TRANSCRIPT

Barclays Capital Global Financial Services Conference
September 10, 2012

Host
Jason Goldberg, Barclays Capital

Speakers
Vikram Pandit, Citigroup Chief Executive Officer
John Gerspach, Citigroup Chief Financial Officer

PRESENTATION

JASON GOLDBERG: Without further ado, I'm very pleased to have Citigroup kick off this afternoon's festivities. For those that missed the polling that we did prior, we'll publish it tonight. I think some people were pretty interested in some of the answers. [Inaudible] We didn't have people planted in the audience because we had Vikram standing in the back. It kind of just worked out that way.

We're very pleased to have Citigroup rejoin this conference after a bunch of years hiatus. But it's interesting going back looking through our notes from their last presentation and you kind of look at the priorities and it was a lot about getting expenses under control - actually getting credit costs under control back then; getting rid of the government ownership stake; selling down Citi Holdings; and improving their capital position. And I look at the progress the company has made over the last several years; you kind of have to give it check marks in each of those instances. I'm very pleased to have today with us Vikram Pandit, CEO, John Gerspach, Chief Financial Officer and Susan Kendall from Investor Relations, to talk to how Citigroup takes it to the next level. With that, let me turn it over to Vikram.

VIKRAM PANDIT: That's great, thank you Jason. And thank you all for joining us today. And I particularly want to thank the 36% who are going to buy Citi stock over the next 12 months.

I want to share with you today a few themes on our recent performance and our business model. First and foremost, I'd say that we've been consistently executing our Citicorp strategy and delivering strong results – both in revenues as well as business drivers, and that's shown up in bottom line earnings growth. This momentum reflects the transformation we began at Citi more than four years ago – which has resulted in a simpler, smaller, safer and stronger organization today. Our core earnings at Citicorp are diversified and sustainable – driven by our unparalleled global network and unique ability to capitalize on the trends that are shaping today's operating environment. We continue to wind-down the non-core assets that Jason talked about in Citi Holdings. And we continue to build our book value and regulatory capital. In fact, since our recapitalization of the company at the end of 2009, our tangible book value per share has grown nearly 25%.

First, I want to quickly review our financial results for Citigroup as a whole – excluding CVA/DVA, and the net gains on the sale of certain minority investments. For the first half of 2012, revenues were over $39 billion, with over 95% coming from our core businesses in Citicorp. Operating expenses were less than $25 billion and credit costs continued to decline to less than $6 billion. In total, Citigroup net income grew 4% year-over-year to $6.5 billion.

Let's take a look at Citicorp specifically, our core operating business. In the first half of 2012, Citicorp revenues grew 3% year-over-year, while expenses and credit costs both declined. Net income grew 7% year-over-year to $8.5 billion, with a loan loss reserve release which was nearly 60% smaller than the prior year. Excluding the impact of loan loss reserve releases, our core pre-tax earnings grew 41% to nearly $11 billion. Importantly, this momentum was broad-based with significant growth and positive operating leverage in each and every one of our businesses.

I'd like to put this momentum in context, as Citi's performance recently is a direct result of the transformation we began a little bit more than four years ago. This transformation is evident in our financial strength, but it is also rooted in our strategy, our organizational structure and, importantly, our culture. As a result of the changes we've made over the past four years, Citigroup today is a simpler, smaller, safer, stronger organization than it was when I became CEO in December 2007. WE believe we are firmly positioned for sustainable earnings and responsible growth.

Perhaps the most important decision we made in 2008 was to simplify our business and management structure. At the heart of Citi is our global network and our unparalleled ability to facilitate trade and capital flow for our clients. This differentiated advantage is at the center of Citicorp's strategy and helped us define those clients, those products and those regions where we would focus going forward. What results is a simple, back-to-basics strategy focused on individual and institutional banking and serving those clients who most value our global network.

Our strategy is to deliver what our clients need - which is lending, transaction services and access to capital markets globally - in a seamless, efficient way. Importantly, this strategy enables us to diversify our earnings base across business lines and regions while maintaining operating discipline. All other assets and business activities became part of Citi Holdings – which at its peak was 36% of our assets but now comprises only 10% of Citigroup.

