Host
Richard Ramsden, Goldman Sachs

Speakers
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PRESENTATION

RICHARD RAMSDEN: So, next up we have Citigroup. Since John was here last December, Citi has made tremendous strides. It completed a very successful CCAR process where the Fed's analysis showed it had the most excess capital of any of the large cap banks. They've reduced losses in Citi Holdings and they've made considerable progress on the $1.1 billion restructuring plan, which John announced at this conference last year.

John has been at Citigroup since 1990. He's been in a variety of positions across the firm and I think he's been instrumental in some of the transformation that you've seen there. So, please join me in welcoming John to this conference and to the presentation. I think he's going to talk for about 25 minutes and then there will be some time for Q&A. So, John.

JOHN GERSPACH: Thank you very much, Richard. I appreciate it. 25 minutes? Okay. So, now you've given me a target to hit for. Good afternoon. Today, I'd like to cover a few topics including Citi's recent results, how we're tracking on the financial targets we laid out for you earlier this year, and finally our capital position as we go into 2014.

While the revenue environment has been challenging in the back half of this year, we continued to make progress in the third quarter with expense control, credit quality and sustained capital generation. On a trailing 12-month basis, we have advanced towards our 2015 targets with improvements in Citicorp efficiency, return on tangible common equity and return on assets. Importantly, we are poised to enter 2014 with a very strong capital position with an estimated Basel III Tier 1 Common Ratio of 10.5% as of the end of the third quarter, and an estimated supplementary leverage ratio above the proposed requirements at both the holding company and the bank level.

Starting with the brief review of our recent results on slide four, lower revenues in the third quarter reflected the slowdown in North America mortgages, ongoing repositioning actions in our Korea consumer franchise and the macro overhang on markets and banking stemming mostly from the uncertainty around the timing of Fed tapering and the pending government shutdown. Again that was back then.

Against this backdrop, we continue to drive down expenses. Credit costs also improved and our estimated Basel III Tier 1 Common Ratio grew by 50 basis points driven by retained earnings as well as DTA utilization.

Now as we look to the fourth quarter, the capital markets environment remains somewhat muted with revenues tracking slightly below the same period last year. And, in investment banking, quarter-to-date results are tracking better than the third quarter driven by M&A and equity underwriting. However, we expect to be down somewhat year-over-year given the strong debt underwriting revenues in the fourth quarter of last year.

Core operating expenses should continue to trend somewhat lower in the fourth quarter, while legal and related costs are expected to remain elevated. Repositioning costs, they're likely to be a little higher than the recent quarters, somewhere in the range of $250 million. As a reminder, in the third quarter we benefited from an incremental loan loss reserve release of approximately $300 million in North America

mortgages. We do not expect a similar incremental reserve release in the fourth quarter. Additionally, as we discussed in our last earnings call, we expect reserve releases to continue to trend lower in North America cards, particularly given the need to add reserves for new originations in the Best Buy portfolio.
Of course, there are still a few weeks left in the quarter, so actual results may vary from our current expectations. Clearly, there are headwinds as we look to the fourth quarter, but we continue to focus on expenses and we maintain our favorable credit outlook with stable credit trends in Citicorp and continued improvement in the legacy mortgage portfolio.

Turning to slide 5, we show Citigroup results since 2011. As you can see on the left, our return on assets has improved steadily to 70 basis points over the last 12 months, driven by earnings growth in Citicorp and a significantly reduced earnings drag from Citi Holdings. Citicorp earned nearly $16 billion over the last 12 months while the loss in Citi Holdings was reduced to $2.5 billion. At the same time, we have shrunk our average balance sheet to just under $1.9 trillion and shifted the mix of assets from Citi Holdings to Citicorp.

Turning to Citicorp on slide 6, modest revenue growth and a decline in expenses have driven the Citicorp operating efficiency ratio from 63% in 2011, down to 59% for the most recent 12 months. This improvement in operating margin combined with lower net credit losses enabled us to grow Citicorp earnings and improve our return on assets, even as loan loss reserve releases significantly declined.
Reserve releases contributed $5 billion to Citicorp's pre-tax earnings in 2011 compared to roughly $700 million in the last 12 months. Over the same period, we grew net income by 10% and our return on assets improved to over 90 basis points.

