MIKE CORBAT: Keith, thank you very much. It's great to be here. Thank all of you for coming and joining us today.

In my first five months as CEO, I've spent a lot of time reviewing our businesses, from the budget process to our CCAR submission, to meetings with our clients, our investors, our regulators, and in my travels seen firsthand both the opportunities and the challenges in our Company. So today, what I'd like to do is share with you my perspectives on our business and, importantly, my priorities as we move forward.

To begin with, as I've said in the past, I believe Citi's strategy is the right one, and it's well aligned against the global trends. We want to be a leading provider of financial services to the world's largest multinational corporations and investors and to provide best-in-class financial consumer banking to high quality customers in the world's largest cities. Our target client base is one which values our global network, and the scale and scope of our franchise is designed to serve their needs.

As you know, many firms speak about themselves in terms of products, but for us, it's the markets in our network which allow us to serve our clients in a differentiated way. And in fact, our global network is becoming more unique and more valuable every day. If a financial institution doesn't already have a significant global presence, its ability to recreate our footprint inorganically through significant M&A, or organically through building, is extremely limited in today's challenging regulatory and economic environment. But we recognize that our network only has real value if we can deliver on behalf of our clients and our shareholders and deliver a return on equity that exceeds our cost of capital.

In certain products and geographies, I believe we're well positioned with the right set of clients and appropriate allocation of resources to deliver strong returns. Having said that, we still have many opportunities to improve on our execution. First and foremost, we need to drive our resources to their best returns. To us, appropriate resource allocation only occurs when you consider it through three lenses - geography, clients, and products. I'm going to share with you today how we're using these lenses to prioritize our resources and, importantly, how we're measuring and holding our managers accountable to drive efficiency in our everyday operations. And so, today, what I'm going to do is share with you our financial targets for 2015 so that you can hold us accountable.

Let me take a minute and now put our current priorities into context. Citi's now in the fifth year of one of the most significant transformations ever executed in our industry. Much of the major restructuring is behind us, having identified our core businesses in Citicorp and our wind down portfolio in Citi Holdings, nearly five years ago. In 2008, we reorganized our structure, centralizing global functions such as risk management and finance, in order to tighten controls and simplify the organization. And in 2009, we recapitalized the Company, which caused painful dilution to our shareholders but also established the strong foundation for our future.

Since that time, we've reinvested in Citicorp and returned the core franchise to growth while also reducing Citi Holdings, building capital, and making the necessary changes in our business to prepare for the new regulatory and capital rules. We reduced Citi Holdings by over $600 billion of assets, and we've largely sold down the minority stakes, which became punitive under Basel III. We've also reshaped certain businesses, such as securitized products, that are most affected by the new capital rules. And as
mentioned, we ended 2012 with a strong capital position at an estimated 8.7% Tier 1 Common Ratio under Basel III, and we continue to believe that we're going to end this year at 9.5% or higher.

As we enter the next phase of our transformation, our focus is on execution, with the goal of delivering consistent and high quality earnings. Execution is critical in today's challenging environment, given the continued economic, regulatory, and other headwinds facing our industry, and it's also important as Citi continues to manage through two significant legacy issues. First is our deferred tax asset of $55 billion, and a significant amount of our DTA is deducted in calculating regulatory capital under Basel III. And therefore, we hold a greater amount of tangible common equity than would otherwise need to be there to support our operating businesses. The DTA doesn't earn income, and is, in fact, a drag on our equity return.

Second is the capital supporting Citi Holdings. While we've reduced Citi Holdings to just under 8% of our GAAP balance sheet, it still represents nearly a quarter of our estimated risk weighted assets under Basel III, and so a significant amount of our capital supports businesses that still generate a loss. In practice, this means that over a third of our capital is not available to generate returns that you both expect and deserve.

With the remainder, therefore, we have to be extremely disciplined of where and how and with whom it's deployed, and there is no margin for error. The good news is that the capital supporting DTA and Citi Holdings will free up over time, generating potential significant excess capital for return to our shareholders. But, in the meantime, in many ways we're fighting with one hand tied behind our back, which is why superior execution is critical.

So, what do we mean by execution? Broadly speaking, we have three priorities. First is the efficient allocation of resources, including our equity capital, our expense dollars, our headcount, our risk, our risk capital. Second is a continued focus on the wind down of Citi Holdings. And third is our priority around DTA utilization. We need to turn the DTA balance in the right direction and demonstrate its value to the market.

Let me take a minute now and talk about our strategy and what we think makes us unique. Many of our institutional relationships begin in the middle of this slide with our Transaction Services business. This network facilitates over $3 trillion of daily flows and serves as the backbone of our global infrastructure. We're integral to our clients' daily operations, and as their partner, we also capture significant trading flows in products like foreign exchange, as well as more episodic capital markets origination and M&A.