Those businesses that we identified which were not core to us was the first step. And as I said, those are businesses in Citi Holdings. And since the formation of Citi Holdings, we have shed nearly 100 businesses and asset portfolios, including Smith Barney, Student Loan Corporation, Primerica, amongst others. In total, we've reduced the size of Citi Holdings by over $600 billion and taken significant operating risk out of the business.

And as you can see, if you look at our core operations, whether by business segment on the top or region, Citicorp in 2011 looked much, much like the Citicorp of 1997 pre-merger, with a comparable mix of consumer and institutional banking businesses and a diversified global footprint. Of course, we are larger now. But over this period of time, we have grown our businesses generally in line with GDP growth and trade activity, as well as overall capital markets volumes.

At the same time, we have established a safer, stronger financial foundation. Our Tier 1 common ratio is among the highest in the industry at 12.7% under Basel 1 and 7.9% under Basel 3 as of the end of second quarter, and we remain highly liquid, with over $400 billion of aggregate liquidity. This excess liquidity is conservatively invested, mostly in cash and U.S. GOvernment securities, including agency securities.

As a firm, our goal is to optimize risk-adjusted returns – which, for us, means focusing on facilitating transactions for our clients while increasing the transparency of our balance sheet and tightly managing our risks.

The client is at the center of the Citicorp structure – with the businesses and regions organized to deliver our global network. Each business and region has a single CEO, with a clear set of goals and accountability for performance. They are supported with centralized Global functions to improve efficiency, consistency and controls.

We are also implementing common global infrastructure, such as our Global Consumer Banking platform - modeling our success in Transaction Services, for example, where our seamless global technology platform gives us a differentiated advantage. And finally, while structure and technologies are important, our success ultimately relies on the quality of our people and the strength of our culture, and we have the right team in place to lead the organization.

Our recent results reflect the sustainability and the diversity of Citicorp's earnings and the work we've done over the last four years. This slide shows pre-tax earnings by business – excluding CVA/DVA, gains or losses on minority investments and the impact of loan loss reserve releases. The size and mix of these businesses over time has been driven by what our clients need. And as you can see, our earnings have grown steadily this year and are diversified across the franchise, with a significant contribution now coming from Consumer Banking and Transaction Services.

The same story is evident across regions, as we are diversified with no outsized exposure or reliance on a particular market. We are disciplined within the regions, focusing only on those businesses where we have a unique ability to serve our clients.

In Western Europe, for example, we chose to exit the consumer banking business in 2008, as we anticipated lower growth prospects and lower returns in those developed economies. This decision to scale back our operations in Western Europe proved to be even more important, of course, in light of today's sovereign issues. Our few remaining Western European retail banking assets are in Citi Holdings.

Going forward, we believe our momentum is sustainable, as Citicorp is uniquely aligned with the global growth trends. First, we have an unparalleled presence in the emerging markets, which are expected to enjoy sustained higher GDP growth for the foreseeable future, even if overall growth rates slow in the near-term.

Opportunities will be driven by growth in global trade, the emergence of new multi-nationals, and the rise of a powerful consumer block. And while developed markets are expected to lag, we believe the United States will be a potential bright spot, supporting the ongoing turnaround of our consumer businesses.

Second, Citi is focused on retail banking in 150 cities around the world where GDP is increasingly concentrated, particularly in the emerging markets. In these cities, opportunities will be driven by consumer demand for financial services as well as increasing needs for infrastructure and investment.

Third, Citi is actively developing mobile payment systems to harness clients' demand for more seamless digital interaction. We are already a leader in corporate mobile payments, and we are collaborating with important non-financial firms, such as IBM and Google, to shape the future of digital banking.

And finally, no discussion on financial services can be complete without taking into account the regulatory and capital environment. Here again, we believe Citi is uniquely positioned to operate under the proposed regulatory and capital rules. We are less exposed to the consumer regulatory changes in the U.S. versus our domestic peers, given the relative size and focus of our U.S. consumer bank.

Citicorp is a back-to-basics banking franchise, solely focused on serving clients, and as such, it is also inherently capital-friendly under Basel 3.

Let's look at a couple of these trends a little bit more in detail. In total, we expect world GDP growth of more than 3% annually over the next five years. Developed economies are expected to grow by less than 2% annually – although the U.S. stands out as a potential bright spot. Emerging markets, by contrast, are expected to grow at 5.5%, fueled by population growth, the rise of the powerful consumer base in the middle class, and a growing share of world trade.