Let me now turn to the operating businesses in Citicorp, starting with Global Consumer Banking. Internationally, we have grown volumes to more than offset the impact of global spread compression, resulting in consistent revenue growth each quarter for the last several years. In North America, however, our top-line growth has been more difficult, as we are absorbing the impact of lower mortgage refinancing activity, continued consumer deleveraging in cards and of course, the low interest rate environment. Despite these headwinds in North America and our continued investment in the franchise, our Global Consumer Banking expenses have remained in line with revenues for a relatively flat efficiency ratio of 54%.

We have also maintained our strong credit standards. While total credit provisions have grown in recent periods, this reflects lower net reserve releases, as well as loan growth internationally. Since 2011, our international net credit losses have remained broadly stable as a percentage of loans while North America has continued to recover, driving the total loss rate down from 3.8% to 2.6%. Lower reserve releases have put pressure on net income over the last 12 months; however, the return on assets remained attractive at around 190 basis points.

Earlier this year, our CEO, Mike Corbat laid out a 2015 efficiency ratio target of 47% to 50% for our Global Consumer Bank. To improve our operating efficiency, we are exiting or restructuring underperforming businesses and reallocating resources to our core markets. In December last year, we announced five market exits in Turkey, Romania, Pakistan, Uruguay and Paraguay, which we have largely completed. We also identified restructure markets where we believe we can improve results while maintaining our presence.

In our core international markets, operating efficiency has improved over the last two years from 59% in the first nine months of 2011 to 55% in 2013. However, this improvement has been offset by North America, where declining mortgage revenues caused the efficiency ratio to increase to 48% so far this year. We have taken actions to resize our U.S. mortgage business, but only a portion of the expected savings has been realized to date.

In our restructure and exit markets, the efficiency ratios are much higher but have improved this year. While we do not currently anticipate additional market exits, we are highly focused on underperforming businesses; and if there is not a clear path to acceptable results, we would significantly scale back or exit certain markets.

On slide 9, we show Securities and Banking, where both operating efficiency and returns have improved significantly. Our revenues over the last 12 months include the impact of the more challenging environment in the third quarter, particularly in fixed income. However, we have been able to offset some of this pressure with growth in both equities and investment banking. These are higher ROA businesses where we made targeted investments to gain share and diversify our franchise.

Despite these investments, our annual operating expenses are down by nearly $1 billion versus 2011 as we continued to resize certain businesses, reduced headcount and maintained discipline on incentive compensation. Higher revenues and lower expenses drove a significant improvement in our efficiency ratio, down from 74% in 2011 to 59% over the last 12 months. As a result, net income also improved materially, driving the return on assets in Securities and Banking to over 75 basis points.

Revenue and efficiency improvements have proved more challenging in Transaction Services, where higher volumes and fee income have been offset by spread compression. As we continue to invest in the franchise, our efficiency ratio has remained flat to 2011, at 55%; although we continue to believe we can achieve positive operating leverage for the second half of this year, which should drive the efficiency ratio somewhat lower for the full year 2013.

At the same time, we have increased our average assets in Transaction Services driven by trade loan growth. While our ROA has declined, the returns remain attractive at over 200 basis points. We also believe the investments that we are making today, growing our client relationships and volumes, position us well for profitable growth when the rate environment improves.

On slide 11, we show expense and efficiency trends for our total institutional franchise, giving a clear picture of how we are managing our expense base over time. On a trailing 12-month basis, we have lowered our operating expenses every quarter for the past two years, even as revenues have grown, driving our efficiency ratio down by 10% from the end of 2011 to 57% today. While there is still work to do on optimizing our expense base, we believe these efficiency ratios compare favorably to both our U.S. and global banking peers.

Turning now to Citi Holdings, where we've made significant progress in reducing both the assets and the earnings drag. We ended the third quarter of 2013 with assets of $122 billion in Citi Holdings, about 6% of Citigroup's GAAP assets, with over 60% attributable to North America mortgages. Assets declined by nearly 30% year-over-year and underlying credit quality improved as well, driving a significant reduction in credit costs as seen here on the right. The consumer net credit loss rate in Citi Holdings has declined by over 140 basis points year-over-year. And for the last three quarters, we have utilized loan loss reserves to cover nearly all of the net credit losses in our North America mortgage portfolio. At the end of the third quarter, we had $5.7 billion of loan loss reserves allocated to the North America mortgage portfolio in Citi Holdings, or 40 months of NCL coverage.