Likewise, in the consumer businesses, our strongest and most profitable relationships begin with a primary operating account, where we provide everything from automatic payroll, to mobile banking and payments. And through these relationships, we establish the foundation to extend credit to these consumers and ultimately earn the opportunity to provide longer-term investment and wealth management advice as their needs evolve. Together, the institutional and consumer businesses provide a substantial base of deposit funding in local markets, which also gives us a unique ability to support these clients as they move around the world.

And in fact, our clients are becoming more global every day. Developed market companies are rapidly expanding outside their home markets, and since 2002, acquisitions by developed market firms into the emerging markets have more than doubled. Emerging market companies are also expanding globally, creating the next generation of large cap leaders.

In 2005, less than 10% of the global Fortune 500 was headquartered in the emerging markets. By last year, that proportion had grown to over 25%. As business activity grows in the emerging markets, so does the base of aspirational consumers. We see GDP concentrating in urban areas, and we think that 60% of the growth in high income urban households through 2025 is expected to occur in emerging market cities where we already have a focus of our retail presence.
As you can see from this slide, we are a global firm, with a physical presence in over 100 companies that comprise our network. For Citi, global doesn't mean packing up a suitcase and traveling to where a client needs to do a transaction. Global means we're established in the countries where our clients need us to do business, both in developed and emerging markets. They can make payroll in Tanzania. They can purchase raw materials in Indonesia. They can hedge currency risk in Korea. And they can do so knowing that they're dealing with a strong, well-regulated firm. So we provide them with the services they need, and we also provide the reliability and market expertise of a truly global institution. It's good for them, it promotes global economic growth, and we all benefit from that.

Building from this slide, we provide broader markets and banking services in those countries where our clients need liquidity, access to capital markets, and strategic advice to grow, or in some cases reshape their businesses. We also leverage our network to provide consumer banking, focused largely on emerging market cities where GDP growth and urbanization are driving significant demand.

As a company, we often tend to talk about our reporting segments—Consumer Banking, Transaction Services, and Securities and Banking— but I don't think this begins to describe the integration amongst these businesses. In Securities and Banking, for example, nearly $5 billion of the $22 billion of revenue last year were generated in local markets rates and currencies, which derives much of its volume from the FX flows in CTS. Likewise, Securities and Banking includes our corporate loan portfolio, which is closely tied to our operating relationships. And in Consumer Banking in markets such as Mexico and Russia, a significant number of our customer relationships are generated through partnerships with our corporate clients.

So, with our business model spanning multiple products in over 100 markets around the world, how do we make sure that we're driving our resources to the best opportunities? With the appropriate discipline and targeting -- without, I'm sorry -- without appropriate discipline and targeting, our resources can be spread too thinly or too evenly across the portfolio, under-investing in our best opportunities and opening ourselves to mission creep in less attractive areas. And having just spent four years selling off assets that came on our balance sheet as a consequence of mission creep, I'm very familiar with this and what it means to not have a disciplined approach. I believe the right framework needs to be more granular today than in the past, with a balanced view across markets, clients, and products. We also need to make sure we measure our progress in real-time so we can make mid-course corrections as necessary and respond to the operating environment.

We've reviewed each country in our network to determine the market's attractiveness and the strength of our franchise. The market attractiveness includes factors such as GDP growth, the competitive landscape and the regulatory environment in each country, and against that backdrop we look at the strength of our business as defined by operating efficiency and returns.

Based on these attributes, as you can see in the top right-hand corner, we've designated 20 markets in our system as “Invest to Grow”. These are markets where we also have a strong franchise. The vast majority of these are in the emerging markets, and include significant operations in Mexico, Singapore, Hong Kong, India, and China. Below that, 48 markets are designated “Stay the Course”, where we have a strong franchise but with less opportunity. These include smaller countries, many of which support Transaction Services in the emerging markets.

As you can see in the top left-hand corner, 18 markets are “Optimize then Grow”. Here we see the biggest opportunity for improvement, as these are -- tend to be large developed countries, such as the U.S. and U.K., where we have the highest concentration of expenses and assets. And the fourth bucket is “Optimize or Restructure”. Twenty-one markets fall into this category, including about a half with a consumer franchise. And the fifth bucket not on this page, so to speak, is an exit from a particular geography or business line.
In December, you saw us make a decision around our consumer businesses in Uruguay, Paraguay, Turkey, Romania, and Pakistan. In these markets, we continue to serve institutional clients, but didn't believe that we, in fact, had a near-term path to acceptable returns in our consumer businesses.