Over the next decade, we expect emerging market trade flows to grow by over 10% annually, or more than twice the pace of the developed market's trade. In fact, the fastest growing trade flows in the world are intra-emerging market trade, which we expect to comprise over one third of all trade flows by 2020. These trends naturally play to Citi's core strengths, as we are virtually the only bank in the world who can serve clients' needs across every major emerging market.

While GDP growth in emerging markets is expected to outpace developed regions, it is also expected to be concentrated in major metropolitan areas. Over the next 15 years, GDP in the world's largest cities is expected to grow by over 4% annually, with nearly 8% growth in emerging markets. This trend supports our urban-based retail banking strategy as these cities will be home to an ever-growing consumer population with increasing demands for financial services. Emerging market cities are expected to contribute 95% of growth in the urban consumer base over the next 15 years, or an increase of one billion new emerging market consumers.

These trends already support our Consumer Banking business, which operates 4,600 branches in 40 countries around the world. We manage this business on a global basis, with over 100 million customers, $284 billion of retail and card loans, and over $300 billion of deposits as of the end of second quarter.

We are the leading cards issuer globally by loans, with over 10% market share in 15 countries. And in retail banking, we are focused on the world's largest 150 cities, most of which are in the emerging markets. We provide integrated financial services for individuals, as well as local commercial clients. And we are leveraging our scale by implementing common global technology platforms – with the goal of improving the quality and consistency of our customers' experience – wherever they are around the world and however they want to interact with us - be it in person or digitally.

In the first half of 2012, Consumer Banking revenues grew 5% in constant dollars, with particularly strong growth in Latin America –and our pre-tax earnings, excluding the impact of loan loss reserves, grew over 60%, driven in part by improving credit in North America.

The diversification of this business, our Consumer business, is powerful. On the left, we show credit trends from their peak during the crisis through today. You can see that net credit losses peaked at a different pace in each region, starting with Asia in the second quarter of 2009 and ending with the U.S. in early 2010.

On a global basis, our net credit losses peaked nearly 200 basis points lower than in North America alone, and our global recovery started a year earlier than in the U.S. In the most recent quarter, our total consumer credit losses fell to 3% of the portfolio, which reflected not only the economic environment, but also the high quality of our loans.

While moving up the credit spectrum to higher-quality borrowers can put pressure on revenue yields, we believe it is the right approach and we can improve the resiliency of our portfolio and maintain attractive net credit margins. We have grown our net credit margins consistently over time with contribution from each of our major regions, as shown here on the right. Additionally, under Basel 3, you can still achieve very attractive results on these loans as the higher-quality portfolio attracts less risk-weighted assets.

Let's take a look at Transaction Services. This, by the way, is the backbone of our Citicorp strategy, representing our global network in roughly 100 countries around the world. Transaction Services processes over $3 trillion of transactions daily in 135 currencies and generates deposits of nearly $400 billion. We operate the single largest proprietary network in the world, giving us a unique ability to facilitate trade and capital flows for our clients, particularly in the emerging markets. These operating relationships also generate significant foreign exchange and interest rate activities, which are captured in our Securities and Banking businesses.

In total, revenues for the first half of 2012 grew 6% year-over-year and earnings grew 8%. We are the global leader in Treasury and Trade Solutions, providing working capital management and trade finance to multi-national clients. Despite the persistent low-rate environment, we've been able to offset spread compression with new client mandates and higher transaction volumes which have enabled us to grow earnings.

We've also grown our trade finance assets by over 50% in the last 12 months, and we believe we are well-positioned to continue to gain share as some international competitors are constrained in this environment.

In the Securities and Fund Services business, we are a top-tier provider with end-to-end solutions for investors, intermediaries and issuers, with an unparalleled clearing network in roughly 60 countries. While revenues are down slightly from last year, reflecting lower settlement volumes, we continue to gain share, particularly with marquee asset managers.

Finally, we have a strong Securities and Banking franchise with unique exposure to the emerging markets. We are focused on deepening our relationships and wallet shares with nearly 5,000 of the largest, global multi-nationals and investors around the world. And we are leveraging these strong operating relationships in our Transaction Services businesses, generating significant foreign exchange and interest rate activity.

