ANTHONY POLINI: I'd like to thank everyone for coming. We're very pleased to have Citigroup here today. This is normally the time they do their investor conference, but this year, I guess, was the first year in a while that you haven't done it. Citi has been a strong BUY rated stock at Raymond James for the last couple of years. Not only does it have one of the best valuations in the industry, it's a remarkable turnaround story with their revitalized management team and, arguably, the best global franchise in the world.

With that, I'm very pleased to have CFO, John Gerspach.

JOHN GERSPACH: Is this – Anthony, is that yours? Just in case a call came in, I didn't want to have to answer the phone call while I was doing the presentation at the same point in time. I could do that, but let's not. So good afternoon – Anthony, thank you very much and thank you all for joining us.

First, as you may be aware, last Friday, we announced an adjustment to our previously reported fourth quarter 2013 earnings to reflect a $235 million after-tax loss related to a fraud in our corporate bank in Mexico. This loss lowered our 2013 earnings by $0.07 per share. At this point, we believe that this was an isolated incident and we are pursuing all legal actions against those involved, as well as all available options to recover the misappropriated funds.

My presentation today fully reflects this adjustment and covers a few topics, including our execution priorities and strategy, how we're tracking to our 2015 financial targets, and how we have continued to build capital and improve our returns.

To begin, let me take a moment to show the progress we have made in Citigroup since 2011. Our return on assets has improved steadily, from 52 basis points in 2011 to 72 basis points in 2013 driven by earnings growth in our core Citicorp franchise and a significantly reduced drag from our wind-down portfolio in Citi Holdings. At the same time, we have actively reduced our balance sheet to just under $1.9 trillion and shifted the mix of assets to Citicorp from Citi Holdings, which today represents just 6% of our balance sheet.

Citicorp earned $15.4 billion in 2013 as we grew loans to offset the impact of spread compression globally, while reducing our expense base. In Citi Holdings, we cut the net loss in half to under $2 billion in 2013, driven principally by declining credit costs in our legacy mortgage portfolio. These results reflect Citi's ongoing transformation over the past six years as we have reduced our size and complexity while investing in Citicorp.

While we've made a lot of progress, we still see significant opportunities to improve our performance and returns going forward. First is continuing to improve the efficiency of Citicorp by allocating our resources to the most productive markets, products and client segments, as well as leveraging our global scale. Second is driving Citi Holdings closer to breakeven as we continue to wind down the assets in an economically rational manner and move past our legacy legal issues. And finally, our goal is to increase the amount of capital that we return to shareholders over time.

We ended last year with capital levels above both our targets and our expected regulatory requirements. And going forward, we believe we can generate significant additional capital, driven by retained earnings,
as well as the wind-down of Holdings and the utilization of our deferred tax assets, or DTA, which I'll discuss more in a moment. Our goal is to return a growing portion of the capital we generate back to shareholders over time, thereby maintaining a compact balance sheet and driving improved returns on tangible common equity.

Citi's global strategy makes us unique and different from other U.S. banks. We are a leading provider of financial services to the world's leading multinational corporations and investors, and we provide consumer banking to high-quality client segments 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. We believe our global network is becoming more unique and more valuable every day. But being global does not necessarily mean being more complex. Our institutional business has a physical presence in over 100 countries, serving the world's multinational corporations and investors in both the developed and emerging markets.

Typically, our relationships begin in the middle of this slide, with our Transaction Services network, facilitating over $3 trillion of payment and capital flows daily. We are integral to our clients' daily operations, and, as a result, we capture significant trading flows in products like foreign exchange. We also provide funding to these clients, and we are gaining wallet share in more strategic products such as equity capital markets origination and M&A.

On the consumer side, we serve clients in 36 countries and are focused on serving the affluent and mass affluent customer segments in the world's major cities. Similar to our corporate franchise, our strongest and most profitable consumer relationships begin with the primary operating account where we provide everything from automatic payroll to mobile banking and payments.

Through these operating relationships, we established a 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 over $900 billion of low-cost deposit funding in local markets, which gives us a unique ability to support these clients as they move around the world.

Our business model positions us well to benefit from the long-term trend of globalization taking place in the world's economy. Developed market companies are rapidly expanding outside their home markets. Since 2003, acquisitions by developed market firms in the emerging markets have more than doubled. The 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. GDP is concentrating in urban areas. Sixty percent of the growth in high-income urban households through 2025 is expected to occur in emerging market cities where we already focus our retail presence. Our footprint allows us to partner with our clients wherever they want to expand around the world, combining the capabilities of a global firm with the local expertise that comes from operating in many of these international markets for decades, if not a century or more.