As you can see, this framework creates a clear roadmap for resource allocation. “Invest to Grow” markets are earning their right to additional resources, while “Optimize” markets are ripe for efficiency gains. “Invest to Grow” represents 30% of Citicorp revenues and are amongst the most efficient in our network, with an aggregate efficiency ratio of less than 50% last year, and these markets also generate strong returns on assets at nearly 2% in 2012. “Stay the Course” markets are a much smaller proportion of revenues at around 5%, but also operate very efficiently, and these markets generated a superior return on assets of 2.5% last year. This is where it's important to make sure we have operating discipline and to not lose sight of why we're in these markets and who in fact we're there to serve.

“Optimize then Grow” markets are over half our revenue but a larger proportion of our expenses, resulting in a high efficiency ratio and a below-target ROA of roughly 70 basis points. This, in our opinion, represents a concentrated opportunity where we can make real progress on both efficiency and return.

Finally, “Optimize or Restructure” markets are less than 10% of our revenues and amongst our least efficient, with a very low ROA. These results are unsustainable, and in these markets, if there's not a clear path to acceptable returns, we intend to significantly scale back or exit certain business lines.

The second lens we consider is client. As I noted earlier, our target clients are those who most value our global network. On the institutional side, the number of countries in which we service a client is the best indicator of our revenue, as well as the number of products we provide to that client. Both our wallet share and our returns increase threefold as we go up the spectrum from serving a client in fewer than 20 countries to going over 50. So we’re focused on those clients with the greatest potential to expand and migrate around the world.

Likewise, we also serve our consumers best when we leverage several touch points. On the right-hand side, you can see the marginal contribution increases dramatically as we build the number of products per customer. The data on this slide is for North America, but the relationships hold true around the world. This informs our investment decisions, as it clearly -- as it's very clear that an additional loan provided to an existing customer has a much more powerful impact on our returns than a standalone product. This does not imply, however, that we don't want to build our customer base, but we're very mindful of establishing a new account is just the beginning of the opportunity.

The third lens I'd like to talk about is product. Across the firm, we have opportunities to increase our efficiency of our spending and capture adjacencies which we believe today are underpenetrated. On the institutional side, when we deliver more integrated solutions, we keep more of our transactions in our pipes for a longer period of time. This additional revenue is highly efficient, as we've already done the work around credit analysis, AML, and the other work necessary to bring a client onto our platform.

As an example, one of our natural adjacencies is between Markets and Transaction Services. We're integrating our client-facing foreign exchange platforms in Markets with our treasury platforms in CTS, allowing corporate treasurers around the world to access our markets and CTS franchises from a single point of contact. This facilitates cross-product usage and streamlines our interactions with our clients.

In consumer, one of the most important things we're doing is simplifying our product portfolio. As an example, today our global cards business supports multiple products in each country, each with its own features and processes. Our goal is to rationalize this portfolio, taking out nearly 60% of our products in order to simplify our operations and improve the effectiveness of our spending.

Better resource allocation is only one part of achieving our Citigroup level targets. We must also remain focused on Citi Holdings. A wind down of Citi Holdings has two distinct components: winding down the
assets, and reducing the drag on earnings. We’ve made good progress in reducing Citi Holdings assets and RWA, but we still have work to do. We’ve already disposed of much of the – most of the larger operating businesses. The majority of Citi Holdings assets are now U.S. mortgages, and we continue to test the market for its appetite for those mortgages.

And despite the recent improvements in housing prices, we still don’t believe that the sale of mortgages on a large scale is possible at prices that we or you, our investors, would consider acceptable. Potential investors are still facing relatively high funding costs, not to mention high required equity returns. Citi, by contrast, has access the low-cost funding and, as we remain very comfortable with the reserves allocated to this portfolio, we have no desire to sell these assets at a sizable liquidity discount.

We’ll continue to sell smaller portfolios and, in fact, in this quarter, we’ve signed deals so far to sell roughly $1.5 billion of mortgages, taking advantage of the recent improvements in market conditions. And of course, if the market environment changes such that a larger sale is feasible, we’d absolutely take advantage of that opportunity.

Second, we have to reduce the drag of earnings coming from Citi Holdings. There are three primarily drivers to getting Citi Holdings closer to break-even from a roughly $7 billion pretax loss in 2012, excluding the impact of loan loss reserves. The first two drivers—reps and warranty and legal costs—we characterize here as legacy issues, and together they added over $2 billion to our pretax loss last year. Legal costs in particular have been very difficult to predict, but we’re working to try and put our legacy issues behind us. Excluding these items, Citi Holdings lost slightly under $5 billion pretax, driven by credit losses.

Seventy percent of these credit losses were attributable to North America mortgages, and assuming no deterioration in the U.S. economic environment, these losses should continue to decline as housing prices stabilize and the portfolio shrink. And importantly, if conditions remain favorable, we can begin utilizing our $8.4 billion of reserves that we hold against this portfolio.

