I wanted to make sure you were listening. On a bigger question, the Treasury came out with, obviously, their report on some changes they think would make sense to the banking system from a regulatory standpoint. If you guys had your druthers and had to pick one or two that would benefit you the most, what would it be, and what in those recommendations that Treasury had, whether it's SLR or any of the other types of issues they brought up?

MIKE CORBAT: I think one that – we've talked pretty publicly about, we've talked to Treasury about it and it's included in there. One is, for us and I think for a number of the other banks, it's likely that CCAR's going to stay the binding constraint. And around anything that's a binding constraint, you just need more transparency. So, we'd like more granularity in terms of some of the numbers and have the ability to explore some of the approaches that the Fed has. And because Secretary Mnunchin's report came back, that's one of the recommendations that they have.

I would say, things in there, ranging from how do we think about, how do we bring together, LCR and SLR and get some of the inconsistencies out. We have no issue from a headline perspective with Volcker, but the fact that we do five – that there's five agencies empowered and they all believe that they have the voice at the table around it, obviously, creates conflict disagreement. And from our side, certainly creates a lot of work.

The good news, I think, in most of the paper is that the things that are in there don't require changes of law to implement. So, hopefully, as we get people in the seats, some of the heads of the agencies start to come together, we can actually start to effect some of this change which hopefully we can start to make some meaningful progress on, hopefully in the fourth quarter this year.

JOHN GERSPACH: I think, as Mike said, some of the more common sense type of proposals. You've referenced the SLR. Eliminating the need to hold capital against cash and things like that, that would definitely be something that would, I think, be the right way to think about that.

MIKE CORBAT: Viewing the dividend as something you can't turn off.

JOHN GERSPACH: Exactly.

MIKE CORBAT: And again, the good news is all these things are mentioned.

JOHN GERSPACH: Not assuming that your balance sheet is going to grow in times of stress, these are all very commonsensical changes that would be beneficial, and I don't think it would impact safety and soundness at all.

GERARD CASSIDY: Great. Thank you. And I look forward to seeing you, guys, in a couple of weeks.

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JOHN GERSPACH: Great. Thanks.

OPERATOR: Your next question is from the line of Brian Kleinhanzl with KBW.

BRIAN KLEINHANZL: Hey, thanks.

JOHN GERSPACH: Hi.

BRIAN KLEINHANZL: So just two quick questions. On Korea, I noticed that the loans were down quarter on quarter even though you mentioned the strength in Asia, and also there's an agreement to close a lot of the branches there. Can you just give us some updated thoughts on the market? Because I thought we had gotten past the point where there were regulatory headwinds and we were looking for growth again. Is that not the right way to think about that market?

JOHN GERSPACH: Well, in Korea, as we've said, we've announced the fact that we're repositioning that business. We're taking the light physical footprint in a much more agile approach to things as we move forward, consistent with the way we're approaching other markets. So, that is having a little bit of disruption there, but we think it's the right thing to do going forward. It will be closing 90-something branches over the course of time, and concentrating the branches in more of the wealth centers. So, it is having an impact there, and we're also transitioning out of being heavily reliant on the mortgage product in Korea into much more of a personal installment loan product. So, you're just seeing that in the results, but you'll notice that the portfolio itself is still holding up fairly well.

BRIAN KLEINHANZL: Okay. And then, you also mentioned that you were pleased with the success of Citigold in North America. I mean, is this just using Citigold to get back into the wealth management business?

JOHN GERSPACH: Citigold is really targeted at being a wealth management business. It's the way that we really run the retail operation in Asia. So what we have really done is imported a lot of the techniques that we've been using in Asia for the last five or six years, and reintroduce them into the U.S. We didn't have the capability of really doing that much before last year as we were still trying to get all of our North America Consumer systems on a common platform, so we could have one broad view of our client. It's hard to manage somebody from a client relationship when you've got one system that has their retail deposits, another one that has their credit cards, another one that has their mortgage, another one that has their investment assets, we've now been able to bring all that together. It's given us a much better view of the client. That's being able now to give us a much better ability to actually segment the clients. And so when you think about the fact that we really just launched Citigold in November – or relaunched it in November of last year, the progress that we've made in the last seven months is pretty encouraging.