Importantly, our franchise is centered around traditional lending and flow facilitation, with an emphasis on optimizing risk-adjusted returns, and we are committed to appropriately sizing the business to the opportunities as we see them in the market.

In the first half of the year, revenues, excluding CVA/DVA, grew by 2%, driven by strong performance in rates and currencies; fixed income revenue was up 9%; and we also saw momentum in lending and private banking, while our total expenses in Securities and Banking declined 5% year-over-year.

This integration between Securities and Banking and our Transaction Services business creates unique opportunities for Citi, particularly in fixed income. A significant proportion of our markets activity stems from our operating relationships in Transaction Services, and therefore, our fixed income franchise boasts a much greater proportion of corporate client revenues.

These corporate client revenues have been more stable over time and are also highly dependable, as we are managing these clients' operating accounts across more countries and regions than any other peer can offer. In 2011, corporate end-users generated nearly 30% of our fixed income client revenues - defined as those revenues directly attributable to a client trade at the time of inception. This compares to less than 20% for the overall market. Corporate client revenues grew at twice the pace of the overall fixed income market last year. And Citi's fixed income client revenues outpaced the market, with 9% growth in 2011, reflecting momentum with both investors and corporate clients.

Our Local Markets rates and currencies business is the most significant example of the fixed income activities stemming largely from corporate operating relationships. These revenues have shown tremendous stability over the years, even through significant global events. And over the last 12 months, Local Markets' revenues totaled $4.5 billion in the first half of 2012, which generated double-digit growth year-over-year.

So in total, Citicorp is a capital-friendly business with attractive returns. Looking at Citicorp and Corporate/Other together, our estimated risk-weighted assets under Basel 3 are only 15% higher than under Basel 1. And our return on Basel 3 risk-weighted assets for the first half of the year was 1.8%.

Citicorp's return on capital is also attractive, whether you look at it on the basis of tangible common equity or on regulatory capital. We've got an illustration here, which is based on allocating our tangible common equity, which, by the way, includes the full value of our deferred tax asset based on Basel 3 risk-weighted assets. And on that basis, Citicorp's return on tangible common equity for the first half of the year was nearly 16%.

Of course, the deferred tax asset earns no income, and so regulatory capital, which excludes most of the DTA, is a more precise measure of capital available to be deployed in our business. And even if we assume Tier 1 Common capital levels of 9.5% of Basel 3 risk-weighted assets, the return on Basel 3 capital for Citicorp for the first half of the year would be over 19%. And while the environment is uncertain and we continue to optimize our portfolio, we believe Citicorp has the capacity to earn mid- to- high teens annual returns on Basel 3 capital on a consistent basis going forward.

While these Citicorp returns are attractive, we do recognize that right now, the drag from Citi Holdings is still material, bringing the total Citigroup return on Basel 3 capital to just over 10%. This represents a significant opportunity going forward as Citicorp generates very attractive returns and the drag from Citi Holdings should diminish over time as we continue to wind down these non-core assets.

Let's look at these non-core assets in Citi Holdings a little closer. Over the past two years, we have reduced Citi Holdings assets by over 50%. At $191 billion of assets, it now represents only 10% of Citigroup. Revenues have also declined materially over the past two years, while the quarterly net loss has generally remained at $1 billion or so a quarteR, which I'll discuss in just one minute.

This slide gives you a summary of the assets in Citi Holdings. As you can see, Local Consumer Lending is by far the largest remaining segment in Citi Holdings, with $138 billion of assets - most of which are U.S. residential mortgages. Local Consumer Lending is primarily a runoff portfolio, with the exception of our one main consumer finance operation and some small remaining businesses in Europe.

The Special Asset Pool had $32 billion of assets as of the end of second quarter. Nearly half were mark-to-market assets and available-for-sale securities. Another $7 billion of securities were held- to- maturity, and the remainder was accrual loans and other assets.

The smallest segment, Brokerage and Asset Management, had $21 billion of assets at year end, almost entirely related to Morgan Stanley-Smith Barney joint venture. As of the end of second quarter, we carried our 49% equity interest in the JV at roughly $11 billion. And as many of you know, we are currently in the process of selling a 14% stake in the JV to Morgan Stanley, and the two firms are employing a third-party appraiser to assist in determining a fair value for purposes of the transaction. And you also know we expect to receive this third-party appraisal later today.