Our third execution priority is DTA utilization. As I’ve noted, a significant amount of our DTA is deducted in calculating regulatory capital, and so we’re required to hold a larger amount of Tangible Common Equity that would otherwise be needed to support our operating businesses. While we view the DTA as a source of significant excess capital, we understand that the market will discount, or even exclude its value, until we demonstrate our ability to utilize this asset. The vast majority of our DTA relates to U.S. federal tax, and so the driver will be increasing U.S. earnings, both through greater efficiency and the avoidance of large episodic costs, such as the loss on MSSB last year. Our total DTA increased by nearly $4 billion in 2012, and if you look at these drivers, you see that our core business consumed nearly $3 billion of DTA but was more than offset by the drag from Citi Holdings and other items.

Now that I’ve covered our execution priorities, let me discuss the metrics by which you can measure our progress. Today, we’re setting three 2015 financial targets. First, we believe Citicorp should operate with an efficiency ratio in the mid 50% range, with the upper end of the range reflecting a flat revenue environment.

I also want to provide Citigroup level targets today, that include Citi Holdings. For Citigroup, we’re reiterating our target on ROTCE of 10% or higher. And last, Citigroup should generate a return on asset of between 90 and 110 basis points. A significant improvement in operating conditions could provide upside to these targets. Of course, our ability to reach these targets will depend on the successful execution of the priorities that I just discussed.

Let me talk more about each of the targets and assumptions, beginning with our efficiency ratios. Our Citicorp efficiency target assumes improvement across each of our core businesses. In Global Consumer, we believe we can achieve an efficiency ratio of between 47% and 50%. Much of that improvement is
expected to come from the rollout of our global technology platform and the standardization of products and processes— or the “Drive to Common”, as we call it.

Today, for example, we run different operating procedures -- I’m sorry, account opening procedures in almost every country. We have to ensure that this process is identical for both our customers and our employees, whether it’s happening in New York, Mexico City, or Warsaw. In addition, we have to rationalize our product portfolio while remaining flexible enough to meet specific market regulation. The implementation of this common global technology platform will help drive cost savings and improve our customer experience, as well as reduce the time to market for new products.

In Securities and Banking, we believe the ratios should improve to between 55% and 60%. The investments we made in 2010 and 2011 in S&B are now integrated into our business. As we showed in 2012, we have to continue to gain share across equity, fixed income and banking, while remaining vigilant on headcount and incentive compensation. And we continue to expect benefits from the previously announced repositioning actions. And to be clear, if we don’t execute on our plan, we’ll not be afraid to take further actions to restructure the business.

Moving on to Transaction Services, we expect the ratio should remain stable to improve at 48% to 52%. While we expect further efficiencies in CTS, in the absence of an improved rate environment, it may be difficult to materially improve the efficiency ratio. Expense savings we achieve may be offset by volume growth as we try to offset the impact of the low interest rate environment. And by contrast, if rates do materially improve, we would expect to see upside from this target range.

On this slide, we detail our ROTCE target of 10% or above. In 2012, on a reported basis, we generated a 5% ROTCE. And on an adjusted basis, excluding CVA/DVA, the fourth quarter repositioning, the tax benefit, and the impact of minority investments, we still earned less than an 8% return. This is partially the result of Citi Holdings and our DTA. Going forward, a significant driver will be getting Citi Holdings closer to break-even.

In 2012, Holdings losses were a drag of nearly 2.5% on our ROTCE. Additionally, our target assumes low single digit revenue growth and improvement in Citicorp’s efficiency ratio to the mid 50% range. And of course, returns are also dependent on our level of TCE, and our target clearly requires increasing our capital returns in the coming years, subject to regulatory approval.

For Citigroup, we believe we can achieve a return on assets of between 90 and 110 basis points in a risk-balanced manner. This compares to 62 basis points ROA for Citigroup in 2012, adjusting for the items I described earlier. Our ROA target is driven by getting Citi Holdings closer to break-even, generating low single digit revenue growth and improving our operating efficiency.

Citicorp generated an ROA of over 90 basis points last year, but this was offset by a drag from Citi Holdings of nearly 30 basis points. We expect the returns for Consumer Banking and Transaction Services to remain well above our target at 2% or greater, while Securities and Banking is expected to improve to 80 basis points or above. We expect our assets to remain broadly stable, at or below current levels. However, Consumer Banking and Transaction Services should grow as a proportion of the total as we continue to redeploy our assets from Citi Holdings and our excess liquidity into higher returning businesses.

So in summary, I believe we have the right business model and the right execution priorities in place to improve our returns and demonstrate the value of our network to the market. Citi’s transformation has been a long process, but we’ve accomplished a lot along the way, and I’m optimistic about the future and enthusiastic about the job ahead.

