TRANSCRIPT

Citi Fourth Quarter 2014 Earnings Review

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Host
Susan Kendall, Head of Investor Relations

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

PRESENTATION

OPERATOR: Hello, and welcome to Citi's Fourth Quarter 2014 Earnings Review with Chief Executive Officer, Mike Corbat, and Chief Financial Officer, John Gerspach. Today's call will be hosted by Susan Kendall, Head of Citi Investor Relations.

We ask that you please hold all questions until the completion of the formal remarks, at which time you will be given instructions for the question-and-answer session. Also as a reminder, this conference is being recorded today. If you have any objections please disconnect at this time.

Ms. Kendall, you may begin.

SUSAN KENDALL: Thank you, Brent. Good morning, and thank you all for joining us. On our call today, our CEO, Mike Corbat, will speak first. Then John Gerspach, our CFO, will take you through the earnings presentation, which is available for download on our website, Citigroup.com. Afterwards we'll be happy to take questions.

Before we get started, I would like to remind you that today's presentation may contain forward-looking statements, which are based on Management's current expectations and are subject to uncertainty and changes in circumstances. Actual results in capital and other financial conditions may differ materially from these statements due to a variety of factors, including the precautionary statements referenced in our discussion today and those included in our SEC filings, including, without limitation, the “Risk Factors” section of our 2013 Form 10-K.

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

MIKE CORBAT: Thank you, Susan. Good morning, everyone. Earlier today, we reported earnings of $350 million for the fourth quarter of 2014, or $0.06 a share. These results include the impact of $3.5 billion in legal reserves and repositioning costs, which we had disclosed in December. While these charges had the biggest impact on our results, we also saw a challenging end to the year, with macro uncertainties and falling oil prices resulting in a more difficult market environment than we had expected, particularly in the last few weeks of December.

At the same time, our institutional banking franchise continued to show solid revenue growth. In consumer banking, our US franchise performed well and we showed modest growth in international consumer, even as the global economic growth remained uneven. In Citi Holdings, we were profitable again this quarter and reduced assets to below $100 billion for the first time, driven by ongoing runoff in asset sales.

While the overall results for 2014 fell short of our expectations, we did make significant progress towards our priorities, and while some of the steps we took were painful, I believe they allowed us to put our franchise in a position to have a successful 2015.

We're doing everything we can to maximize the benefits of our repositioning costs and throughout 2014 we worked hard to improve our efficiency and reduce our cost base. We reduced our headcount by almost 10,000 people, closed 95 operation sites, shrunk our branch network by over 10% while

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increasing digital uptake by consumers, simplified our product offerings, and increased customer satisfaction as measured by net promoter scores.

We sold our consumer businesses in Spain and Greece and took important steps towards the exit of OneMain. In October, we announced plans to exit 11 consumer markets and have already signed two agreements regarding the sales of our Japanese retail business and our consumer business in Peru. These steps are part of our process to build one global consumer bank from a confederation of local banks.

Our institutional banking business performed well throughout the year, as we focused on serving our core clients. In investment banking, we gained share with our target clients across most regions, generating strong revenue growth, and despite the low interest rate environment, treasury and trade solutions grew revenues as well, as did our private bank. While our markets businesses were impacted by volatility towards the end of the year, we'll continue to take steps to make sure that they are sized correctly for the environment we see going forward.

After reviewing certain institutional businesses, we have decided to exit several non-core transactions businesses in order to further decrease our expense base and improve net income. These businesses will be reported out of Citi Holdings going forward.

For the first time since its establishment, Citi Holdings was profitable for the full-year and we reduced its assets by 16%. By utilizing $3.1 billion in DTA, we exceeded 2013's utilization by $600 million and have now utilized $5.6 billion in the last two years.

Despite significant legal challenges, we were still able to generate $11 billion in regulatory capital in 2014, bringing the total to $31 billion over the last two years.

During the year, we managed our balance sheet carefully. We grew our loan book in Citicorp and improved both our net interest revenue and margin from 2013 levels. We made Citi a safer and stronger institution in several ways. We invested in our risk, audit and compliance functions.