Taking a look at the recent performance in Citi Holdings, it is important to consider the impact of legacy rep and warranty issues as well as legal, regulatory and repositioning expenses. You can see this on the top right. These costs have been difficult to predict, and we continue to work to put these issues behind us.

But excluding these items, as you can see on the top left, we have generated a modest positive operating margin for the past several quarters. And our goal is to continue to generate positive margin, although there may be quarter-to-quarter fluctuations arising from periodic gains or losses as we continue to wind-down the assets.

What you can see on the bottom left is the significant drivers of losses in Citi Holdings - which has been credit losses - and that has declined significantly over the past year. And they are increasingly concentrated in North America mortgages. Assuming no material deterioration of the economic environment here in the U.S. these mortgage losses should generally decline over time as the portfolio continues to shrink and season.

North America mortgages in Citi Holdings totaled $100 billion as of the end of the second quarter. We reduced the mortgage portfolio by 14% from last year, and net credit losses were down 20% year-over-year in the second quarter. To date, we have not offset these mortgage credit losses with any material loan loss reserve releases.

We continue to allocate nearly $9.5 billion of loan loss reserves for North America mortgages. Assuming we get more comfortable with the sustainability of the housing market recovery, we could begin to release reserves to offset net credit losses, and this would, of course, have a significant impact on the bottom line results in Citi Holdings. Our goal continues to be to reduce the losses in Citi Holdings as quickly as possible in order to improve the returns for Citigroup as a whole.

But even as we have absorbed the drag from Citi Holdings, we have continued to build significant tangible book value and regulatory capital. Through the second quarter, we had grown our tangible common equity to $152 billion, or nearly $52 per share, and our Tier 1 Common ratio under Basel 1 had grown by nearly 110 basis points year-over-year to 12.7%. Under Basel 3 our estimated Tier 1 common ratio was 7.9% as of the second quarter.

In summary, the transformation we began in 2008 has resulted in Citi being a simpler, smaller, safer and stronger organization today. We have the right strategy and the right team in place to serve our clients exceptionally and to deliver attractive returns for our shareholders.

Citicorp generated strong results for the first half of the year, leveraging our global network for the benefit of our clients. And we believe our momentum is sustainable given the diversity of Citicorp's earnings and our ability to capitalize on global growth trends.

In Citi Holdings, we continue to wind-down the assets in an economically rational manner. And finally, while we have absorbed the drag from Citi Holdings, we have consistently grown our book value and regulatory capital. Moreover, we have a significant opportunity to improve the return from Citigroup in total as the losses in Citi Holdings are reduced over time.

Thank you again for joining us today. With that, John Gerspach and I are happy to take questions, but I understand not before we get to some polling. Jason, am I right?

JASON GOLDBERG: Could we put up the first polling question? But if you currently don't own the shares of Citi or underweight the stock, which of the following would be most influential in making you change your mind?

One, a more permanent solution for Europe; two, reduction in DTA exclusions; three, ability to redeploy capital; four, improve capital market share; five, acceleration of growth in emerging markets; or six, reduction of losses in Citi Holdings.

Three, two, one – and the answer is: 29% for the reduction in losses at Citi Holdings, followed closely by – closely behind the ability to redeploy capital. I think certainly Vikram talked about reducing losses at Citi Holdings.

Is there- you guys, I guess, have been pretty active in doing that. Is there any way to accelerate those losses? Although I think, as you pointed out, half of them seem to bE U.S. Mortgages and those mature or roll off. Maybe you could just give us a sense in terms of the life of those assets and how we could expect that kind of more runoff to occur.

VIKRAM PANDIT: John, do you want to talk about it?

JOHN GERSPACH: Yes, sure. Jason, you're quite right, as far as the bulk of the losses being concentrated in the residential mortgages. Now, the weighted average life of those mortgages is probably something in the order of five to seven years.

We have been active in selling mortgages. I think if you go back to the beginning of 2010, probably over that 2.5 year period, we've been sellers of close to $14 billion of those mortgages, of which about 60, maybe a little bit over, percent, have been delinquent loans. So we've got tools to work them down, but this is going to be a bit of a wind-down strategy until we can get to that point where we are confident in order to release some of those loan loss reserves.