Given the recent improvements in credit, the one remaining driver of significant losses in Citi Holdings has been legal and related costs. These costs combined with rep and warranty reserve builds have totaled over $3 billion over the last 12 months or the equivalent of nearly $0.70 of earnings per share. Earlier this year, we took significant steps to resolve the legacy rep and warranty issues by reaching agreements with both Fannie Mae and Freddie Mac. However, legal and related costs have remained elevated, driven largely by legacy private-label securitization issues. Today, it is difficult for us to determine the ultimate timing and cost of resolving these securitization issues. However, we are hopeful we will have better clarity by sometime in 2014. Putting these legacy issues behind us is critical to driving Citi Holdings closer to breakeven, and therefore, to achieving our 2015 targets for total Citigroup.

While reducing the earnings drag is a clear priority, we're also focused on shrinking the size of Citi Holdings, and therefore the capital required to support it. Today, there are a few sizable operating assets left, totaling just $21 billion as of the end of the third quarter.

The biggest is OneMain with around $10 billion of assets. OneMain has the largest consumer finance distribution network in the U.S., offering personal loans through over 1,100 branches. OneMain is profitable, generating U.S. taxable income with a proven business model and a strong market position. That said, the business does not fit with Citigroup's target customer segment. We continue to evaluate all options for exiting OneMain and a key step will be exploring third party funding, which could include entering the securitization market in 2014.

Second is PrimeRe, a profitable U.S. closed-end reinsurance portfolio. And finally, our legacy retail operations in Spain and Greece. The remainder of Citi Holdings is generally in runoff or targeted for opportunistic sales. The largest portfolio is North America mortgages at $76 billion with an estimated weighted average life of six years. Over the last 12 months, we've sold roughly $7 billion of these mortgages and the average runoff has been approximately $3 billion per quarter.

Our legacy institutional assets are now at $15 billion, down nearly 50% from the prior year. These assets include $6 billion of mark-to-market and AFS securities, as well as $4 billion of held-to-maturity securities with an estimated weighted average life of about 10 years. We will continue to reduce the assets in Citi Holdings as quickly as possible in an economically rational manner, taking advantage of asset sales as those opportunities arise.

Now, I want to address our performance versus the three 2015 targets we laid out in March of this year. First, we set a target for Citicorp operating efficiency in the mid-50% range with the upper end based on a flat revenue environment from 2012. As I covered earlier, over the last 12 months Citicorp's efficiency ratio was 59%, down 400 basis points from 2011. We still have much work to do to maintain this momentum, particularly in a challenging revenue environment, but we also see multiple opportunities for improvement.

In Global Consumer Banking, we continue to reallocate resources to better performing markets and we are working to drive our 36 markets to a common set of products, processes and platforms. And in our institutional business, we see the biggest opportunity from streamlining our operations across products, while remaining disciplined on headcount and compensation.

Second, for Citigroup we are targeting a return on tangible common equity of 10% or higher. This compares to 8.3% generated over the last 12 months. Beyond the improvement in Citicorp efficiency, a significant driver will be getting Citi Holdings closer to breakeven. Citi Holdings losses were a drag of roughly 1.6% on our Citigroup ROTCE over the last 12 months. Of course, returns are also dependent on our level of book equity and our target clearly requires increasing our capital returns in the coming years, subject to regulatory approval.

And finally, we are targeting a Citigroup ROA of 90 to 110 basis points, up from the 70 basis points achieved over the last 12 months. We expect our assets to remain broadly stable at or below the current $1.9 trillion level, so at the low end, this implies net income in 2015 of roughly $17 billion. Citicorp itself earned nearly $16 billion over last 12 months; so once again, getting Holdings closer to breakeven is a key driver.

Over the last 12 months, we've taken significant actions to rationalize and simplify our operations without compromising our long-term growth and return potential. In Global Consumer Banking, we have exited markets, announced the sale of Credicard in Brazil, repositioned certain franchises and taken actions to resize our U.S. mortgage business. We also continued to roll out our common global technology platform. In our institutional business, we have reduced headcount, streamlined our management structure and better aligned Transaction Services with our markets business as well as reprioritized our banking coverage. And across Citi, we've also taken actions to rationalize our real estate portfolio and data centers, move resources to lower cost locations and renegotiate vendor contracts.