Our goal is to generate consistent and high quality earnings by focusing our resources on the best opportunities and beginning to move past our legacy issues. I’m a very strong believer in “you are what
you measure”, and so we're driving measurement and accountability throughout the organization, and
likewise, it's important to me that we give financial targets to the market so that you, our investors, can
hold us accountable and measure us against our results.

I'm proud to lead the Company, where I've learned so much and I've spent my career, and I'm confident
that we can deliver the results that you both expect and deserve. And so, with that, John and I would be
happy to attempt to answer any of your questions. Thank you.

KEITH HOROWITZ: Okay, so Travis, can you put on the -- at your desk -- at your tables, you should have
little remote controls for the audio response system. Mike has his. John has his.

So, the first question is, "What do you believe is the most misunderstood part of the Citi story?" Is it, one,
the long-term growth prospects and leverage to the global economy; two, is their ability to reduce cost
and increase the long-term profitability of the franchise; three, is the hidden value in the DTA; four, is the
unrecognized value in other Citi-owned assets, such as Banamex; five, is the people over-estimating the
cost of unwinding Citi Holdings; or six, nothing, the stock is fairly priced at current levels.

Okay. For those on the phone, the most frequent response was the second one, which is the ability to
reduce costs and increase profitability, 28%. Tied for second would be the long-term growth prospects
and also the hidden value in the DTA, both around 20%. Mike any thoughts on some of these responses?
What did you pick?

MICHAEL CORBAT: Same as you. So, I'm sure we're going to touch on many of these through Q&A, but
we've put, around two, efficiency ratios. And I think that what I'm mindful of is that we've added discipline
around expense reduction, but as we laid out the countries in the bucketing that we shouldn't be, as I've
described, spreading the peanut butter around simply reducing costs, that we need to be targeted, and
we've showed some areas where we think we've got clear places to be focused on, and that we've got to
go after those areas as opposed to let's do a 5% or a 10% or whatever the reduction is across the firm.
And so, I think our move towards efficiency ratio starts to put more transparency, and all the metrics start
to put more transparency around number two.

I think, from a number one perspective, I think it is under-appreciated. I mentioned that today I don't think
the market yet really realizes the uniqueness. And again, we've got to prove the value of our model. But
things strategically we used to worry about not that long ago around people coming and having the ability
to challenge us around the recreation of our footprint. I think today I don't think there's a lot of regulatory
or political desire through M&A to see big banks get bigger.

And I think organically today, in particular in this rate environment but also the regulatory environment,
the time to invest and get to scale is a long, protracted period. And so, again, I think the value of our
footprint and the uniqueness of our footprint, we've got to prove it, but I think it's yet to be really shown.

And clearly, we mentioned DTA, and we're right there. But, I think we need to show, right? We had DTA
going in the wrong direction last year, even net of what we were able to accomplish away from it. We've
got to show it changing, and we've got to turn that, and we've got to show the market our ability to start
utilizing DTA.

KEITH HOROWITZ: Excellent. Do you have anything to add?

JOHN GERSPACH: No, I'm just encouraged by the fact that the three top answers are the three themes
that we addressed in the presentation.

KEITH HOROWITZ: Okay. Next question, "So what do you see as the most effective way for
management to unlock long-term shareholder value?" Is it to continue the strategy of focusing on the
institutional clients and retail clients in the top cities globally? Is it number two, executing on a new round
of efficiency initiatives? Number three, is it just more aggressively pursue growth, whether it's loan growth or just market share gains in our existing markets? Four would be what I would call transformational actions, selling assets, floating stuff out, breaking up the bank? Or five is just significantly increasing the pace of capital return to shareholders? You laughed, you get to go first.

**JOHN GERSPACH:** Given the choices that you put out there, I'm actually surprised that number five didn't hit over 50%, quite frankly. So, I'm actually amazed that three of the other four generated something around 20%. But, obviously increasing the capital return to shareholders is something that we are very, very focused on in a rational manner. I think Mike and his -- some of the comments that he's made in the past has talked about our approach to this year's CCAR process, and I think that that reflects our thoughts there.

**MICHAEL CORBAT:** The other three are fairly well balanced between one, two, so one, continuing the strategy, two, executing a new round of efficiency initiatives, and four, new transformational action, fairly balanced among those. We talked a little bit about, from an efficiency perspective, how we're going to focus things and where we're going to be targeted. We talked -- I talked in my talk about the continued strategy and focusing on the institutional relationships.

From the new transformational actions perspective, again, I go back to a few things. There's this -- often when I travel, gee, can you sell a stake in this, or can you sell a stake in that, can you be selling other things, could you think about hiving certain activities off, again, I think we've got to prove it, but I think the model has only become more valuable. Again, we have to prove that.

In terms of some of these actions, in terms of selling minority stakes and ways to monetize or to show value, probably not many people in this room probably even recognize that we have it in our bank in Poland, right? We have 25% minority stake. The stock is a traded stock.