BRIAN KLEINHANZL: Thank you, but I think the question is, are you just rebuilding a business that you sold à la Smith Barney several years ago?

JOHN GERSPACH: No.

MIKE CORBAT: No.

JOHN GERSPACH: No. No. Not at all. Smith Barney was not a Citigold type of – Smith Barney could have been a piece of a Citigold offering, but Smith Barney just didn't fit with us. What makes this thing work is that there's great cooperation between the investment management people and the bankers. And we really need that in order to grow a Citigold type of business because you want to encourage deposits, and you want to encourage lending, and you want to encourage growth in assets under management. You want to be able to pull all of those levers, whatever makes sense for the client.

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MIKE CORBAT: And I think the other piece, Brian, that's important is the operating account where the stickiness and what it means to have the relationship steeped in an operating account, in the depository account where very, very, very often you would actually see in a Smith Barney relationship, you would actually see the operating account actually at another institution. Where here it kind of comes from the operating account. And again, you can look at the numbers we publish in terms of the deposit balances – the average deposit balances in our Citigold account. I mean, so there are opportunities there in that diversification away from the pure deposit relationship to investments and to broader lending and investing type products. So, I think there's some reasonable difference to it.

BRIAN KLEINHANZL: Good, thanks.

MIKE CORBAT: Okay.

OPERATOR: Your next question is from the line of Adam Hurwich with Ulysses.

JOHN GERSPACH: Hey, Adam. How are you doing?

ADAM HURWICH: Hi. Thanks. Quick question, John. Does it make sense – I'm following up on your comments on cards. Does it make sense to look at transaction volumes as a ratio of balances? And if it does, how should we look at that going forward?

JOHN GERSPACH: You know what, Adam, this is why I always love talking to you. I hadn't thought of it that way before so before I answer it let me think about that and I'll get back to you.

ADAM HURWICH: Thanks.

OPERATOR: Your next question is from the line of Al Alevizakos with HSBC.

AL ALEVIZAKOS: Hi, thank you for taking my questions. I've got two questions for you. First question is on the Treasury and Trade Solutions. I realize that there's no real benefit so far from the interest rates improvement. Therefore, I would like to know whether there is any downward pressure from something else that we actually don't see since it's only one liner. And secondly, since we're in Europe, we would like to know whether there is any comment regarding the trading performance regarding the separate regions. So, whether you've seen any kind of obvious trends, any different trends, in the U.S. versus Europe or versus Asia. Thanks very much.

JOHN GERSPACH: Okay. Let me start with the second one. Definitely a strong trading results coming out of EMEA. Again, we look at the entirety of the region. So, I can't be specific to Western Europe, but definitely stronger trading results in EMEA. And again, that – certainly stronger there than we would have seen. We had decent results in Latin America, decent results in Asia, but good strength coming out of EMEA.

As far as the first question, when it looks at TTS, we definitely did get a benefit. TTS remains, as I've said, a foundational business for our institutional strategy. And so, that still is good. The revenue growth did slow a little bit this quarter to 4% as opposed to where we are running before, but, you know, we had seen growth rates of 6% and more. So, there was some pressure that we saw on deposit pricing, but nothing out of the ordinary. Again, as you get into the later stages of rate hikes, you're going to see increases in your betas and that's embedded in all of our models, so, nothing there. Importantly, what we continue to see in TTS is we're continuing to gain share in SWIFT volumes, in chip volumes, so – and importantly, in commercial card volumes. So, we think that that business is one that should continue to grow for us, although it's probably going to be more in that 4% to 5% growth range.

AL ALEVIZAKOS: Great, thank you very much.

JOHN GERSPACH: Okay.

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OPERATOR: There are no further questions. I will turn the call back over to Ms. Susan Kendall.

SUSAN KENDALL: Thanks to all of you for joining us today. If you have any follow-up questions, please reach out to me and my team. Thank you very much.

OPERATOR: This concludes today's conference call. You may now disconnect.

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