These actions have driven our core operating expenses, excluding legal and repositioning costs, down by 4% year-over-year as of the third quarter. Assuming no change in the revenue environment, we would expect core operating expenses to trend somewhat lower in the fourth quarter, as additional benefits from our repositioning actions would be partially offset by some seasonal marketing expenses. These core operating expenses should continue to decline through 2014 with the caveat of course that if we see a stronger revenue environment, we would also have higher compensation and transaction related expenses.

Turning finally to our capital position, while the operating environment has been challenging, we have continued to build capital with an estimated Basel III Tier 1 Common Ratio of 10.5% and an estimated supplementary leverage ratio of 5.1% as of the end of the third quarter. The vast majority of the regulatory capital build this year has been driven a combination of retained earnings and DTA utilization. We have utilized approximately $1.8 billion of deferred tax assets year-to-date. However, our DTA remains sizeable with roughly $40 billion that is included in our tangible common equity, but excluded from regulatory capital under Basel III.

The additional book capital required to support this DTA has a significant impact on our returns. On the lower left of slide 21, we show our average tangible common equity over the last 12 months, split between the amount of TCE which supports our deferred tax assets and that which is employed in our businesses. Excluding the DTA, Citigroup earned an 11% return on tangible common equity over the last year. This is in line with our returns on regulatory capital. If we assume Tier 1 common capital levels of 10% of Basel III risk weighted assets across each business, the return on Basel III capital for Citigroup would have been an estimated 11%, including a 17% return for Citicorp. Our Global Consumer franchise earned a return on regulatory capital of over 25%, while the institutional franchise earned over 17%.

So in conclusion, we have made clear progress toward our 2015 targets so far this year and we continue to see opportunities over the next two years to improve the efficiency in Citicorp, move past our legacy issues in Citi Holdings and begin a more meaningful return of capital to shareholders. The pace at which we advance in 2014 will depend on a number factors, including the operating environment as well as the timing and the cost to resolve our legacy legal issues. We remain focused on execution, maintaining our expense discipline and credit quality and winding down the assets in Citi Holdings in an economically rational manner. We are going into 2014 with a strong client franchise and a core business in Citicorp which generates attractive returns. Our goal is for Citigroup to better reflect the strength of this underlying franchise, by moving past legacy issues and returning excess capital over time.

And with that, I'm happy to take any questions, although I ran six minutes over Richard's target. So, I apologize.

QUESTION AND ANSWER

RICHARD RAMSDEN: So, just while we wait for couple of questions from the audience, let's kick off with capital, given that I know it's obviously one of the more important parts of the equity story. I guess the first question is, you moved down a G-SIFI category I think since you last spoke. Can you talk a little bit about what drove that in your mind and secondly, does it in anyway impact the way that you think about the excess capital position of Citigroup?

JOHN GERSPACH: Well, we've done a lot over the last couple of years to refocus our franchise, shrink the level of assets. So I think all of that, all of those actions culminated in the move down from the 9.5% SIFI bucket to the 9%. As you know, it's a little bit – or a lot dependent upon – what you do or what your measurements are compared to the group as a whole.

RICHARD RAMSDEN: Right.

JOHN GERSPACH: So, we feel pretty comfortable now that we're pretty secure in that 9% bucket and that's kind of where we're planning to stay.

RICHARD RAMSDEN: Does it impact the way that you think about excess capital relative to where you were a year ago?

JOHN GERSPACH: I'll have a much better answer for you on that when a few more of the rules become clear. I think we're all waiting to see exactly what happens with the supplementary leverage ratio.

RICHARD RAMSDEN: Right.

JOHN GERSPACH: And right now, that would appear to be the binding constraint for us moving forward. So, we'll just have to see how those rules finalize.

RICHARD RAMSDEN: So, my second question around capital is you obviously did very well in the CCAR last year. I think you had $27 billion of excess capital under the way the Fed calibrated the test last year, give or take.

JOHN GERSPACH: Give or take.

RICHARD RAMSDEN: I mean this year, the test is becoming a lot more complex, as it shifts toward Basel III and then it becomes even more complex next year as it starts becoming a fully loaded Basel III test. How do you think that's going to impact the overall results of the test and how does the shift towards Basel III CCAR change in any way your thinking about returning excess capital?