VIKRAM PANDIT: Jason, on an operating basis – I think the slide we had put up was important to say – on an operating basis, we are endeavoring to earn a small margin. And if you look at some of the recent losses, they have been heavily influenced by some of the regulatory and legal costs we've had to bear, and we are trying to put those behind us, because that would make a difference.

JASON GOLDBERG: And I guess the second most picked answer was ability to redeploy capital. I guess, why don't we go to this question? And then we can kind of tack that onto this. But, I'm going to ask the audience - which do you think would be the course for Citi to take with the CCAR Commission? We kind of just talked some scenarios, but you get to pick and we will see. Vikram, if you want to vote, we have one of these.

VIKRAM PANDIT: Do we have any regulators in the room?

JASON GOLDBERG: No. Wow, very evenly dispersed, with - it seems like people wanting…

JOHN GERSPACH: They seem to go for the highest amount.

JASON GOLDBERG: Yes, that's what they want.

JOHN GERSPACH: They want it. They want it all. They want it now. Okay, that's fine.

JASON GOLDBERG: Vikram, maybe you could address that in terms of – obviously, 2012 was a, I guess, sort of surprise for all of us. But maybe in terms of how you are thinking about 2013 and your expectations around that…

VIKRAM PANDIT: I think the process is going to be something we know about over the next two, three months. And we don't know what the scenario is at this point. There is no question we believe we are adding to capital and we have the capacity to return capital. So what you are really asking about is what is the scenario, what are we going to put in? I don't know that yet. We will make that decision down the road.

JASON GOLDBERG: And the next question - this will help come to a consensus - what do you expect the ultimate Morgan Stanley Smith Barney JV valuation to be? Less than $10 billion; $10 to $13 billion; $13 billion to $16 billion; $16 billion to $19 billion; $19 billion to $23 billion; and more than $23 billion. I think the New York Post this morning said $15 billion. They are sometimes good, sometimes not. We'll see. We'll know the answer shortly, the real answer.

JOHN GERSPACH: Right in the middle.

JASON GOLDBERG: Most people going with the midpoint or the New York Post. We won't ask you to comment on that. Why don't we leave the polling here and we will go up into the audience for questions? I think Larry has one, which is usually entertaining.

SPEAKER 1: Thanks. Our central bankers have given us a massive liquidity –driven rally in credits. Your share price is somewhere around 55% or 60% of stated book or tangible book or however you choose to look at it. You were not given permission by the Fed to repurchase shares or return capital to a greater degree than you are this year.

I'm wondering why you haven't taken advantage of this set of opportunities to accelerate the disposal of assets at Holdings, if for no other reason, just to try it.

VIKRAM PANDIT: Well, $600 billion later, we've done a lot of trying.

SPEAKER 1: Full credit for what you've done. No question. But Holdings still consumes something like 35% of the TCE in the institution, and we see the difference in the returns. I mean, there is a huge difference between a 10% ROE and a 19% ROE on a Basel 3 basis significance.

VIKRAM PANDIT: Fair enough. And you're 100% right. Believe me, it is a question and issue that takes a lot of my time.

SPEAKER 1: We are dying for you to do this, please.

VIKRAM PANDIT: Okay, that is a rhetorical question. I understand very well. You know, $100 billion is the U.S. mortgages. You know that's what it is. Twenty-one billion is mostly tied up with the Morgan Stanley-Smith Barney joint venture. Well, if some of you are right on your number, that will change the assets today.

But beyond that, we do continue to look at our available-for-sale securities. We've been selling it. I mean, we are down to $191 billion.

You also want to make sure that given the funding advantage we have, we don't do anything silly in the marketplace. You've got to make sure that these assets are sold in the right way, and we are trying to do that. And believe me, there is not a day that goes by where we try to – where we don't try to think about if there is a better, different way to reduce the size of the Holdings. I get it.

SPEAKER 2: Could you elaborate on the potential for digital banking, and mobile banking in particular, for Citi in the urban areas of the emerging markets? And I'm wondering if it might allow you to grow in some pretty big step functions, and if so, what is the timeframe for that?

VIKRAM PANDIT: Okay. That's a good question. By the way, we started a lot of this way early in Asia. And so a lot of the things we are doing here reflect the advantages we've gained over time in Korea, in Hong Kong, in Singapore. And by the way, we announced a joint venture with American Mobil in Latin America. I think they have something like 250 million customers in Latin America. And in an about 500 million-ish population, that is a significant opportunity as well for us.