We reduced our risk-to-asset profile by asset sales and business exits, and we maintained a highly liquid balance sheet while improving the quality of our deposits. Our capital, leverage and liquidity ratios each increased over the course of the year.

Returning capital to our shareholders remains a critical priority. During the year, we invested in and strengthened our capital planning process by focusing on risk identification and scenario design, improved our models, and we fostered a deeper engagement with our businesses.

Last week, we submitted our capital plan to the Federal Reserve, and we believe the submission reflects the progress we have made. We're fully committed to sustaining and building on these gains.

As recent events have shown, there's no reason to think that the environment in 2015 will be any less challenging than the one we faced in 2014. While the recovery in the US is gaining momentum, aided by lower energy costs, Europe is a continuing area of concern, with Russia and Greece facing the most immediate pressure. While most emerging markets continue to grow, their economies remain the most vulnerable to external factors.

That being said, we feel good about how we're positioned to meet the challenges. This is an important year for our Firm, and we're committed to reaching our efficiency and return on asset targets.

John will now go through the deck, and then we'll answer your questions. John?

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JOHN GERSPACH: Thank you, Mike. Good morning, everyone. To start, I would like to highlight a few items from the fourth quarter of 2013, that affect the comparability to this quarter's results as shown on slide 3. On an adjusted basis, we earned $0.06 per share in the recent quarter compared to $0.82 in the fourth quarter of last year. This decline in EPS mostly reflects higher legal and related costs and repositioning charges versus last year.

On slide 4, we show total Citigroup results. In the fourth quarter, we earned $346 million, or $0.06 per share, including the impact of $3.5 billion of legal and repositioning charges. Revenues declined slightly on a reported basis to $17.8 billion, but were up 2% year-over-year in constant dollars, driven by modest growth in Citicorp.

Expenses grew 21% year-over-year, primarily reflecting the higher legal and repositioning charges. Core operating expenses were flat, including a benefit from the impact of FX translation. Cost of credit improved from last year. And, our tax rate was significantly higher this quarter at 72%, reflecting the non-tax-deductible legal accruals.

On a full-year basis, revenues and core operating expenses were fairly stable versus last year. Legal and repositioning charges were significantly higher than the prior year, as we work to resize our operations and address legal issues. As we said in December, we believe we have put a significant portion of our outstanding legal matters behind us.

Cost of credit was a tail wind, driven by lower net credit losses. In constant dollars, Citigroup end-of-period loans decreased slightly year-over-year to $645 billion, as 3% growth in Citicorp was more than offset by the continued wind down of Citi Holdings. Deposits declined 4%, as we reclassified $21 billion of Japan retail deposits to held-for-sale in Citicorp, given the sale announcement last month. And deposits continued to decline in Citi Holdings.

On slide 5, we provide more detail on fourth quarter revenues in constant dollars. In consumer banking, revenues were flat sequentially and up 3% year-over-year, driven by North America.

Institutional revenues were down from last quarter, reflecting a difficult market environment and seasonally lower activity, but improved slightly from last year. Citi Holdings revenues were down quarter-over-quarter on lower gains on asset sales, partially offset by lower losses on the redemption of debt. On a constant dollar basis, Citigroup revenues grew over $300 million, or 2% from the prior year.

On slide 6, we show more detail on expenses. Legal and related expenses were over $2.8 billion in the fourth quarter, and repositioning costs were roughly $650 million. Excluding these items, core operating expenses of nearly $11 billion increased in constant dollars both year-over-year and sequentially, primarily reflecting increased regulatory and compliance costs, including those related to our enhanced capital planning process, higher volume-related expenses, and certain one-time items, partially offset by efficiency savings.

The quarter-over-quarter increase of roughly $200 million was mostly comprised of an adjustment to accruals for certain non-income taxes such as VAT, higher external legal and consulting fees, higher business volumes in a number of areas, and higher levels of expenses related to ongoing compliance and regulatory efforts resulting from an acceleration of hiring and related spending originally planned for the first quarter of 2015. All of this increase from the prior quarter reflected expenses that were either nonrecurring or already baked into our expected 2015 run rate.