JOHN GERSPACH: Actually, as you mentioned, Richard, it's a rather complex array of considerations with this go-around. There still is a baseline Basel I calculation and stress that you need to be mindful of, and then there's a series of hybrid ratios that have got some elements of numerator from this calculation and denominator from that calculation. So it's going to be, I think difficult for investors to actually get a firm grasp as to where an institution stands. And as we're going through this, and one of the last things that we'll look at, would be, well what do the stresses – how do the stresses impact our fully phased in Basel III results? So, all of this, we're looking at now.

RICHARD RAMSDEN: Secondly, just on asset quality, one of your peers reported a fairly sizeable loss in their Korean businesses as they're exiting that business. I know you're not exiting, you're restructuring, but have you seen any deterioration in your Korean business over and above what you would have expected, say six months ago? And secondly, can you talk about asset quality just more broadly across your emerging markets franchise and how that's tracking?

JOHN GERSPACH: Yes. As far as Korea, no, haven't seen any further deteriorations over what we would have talked about three, six months ago. And don't forget, for us, the issue with Korea, it's much more driven by margin – operating margin in Korea – and our ability to generate adequate returns. It really isn't bedded in a credit type of event. We don't really publicize the loss statistics for Korea as a standalone country. But if you just look at Asia overall, the Korea consumer loans are about a third of our consumer assets in Asia. So they obviously have a very large impact on our reported ratios. And our net credit loss rate in Asia has hovered at or below 1% for the last two years. So, we feel really good about the credit quality of our Asia franchise and we feel really good about the credit quality of our underlying franchise in the rest of the emerging markets as well.

RICHARD RAMSDEN: Okay. And then lastly, I think when you were here last year, you set out the $1.1 billion target. You're, on an annualized basis, I think, on track to basically meet that, but your efficiency numbers are obviously still ahead of the mid-50s target that you are targeting. What sort of revenue environment do you need to get there?

JOHN GERSPACH: Well, we still believe that we can get Citicorp to that mid-50s efficiency ratio, even with revenues roughly flat to 2012. So we don't need a big revenue lift to get to that 55%, 56%.

RICHARD RAMSDEN: Okay. All right, question from the audience.

SPEAKER 1: Hi John.

JOHN GERSPACH: Hey.

SPEAKER 1: On slide 16, you talked a little bit about modest revenue growth going forward. I assume that's an average number. Could you provide some more color on what businesses?

JOHN GERSPACH: Yes. You got to help me with slide 16.

SPEAKER 1: On the ROTCE of 10% or more?

JOHN GERSPACH: Yes. And again, even all of our ratios, all right, all the targets that we put out there, were not predicated on a large, very favorable revenue environment, all right. So, there is very, very modest revenue growth expectations built into that - think about low-single digits. So, we're not looking for some big lift in order to hit these targets.

RICHARD RAMSDEN: Okay, another question over here?

JOHN GERSPACH: I'll let you do that.

SPEAKER 2: Can I follow-up on Richard's question about emerging markets and ask a slightly broader question? After Ben Bernanke started talking about tapering in May, we saw quite a lot of emerging markets volatility and it focused peoples' minds on certain emerging vulnerabilities in some of those emerging markets. So, two related questions, firstly how concerned are you and which markets worry you a bit more than others? And secondly, have you changed your risk appetite, so lending criteria in certain emerging markets?

JOHN GERSPACH: Well, okay, that is a very broad question. So, the answer to your third for instance is generally no, but I wouldn't say that – we always take a look at our risk profile in every market and you always reassess. So have we made changes in our risk profile? Of course we have. Have we made changes in our risk appetite? Of course we have. Have they been major? No.

We really feel that when we have – we isolated, we set upon our strategy for the emerging markets. It really is focused on providing client services to a very limited set of clients. We're not a big mass market bank either on the institutional side or on the consumer side. So we have really chosen our customer segment very carefully, and therefore we're very happy with the underlying credit quality of our books on both the corporate as well as the consumer side.

What happened with Ben? Yes, I think the emerging markets, I think that was much more of a - again, it wasn't so much a credit event in the emerging markets. I do believe that Ben's comments caused some movement as far as the attractiveness of various trading and I think that we made it very clear that we did pull risk off the table, again on the institutional side of the business looking early in the third quarter. So again, changed that risk profile, but nothing wholesale that you would say, okay this is the way we're now going to be operating forever and a day.