I think you want to separate out the opportunity in two parts. One is us serving our customers, which are urban; as I said, 150 cities. And there, it is one more tool in order to serve our clients. And it's going to be expected of every bank around the world. We may be a little bit ahead, but every bank is going to have to do it.

But the other set of capabilities we have is because of our CTS infrastructure, as well as these capabilities that we have on mobile banking. We are in great position to white label these capabilities to a bunch of other people in these countries. And we are doing it in a variety of different ways. By the way, we are doing it in a way also to drive national inclusion. Here is an example of what we are doing. There are two billion people who have mobile phones who don't have a bank account in the world. And that is the step we are taking with U.S. aid, where we started a program in nine countries, where we are going to build an ecosystem so that we can get these people into the financial system, if nothing but with an account on the phone, so to say. That is not necessarily - these people are not necessarily going to be our clients, but they will be somebody else's clients and we are providing the infrastructure.

So to us, the opportunity from mobile banking comes about in three different ways. One, if you get more people to do it, our cost structure goes down. That's really important. It is part of perceptual scale. Two, if you serve them well - for those customers we are going after in the urban areas - we think we can get a greater market share. Just go out to Singapore; just go out to Hong Kong; just go to some of the other cities around the world and you can see that.

And the third opportunity for us is to take this infrastructure and have it made available to other banks and local providers who don't have the capabilities.

Now, I think all of these are good opportunities, but ultimately, this is going to be part of consumer banking for everybody. Right? We may be just a little bit ahead. We can get a little bit of a head start. And actually, we feel pretty good about the opportunities for us.

JASON GOLDBERG: I guess I'll ask a question. Vikram, there has been some debate in terms of the cyclical versus secular pressure within the industry, particularly within some of the capital markets businesses. Just kind of looking at first-quarter results, Q1 strong, Q2 weak, 3Q, I'm hearing mixed things on it. Love to hear your perspective. Can you really talk to it in terms of how you kind of see the current landscape shaping up?

VIKRAM PANDIT: I mean, look, I think there are a lot of secular things going on - some positive, some not so positive. There is no question the European banking system is something that has to deleverage. The European banking system - I don't know what their assets are today – has something like $40 trillion of assets. The U.S. banking system, by contrast, is $15 trillion of assets. And even counting a lot of differences, shrinking is not by a trillion or two on the margin; I mean, this is big. So there are structural changes in the banking system that have to occur. That is one part.

The second part of the structural change, you all know, is the regulatory change. And that is what we've been working on; getting our risk-weighted assets in Basel 3 down to 115% of Basel 1. That was a lot of work - reshaping our businesses - and we believe we are ready for that secular change. That is the second secular change that is out there.

And I do think there is a secular change that comes from the fact that while the economy around the world will still continue to grow, growth rates possibly are going to be a little bit lower than we all would like it to be. Those are all the negatives on the secular side.

The positive on the secular side is what I talked to you about – emerging markets, the consumer, infrastructure need, investments that have to be made. Those are on a secular basis, and I think those secular changes, the financial industry has to redefine themselves to be in place on those changes.

It is hard when you look at some of the market-driven activities, particularly in capital markets, to somehow separate out the impact of the Euro or the impact of the impending fiscal cliff. It is hard to separate out the environmental factors from some of these to know what is cyclical or what is secular.

I think the secular things are big enough. All the banks are going to have to deal with them in a very methodical way; the way we've dealt with them. I do think, by the way, some of what you are seeing in the capital markets activities today, are likely to be more cyclical than secular. You can't create a case - given the growth rates of 5.5% in emerging markets and over 3% GDP growth around the world – you cannot make a case to say that low volumes can continue for a long period of time.

JASON GOLDBERG: With that. Please join me in thanking Vikram for his presentation.

VIKRAM PANDIT: Okay. Thank you, guys.

JASON GOLDBERG: There will be a breakout session in the Riverside Ballroom

Certain statements in this document are “forward-looking statements” within the meaning of the rules and regulations of the U.S. Securities and Exchange Commission. These statements 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 those included in these statements due to a variety of factors, including the precautionary statements included in this document and those contained in Citigroup’s filings with the U.S. Securities and Exchange Commission, including without limitation the “Risk Factors” section of Citigroup’s 2011 Annual Report on Form 10-K.