I can tell you, not just in Poland but having managed other ventures where we have minority shareholders, life becomes very cumbersome. It becomes very difficult. And when we talk about the actions of optimization, whether it's investment or whether it's rechanneling those resources, having to deal with minority investors changes the way that you think and come to work in those businesses, and I think in our business model's quite cumbersome. And again, I think we've got the ability to extract real value from these franchises. And again, I'm not prepared to sell them cheaply, and I think, from an operational perspective, not the right way to go to work.

**KEITH HOROWITZ:** So, when you say prove it, how do you define that? Because if you're a big global bank, to me, the only -- it would be the excess capital we have to hold, JP Morgan has to hold. You need to be best in class individual businesses, and you need the adjacencies that you talk about. So, when you say prove it, is it proving it by just showing -- hitting our corporate goals, or starting to deliver a little bit more on these adjacencies, or do you define it in a different way?

**MICHAEL CORBAT:** Well, I think it's delivering on the adjacencies and being able to do some things that others maybe can't or otherwise have a hard time doing. And I think that, again, through the way we've done this country bucketing of making sure that we're getting the most out of those franchises, but if you go back and you look at the underlying bucketing of where some of these things are, we're getting good things out of them. And we, in fact, need to be focused on some areas away from these markets to be able to make sure we're getting the efficiencies elsewhere in the system.

**KEITH HOROWITZ:** Okay. Can we go to question number three. So, this is dealing with risk management. "So, what do you perceive as Citi's greatest risk management challenge?" So the first is just the geographic risk, operating in 100 different countries, just the complexity involved in that. Two is just market risk, so we're talking here about one-time trading losses or EU sovereign exposure. Three is just overall credit risk that most banks have. Four is regulatory risk, the fact of an uneven playing field in
terms of Dodd-Frank, in terms of some of our S&B businesses, whether we're at a disadvantage, five is litigation risk, and six is operational risk.

Okay, so the number one risk for Citi is actually regulatory risk at 31%, and then the second was geographic risk. I guess my question for you is, when I talk with investors, whenever people are concerned about global macro risk, Citi's always the one that's picked out as perceiving having more risk than other firms. Can you just talk about your thoughts there, why this might be a misperception and how you view the role of risk management at our firm?

MICHAEL CORBAT: Sure. We touched on a number of different risks that are here, but you've got market. You've got regulatory. You've got credit. You've got a whole series of risks. So, the way we tend to approach risk is, again, through those three lenses I mentioned earlier, a combination of client, combination of product, and a combination of geography.

And in there, you can look at concentration limits. You can look at exposures. Again, we know that's part of making sure around ROA targets that we're mindful that not all assets are created equally, and we've got to have a risk adjustment for what those ROAs or a risk focus of what those look like.

And so, as an example, I'll give a good example of my time when I was running our European business, we radically changed the way that we come to work in Europe. We used to come to work from a central treasury. We used to think of a currency, the euro, as being completely fungible. And today, we come to work much different - Spanish euros, German euros, Greek euros, French euros, all different, and the balance sheets in those countries run in a different way rather than being run centrally - a mix, in-country deposits, running a balanced asset-liability mix.

And I think, when you go into our disclosures and look at our GIIPS reporting, as an example, you see a GIIPS exposure, but in there what you actually don't see is what's underlying that, is the differentiation between the types of assets. Is it a loan domiciled under Spanish law through a Spanish company? Is it a loan to an international company? Is it an international-lawed loan?

And those things, even they show up as Spanish exposure, they're very different. The way we fund them and support those has changed, so I think a real focus around those kinds of things in the institution. And obviously, from a reputational perspective, what we've seen is it's not just the dollar fines that are punitive, but around your franchise trying to stay out of the headlines, to protect your reputation.

KEITH HOROWITZ: I know you're not the Chief Risk Officer, but you do deal with risk in your role. I mean, is this how you would kind of sort out the risk for Citi?

JOHN GERSPACH: Yes. Actually, the amazing thing, I think, is that if you take a look at the answers, with number four being the most frequently pressed, I don't think you get a different answer for any of our peer institutions. I think you'd end up with the same -- you ask the same question on the same presentation at our peer institutions, it'd all be the same thing as far as regulatory risk and an uneven global playing field. I think we're all facing that issue, and we'll continue to face it for several years until the regulatory environment sorts itself out.

KEITH HOROWITZ: So, if you strip that one out, and then you look at answers two through six, the next one was geographic risk at 25%, and then you're going to go all the way down to 14% and 15% for operational risk and market risk. Any views on that in terms of how you think that?

JOHN GERSPACH: No, that's just the way the people look at it. I think Mike gave the answer as far as the way that we approach the risk.