Turning to slide 7, we show Citicorp results since 2011. Over the past two years, modest revenue growth and a decline in expenses have driven the Citicorp operating efficiency ratio from 63% in 2011, down to 59% in 2013. And while the revenue environment was challenging in 2013, with U.S. mortgage refinancings and fixed income revenues declining, we continue to see revenue growth in other areas, including international consumer banking, equities and investment banking where we have made targeted investments. Loan and deposit volumes also expanded last year, and credit quality remained favorable with loss rates stable to improving across most major markets, which I'll cover in a moment. This
improved operating margin combined with lower net credit losses enabled us to grow our pre-tax earnings in Citicorp each of the last two years, even as the benefit of loan loss reserve releases dwindled.

The Citicorp business is well diversified. Around two-thirds of our revenues come from our accrual businesses split among cards, retail banking and Transaction Services. Citicorp is also highly diversified by geography, with no outsized exposure or reliance on any one market outside the U.S. Over 40% of our revenues come from faster-growing emerging markets, and with the exception of Mexico, no emerging market accounts for more than 3% of our revenues.

While emerging market growth expectations have moderated over the last 18 months, we still expect emerging market growth of roughly double the developed markets over the next five years. And in most countries, we expect modestly higher growth in 2014 over last year.

Emerging markets helped us generate 8% loan growth in Citicorp in 2013, and given the quality of our target market segments, we were able to achieve this growth while maintaining strong and stable credit trends. Across the emerging markets, consumer net credit loss rates have remained just below 200 basis points. And in our corporate loan portfolio, the emerging market non-accrual rate was roughly 50 basis points at year end.

Turning now to Citi Holdings, we think about the wind-down of this portfolio in two distinct ways. First is disposing of the assets, which frees up excess capital for eventual return to our shareholders. And second is reducing the net losses in Citi Holdings that create a drag on Citigroup profitability and returns.

Let me start briefly with the assets. Citi Holdings assets were $117 billion at the end of 2013, with over 60% attributable to North America mortgages. Today, there are few sizable operating businesses left to sell, with the largest being OneMain with nearly $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 Citicorp'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. The remainder of Citi Holdings is generally in run-off or targeted for opportunistic sales.

We've made significant progress in reducing the assets in Citi Holdings, down by nearly $700 billion from its peak in early 2008, and by over $100 billion or 48% over the last two years. At the same time, the credit quality of the remaining assets has improved, 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 nearly 200 basis points in the last two years. And starting in 2013, we have utilized loan loss reserves to cover nearly all of the net credit losses in our North America mortgage portfolio.

Given the significant improvement in credit costs, Citi Holdings was breakeven in 2013 on an operating basis, excluding legacy items. These legacy items, including rep and warranty reserve builds and legal and related costs, totaled over $3 billion last year, or the equivalent of roughly $0.65 of earnings per share.

In 2013, we took significant steps to resolve 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 that we will have better clarity this year. 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.

Turning now to Citigroup in total on slide 13, we show our net interest revenue and margin trends. As you can see, our net interest margin has remained broadly stable over the last two years, as we have lowered
our debt and deposit costs to offset the impact of global spread compression. And in the fourth quarter of 2013, we saw a NIM improvement as our loan and investment yield stabilized while we continue to drive down the cost of funds. We currently expect our net interest margin in 2014 to be at or around the 285 basis points we achieved in 2013, with some fluctuation quarter-to-quarter.

This NIM outlook for 2014 is based on a relatively stable rate environment. But clearly, if rates increased, we would expect to see significant upside. As economic conditions have improved since 2010, we have adjusted our interest rate position progressively to increase our sensitivity to a rising rate environment. Today, if interest rates were to increase by 100 basis points in a parallel shift, we estimate our annual net interest revenue would increase by $1.8 billion, with the vast majority of the increase coming from movements in short-term rates. This is equivalent to roughly $0.42 per share of additional Citigroup earnings.

Now, I want to address our performance versus the three 2015 targets that our CEO, Mike Corbat, laid out nearly 12 months ago. As a backdrop, these targets are based on a low revenue growth scenario through 2015, without a significant benefit from higher rates. First, we set a target for Citicorp operating efficiency in the mid-50% range. As I covered earlier, Citicorp's efficiency ratio was 59% in 2013, down 400 basis points from 2011, and we see multiple opportunities for further 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 head count and compensation.

Second, for Citigroup, we are targeting a return on tangible common equity of 10% or higher. This compares to 8.2% generated in 2013. 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 1.2% on our Citigroup ROTCE in 2013. So if Citi Holdings were at breakeven, Citigroup would have earned a 9.4% return on tangible common equity. Of course, returns are also dependent on our level of book equity, and our target clearly requires increasing the amount of capital returned to our shareholders 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 72 basis points achieved last year. We expect our assets to remain broadly stable or 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 $15.4 billion in 2013; so once again, getting Holdings closer to breakeven is a key driver.