RICHARD RAMSDEN: Okay. Have a question in the front.

SPEAKER 3: On slide 20, you mentioned that the leverage ratio is a constraining factor at this point above your capital requirements. And you made a comment earlier that $1.9 trillion of total assets on the balance sheet is a good way to look at the development of the balance sheet. Two things, one is the balance sheet will actually shrink a bit as Citi Holdings begins to go away.

JOHN GERSPACH: Correct.

SPEAKER 3: And the second thing is, if the supplementary leverage ratio isn't a constraining factor currently for the capital, doesn't it suggest that you'd be motivated to look more carefully at the assets and the breakdown of total assets?

JOHN GERSPACH: Just to be clear, what I said was the supplementary, and if I didn't, I should have said the supplementary leverage ratio, okay? Which we still don't have final rules on. So when I make statements as far as that, again, that could be considered to be a constraining factor compared to 9%. Don't forget, our target right now to run Citi is we believe a target, an appropriate target is a 10% Tier 1 common ratio, fully phased-in Basel III. For us, that roughly equates to a 5% supplementary leverage ratio where it is right now. So in another words, we don't need to reposition our business to alter the balance sheet in order to bring the supplementary leverage ratio in line with our 10% target.

My answer to Richard was, Richard was going down the path was, well, you set that 10% target when you were in the 9.5% G-SIFI bucket. Now that you've dropped to 9%, would you think about lowering that 10%? And so the full answer is, I don't see us really thinking about lowering the 10%, until we get more clarity as to how that supplementary leverage ratio actually develops and finalizes itself.

I don't want to come out and say we're now running it at 9.5% and then come back and say okay, but that that – in order to really run it at 9.5%, I have to shrink my balance sheet. I don't know enough about where that supplementary leverage ratio is going to end up right now to really alter anything that we did before. I'm sorry if that's a long-winded answer, but I hope that maybe fills in a couple of the blanks.

RICHARD RAMSDEN: John, perhaps I can ask a bit of a follow-up question which is regulators...

JOHN GERSPACH: If I say no, is that going to stop you?

RICHARD RAMSDEN: No. Regulators in different parts of the world are all moving in different directions. How easy is it for you to optimize, if you like, the balance sheet given the fact that you've got leverage ratios calculated on different bases in different countries and the binding constraint in different countries now is obviously very, very different?

JOHN GERSPACH: Yes, but you know, the way we tend to run our franchise, again, even where we operate in a branch structure, we tend in most geographies to actually have enough capital in the country to meet the local requirements. So, it doesn't require that big of a change to actually again, depending upon where the regulators move. And they're moving in different directions right now, but it's largely the U.S. I think that's moving a bit more drastically than others.

So, certainly there isn't another geography that has a supplementary leverage ratio requirement, as has been proposed by the U.S. So, if the supplementary leverage ratio were to become a constraining factor – and I said if – then I think we would be, if we we're going to be okay in the U.S., we'll be okay everywhere else.

RICHARD RAMSDEN: Everywhere else. Okay. I think there is time for one more question.

JOHN GERSPACH: Sure.

RICHARD RAMSDEN: Go ahead.

SPEAKER 4: Now that you've had time to look at the SIFI Volcker Rule, do you look at it positive or negative?

JOHN GERSPACH: It's funny you mentioned that. When I ran into Richard in the lobby, that was the first thing he asked me. And I said, Richard, I got to tell you, in the 30 minutes I was in a car to head here from midtown down to this conference, I just didn't have a chance to go through the entire 1,000 pages of the Volcker Rule.

So, I really don't want to comment on the Volcker, the proposal, actually the final rule I should say that came out today, having not had the opportunity to really go through it. Because I think that like everything else, the initial analyses will come out with some very broad headline factors. What's going to be important is the details; and the details will really include the documentation that institutions will have to have in order to justify or demonstrate that they really are capable and should have the exemptions that I've seen some of the headlines this thing has. So, I really got to go through the whole thing before I can figure out exactly from an operational point of view, just what it really, really entails.

RICHARD RAMSDEN: Okay. I think we're out of time. So, John, thank you very much.

JOHN GERSPACH: Okay, Richard, thank you very much. I appreciate it. Always a pleasure.