I think that the complexity of global businesses is somewhat -- I wouldn't say that being global doesn't add some degree of difficulty to the way you operate, but I don't necessarily think it makes you more complex.
But, I do believe that the way we run our businesses right now, we've actually simplified our approach to those businesses greatly, simplified them in a couple of different manners.

One is we've got, as Mike laid out before, a very clear strategy for every business. We've identified for each person, whether they work in a product or in a geography, the way we expect them to come to work every day, so they know what they need to focus on, how they need to run their business, the customers that we want them to approach, or the products. So, I think that we've -- and then, by centralizing the way that we run everything from risk to finance to compliance, we've standardized the systems. We've standardized the support structures, the platform for these businesses to operate. So, I think we've taken -- we've actually introduced a great deal of simplicity into the place.

KEITH HOROWITZ: Okay. Are there any questions in the audience?

SPEAKER 1: I'll actually do the first one. Just to pick up on your point, you said that being global doesn't mean you're more complex. But, do you think your regulator treats you as more complex for being global, and how do you think you can educate them to change these views?

MICHAEL CORBAT: Well, I think that -- you know, I think you've got to back up on a couple things. Traditionally, there were probably a handful of regulators that were very actively involved in terms of the regulation of the global bank. Today, as I travel, I see a level of interest from regulators around the world regardless of domicile at a heightened level from where it was, and I think that's a reality that as an industry we have to deal with.

That being said, a lot of the regulations that they're introducing are extremely well intentioned, but I think the challenge doesn't necessarily lie in the regulation itself. It lies in the harmonization of regulation. And so, we support things that make banks safer places. We don't believe in taxpayer bailout and all those things, going forward. The challenge comes when you have multiple regulators trying to address those things from different areas, and we've got a few of those.

And so, I think it's incumbent upon the regulators and us, and us as an industry working with them to educate them in terms of where some of these tensions, some of these frictions, some of these competing objectives, may be. We as a company spend a lot of time on that. A lot of the industry associations, trade associations, member associations are focused around those. And I think we see an open ear.

You know, last summer I had the ability to present at what's called the College of Supervisors. There are a number of the large regulators from around the world come together. And I think they themselves were very focused around their working relationships, understanding differences, harmonization of regulation, and really what's best for the system. But, right now, the pace of regulation introduction is so brisk that right now probably the regulation is out there a bit ahead of the harmonization and its ability to be implemented I think in a way that works across the system. I think we're going to have to continue to work towards that.

SPEAKER 2: Granted, the financial goals you laid out, Mike, are for 2015, but just looking at the balance sheet as it stands today, the ROTCE goal would imply net income of $15.5 billion, whereas the ROA goal would imply net income of something higher than that $18.6 billion or so based on where the balance sheet was at year end. How do you suggest we think about that discrepancy? And come 2015, if there's a discrepancy between the ROTCE target and the ROA target, would you encourage us to hope for the higher of the two?

JOHN GERSPACH: Larry, you should always aspire for higher. But, I actually--.

SPEAKER 2: --Thank you, John.
JOHN GERSPACH: That's okay. I think if you actually had a couple of seconds to think about net income and its impact on capital, as we generate net income over the next two years, and to the extent that we will not pay 100% of that capital out—and I don't think I'm telling any state secrets by the fact that we are likely not going to be paying 100% of our earnings out in '13, '14 and '15—the denominator for that ROTCE calculation will also grow. So, I think you'll see that your math actually works, that both kind of get you to the same answer.

SPEAKER 2: In the event that you generate taxable income in the United States, will you be able to use the DTA, therefore pay less in the way of tax, therefore—and in the process recapture some of the DTA into the capital? And will that combination of things conspire to make the TCE grow, or grow even faster?

JOHN GERSPACH: Well, the DTA, quote-unquote, is already in the TCE. In other words, the DTA is not a deduct in order to calculate your tangible common. DTA is deducted to calculate regulatory capital. So, in effect, you have to think in terms of the DTA almost as being a chain reaction. We generate U.S. taxable income. That causes us to utilize more of the DTA. By utilizing more of the DTA, we in effect generate higher amounts of regulatory capital, which hopefully then enable us to pay out higher dividends, which therefore reduce TCE. Sorry to take that out.

SPEAKER 2: That's helpful. Thanks.

SPEAKER 3: You couldn't just expand a bit on the use of the DTA? I'm not quite sure what the path is to using up the DTA in America. A lot of what you talked about seems to be about rationalizing the overseas businesses, and I can see the reduction in Citi Holdings. You couldn't just talk about how you're going to - - where these profits are going to come from in the U.S. because you use up the DTA?