Now, I'd like to cover our capital generation and capital return potential. In 2013, our tangible common equity, or TCE, grew by 8% to over $4 per share, driven by retained earnings. We ended the year with $168 billion of TCE and generated a return on this equity of 8.2%. However, it is important to note that a sizable portion of this TCE supports our DTA, which is included in the TCE but excluded when calculating our regulatory capital. Or in other words, today we carry roughly $40 billion of book equity above the amount necessary to support our operating businesses. And we earn no return on this $40 billion of equity. However, as we utilize the DTA over time, it becomes a significant source of regulatory capital and therefore a meaningful driver of capital available to be returned to shareholders. And if you exclude the impact of DTA, Citigroup generated an 11.1% return on the TCE supporting Citicorp and Citi Holdings in 2013.

On slide 17, you can see how we generated significant regulatory capital over and above our earnings in 2013. In addition to net income of nearly $14 billion, we generated nearly $4 billion of regulatory capital through both the utilization of the DTA as well as an increase in the amount of DTA that can be included as our capital base.

In total, net of share repurchases, we generated roughly $20 billion of Tier 1 common capital last year. And as a result, we ended the year with capital ratios both above our targets and our expected regulatory requirements. On a pro forma basis, our estimated Basel III Tier 1 common ratio was 10.1% at the end of
2013 compared to our target of 9.5%, and a proposed regulatory requirement of 9%. And our supplemental leverage ratio was 5.4% compared to a regulatory requirement of 5%.

We also generated very attractive returns on this regulatory capital in 2013. If we assume Tier 1 common capital levels of 9.5% of risk weighted assets, the return on Basel III capital for Citigroup would have been an estimated 11.3% including the drag from Citi Holdings. And if you look at Citicorp alone, the return on regulatory capital was over 16%. Our goal is to better reflect these strong core returns at the Citigroup level as we further reduce the losses in Citi Holdings and begin to return the capital tied up in both Citi Holdings and DTA over time.

In conclusion, we achieved a number of our objectives in 2013; improving the efficiency of Citicorp, significantly reducing the drag from Citi Holdings, and ending the year above our capital ratio targets. And while the operating environment was more difficult in the second half of last year, many of our accrual businesses are showing good momentum going into 2014.

Turning to the first quarter, we expect consumer revenues to be slightly lower than the fourth quarter on seasonally lower cards activity and a lower day count, but with subsequent growth as we go through the year. In our markets businesses, we've seen a rebound in activity from last quarter. However, total markets revenues are still tracking down from last year. On average, about 80% of our markets revenues are in fixed income where year-over-year comparisons reflect today's uncertain macro environment, as well as our strong performance last year in both local markets and securitized products. Equities is showing more resilience so far. But in total, we currently see our markets revenues being down by a high mid-teens percentage year-over-year. Investment banking revenues are tracking lower than the fourth quarter, mostly reflecting the pull-forward of certain M&A revenues into the prior quarter. And total expenses should be modestly higher than the fourth quarter, reflecting a similar level of legal and repositioning costs and higher incentive based compensation driven by the higher revenues quarter-over-quarter. Of course, there is still a month left in the quarter, so actual results may vary from our current expectations.

Finally, we remain committed to achieving our 2015 targets, driving efficiency improvements in Citicorp, moving past our legacy issues in Citi Holdings, and beginning to return a more meaningful amount of capital to our shareholders. And with that, I'm happy to take any questions.

**QUESTION AND ANSWER**

**JOHN GERSPACH:** Dan?

**SPEAKER 1:** So recently I know there’s been a lot of negative attention to emerging markets, but recently – the last time you’ve spoken you talked about how in this year you’d start to see stabilization in the Korean franchise. Do we have any updates on those comments?

**JOHN GERSPACH:** I'd say that the comments that we made at the end of the fourth quarter - in our investor call hold true. The comments we made then was we've got a very good franchise in corporate banking in Korea. However, the consumer franchise in Korea has been going through a series of repositionings in response to the changing regulatory requirements in the consumer business in Korea. We see those consumer revenues stabilizing in Korea in the first half of this year and that should pave the way for reasonable growth thereafter. Anybody else? Andy?

**SPEAKER 2:** I know you brushed over Mexico but you're getting a lot of headlines in the papers. Is that more of an isolated incident than something that is a flaw in your management of that operation?

**JOHN GERSPACH:** Yes, that's a great question. I'm glad somebody asked it. We really look at this as being an isolated incident, and we've got a great deal of confidence in saying that. When we learned of
the issues in this one product with this one client in Mexico, we kicked off a rapid review of similar – of this product offering around the world. Now that encompasses $16 billion worth – I'm sorry, $14 billion worth of receivables around the world for supplier finance-type of products. The only customer where we saw any issues like this was in this one client relationship. So we're fairly confident that this, in fact, is an isolated incident. Anybody else? Okay, thank you all very much.