MICHAEL CORBAT: Our goal, clearly, is to drive efficiencies, drive revenues globally, but as part of the U.S. and our transaction services, our markets banking and our consumer businesses. Recently, as an example, inorganically, you saw us bring on -- agree to bring on a Best Buy portfolio, roughly $7 billion of receivables that'll happen probably sometime in the third quarter. That has the ability to drive incremental U.S. earnings, but obviously contingent around those other businesses, continue to drive and grow those, and that's before any net impact of hopefully some point in the future we start to get rates coming back up again, which has the ability to significantly enhance globally but has the ability to enhance our U.S. earnings capabilities, as well.

JOHN GERSPACH: And also, as we continue to drive for greater efficiencies in each of our businesses, that is not just -- those are not just efficiency targets for businesses outside the U.S. We expect to generate additional efficiencies in our U.S. businesses as well. That will also then serve to drive higher amounts of U.S. earnings, which will enable us to utilize more of the DTA over time.

MICHAEL CORBAT: But, part of it, very importantly, is we talked about -- I talked about when I spoke is that we've got to get some of this noise out, that we've got to get the drag from Holdings down, and we've got to stop some of these one-offs that have caused us for right now since 2012 -- for DTA to go in the wrong direction.

KEITH HOROWITZ: Can we get a mic down here?

SPEAKER 4: Thank you very much. How much do the efficiency ratio targets, as well as the ROTCE targets, really require an interest rate environment sort of meaningfully different from the one that we're looking at today? Thank you.

MICHAEL CORBAT: So, what we've forecasted there is somewhere between flattish to marginally up revenues. I think if you look at and kind of assume global growth rates and think of revenues in that
range, I think that we're not looking for hockey stick-style revenue growth rates to be able to drive efficiencies.

JOHN GERSPACH: I think the way you characterized it was low single digit growth rates. And so, it's not anticipating a drastic change in today's interest rate environment.

MICHAEL CORBAT: And as I said, if you do see a pickup in rates, you should expect to hopefully see us outperforming those targets.

SPEAKER 5: Great. Thank you very much.

KEITH HOROWITZ: Question in the back?

SPEAKER 6: So, Mike, can you maybe just clarify on your 2015 10% ROTCE, what's implied in terms of the size of Citi Holdings at that point? And then, also give us some color in terms of what you think the natural rate of attrition is in that portfolio, because the 10% looks like a pretty conservative estimate if that business actually runs off faster, so just wondering what you guys have baked into your estimate.

MICHAEL CORBAT: So, in our plan is what's been built into the Citi Holdings numbers is effectively runoff. The challenge around Citi Holdings is, and we think we've tried to give you enough information so that you can get pretty darned close to where that portfolio is from an organic perspective, very difficult to impossible to budget and forecast what the environment's going to be around asset or business sales. So, in this target, we haven't built in any sizable reduction through asset sales or business sales in Citi Holdings.

SPEAKER 6: Well, again, does that imply that Citi Holdings is halved in the next two years from natural attrition? Again, to arrive at that number, you must have an estimate of what you think the size of that business is two or three years from now.

And I guess a follow-up question would also be for you to maybe talk about just the loss rates within that business, because the loss rates seem to have peaked around 10% of asset decline on a quarter-over-quarter basis, and it looks like the loss rates have actually slowed, so it looks like that business is actually getting better. And again, just wondering your view on that.

MICHAEL CORBAT: Well, I'll take the first part, you take the second.

And again, we haven't come out publicly and shown what the amortization rates of the portfolio. And largely being mortgages, if it were just straight bullet assets, it'd be fairly easy to predict. But again, based on prepayment rates, refinance rates, we haven't come public with that number. Again, we've tried to provide enough insight in this so that you can run your own calculations around that, but again, we haven't put a public benchmark number out there.

JOHN GERSPACH: Then regarding as far as the second half of the question, as far as the loss rates in the portfolio, I'll give you two answers on that. One is we have continued to say, and will continue -- we'll still continue to say that, in the largest asset category that we have yet in Citi Holdings, the Local Consumer Lending, we continue to believe that the combination of the pre-provision net revenues, plus the existing reserves that we have, are more than adequate to cover any losses that we have in that portfolio.

And when you think in terms -- and I think we characterize it this way as far as driving to that 10% ROTCE, the assumption there is that we drive Holdings losses closer to break-even by 2015, and that's going to require basically addressing three things that we've talked about in the past - the ongoing rep and warranty issue that we've got, us and others as far as with Fannie and Freddie, the litigation that continues to surround some of the items in Holdings, particularly private label securitizations, and then
the credit losses, which continue to come down, and at some point in time we should be able to begin to utilize those loan loss reserves that we have to offset those losses. And the combination of those three items should help us drive Citi Holdings closer to break-even in that 2015 timeframe.

KEITH HOROWITZ:  Okay, we're out of time, but please join me in thanking Mike and John.