Performance-based incentive compensation was down from the prior quarter. However, this benefit was largely offset by changes to assumptions related to the recognition of deferred compensation. On a full-year basis, core operating expenses were roughly flat, as repositioning savings, reductions in Citi Holdings, and other productivity initiatives fully offset the impact of higher regulatory and compliance and growth-related costs.

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On slide 7, we show the split between Citicorp and Citi Holdings. On a reported basis, Citicorp revenues of $16.5 billion declined slightly year-over-year in the fourth quarter, while core operating expenses grew 2% driven by higher regulatory and compliance costs, growth-related expenses, and certain one-time items I just described, partially offset by ongoing efficiency savings and the impact of FX translation. Credit costs improved modestly year-over-year, and the tax rate was significantly higher in the quarter reflecting the non-tax deductible legal accruals.

On a full-year basis, the decline in net income mostly reflects higher legal and repositioning costs, partially offset by an improvement in credit. In Citi Holdings, we were profitable again this quarter, with roughly $160 million in net income compared to a loss of over $400 million last year, driven primarily by lower legal and related expenses. Citi Holdings ended the quarter with $98 billion of assets, or 5% of total Citigroup assets.

Before I go into more detail on Citicorp, I would like to provide an update on our strategic actions in Global Consumer Banking and describe some additional actions we are taking in the Institutional Clients Group. Starting with consumer, last quarter we announced plans to exit our consumer operations in 11 markets, plus our consumer finance business in Korea. Since then, we have executed agreements to sell two of these businesses: our Japan retail operations and our consumer business in Peru. We have active processes under way in the remaining markets.

As we previously indicated, we will report these operations as part of Citi Holdings as of the first quarter. In 2014, these businesses contributed $1.6 billion of revenues and a loss of $36 million, with the loss primarily attributable to repositioning and other actions directly related to the exit plans.

In addition to these actions in consumer, we also plan to exit certain businesses in ICG, including hedge fund services within securities services, and our prepaid cards business in treasury and trade solutions. These represent non-core businesses where we do not believe we have the scale to generate appropriate returns. We are working to exit these businesses in a timely and economically rational manner, with a minimal impact on our clients.

In aggregate, the businesses generated nearly $460 million of revenues and a loss of over $80 million in 2014. However, roughly half of the operations' pretax loss for the year was driven by repositioning and other actions directly related to the exit plans. We will also report these operations as part of Citi Holdings as of the first quarter.

Turning back to the fourth quarter, on slide 10, we show results for international consumer banking in constant dollars. Revenues grew 1% year-over-year in the fourth quarter, reflecting modest volume growth, offset by spread compression and regulatory headwinds in certain markets.

Average loans grew 4% from last year. Card purchase sales grew 3%, and average deposits grew 2%. However, revenues were down sequentially, driven by lower investment sales revenues in Asia, reflecting weak investor sentiment and seasonality.

Core operating expenses, excluding legal and repositioning costs, grew 2%, as the impact of business growth and higher non-income taxes was partially offset by ongoing efficiency savings. Credit costs were up slightly year-over-year and by 10% sequentially, mostly due to loan loss reserve builds in Latin America, due to portfolio growth and seasoning.

We incurred a charge-off of roughly $70 million this quarter related to our homebuilder exposure in Mexico. However, this charge was entirely offset by a related loan loss reserve release resulting in a neutral impact on overall credit costs.

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Slide 11 shows the results for North America consumer banking. Total revenues were up 4% year-over-year.

Retail banking revenues of $1.4 billion grew 25% from last year, including a gain of roughly $130 million from the sale of certain on-balance sheet mortgage loans. Excluding this gain, revenues grew 13%, reflecting continued loan and deposit growth, as well as abating spread headwinds.

Branded cards revenues of $2.1 billion were flat versus last year, as we grew purchase sales and an improvement in spreads mostly offset the impact of lower average loans, reflecting the continued runoff of promotional rate balances. Retail services revenues declined 3% from last year, primarily reflecting higher contractual partner payments, driven by higher yields and improved credit costs. Underlying drivers for retail services remain positive, as average loans grew modestly and yields improved year-over-year.

Core expenses declined year-over-year, but grew modestly from last quarter, driven by seasonal marketing expenses and other episodic items. Repositioning costs were higher this quarter, mostly reflecting actions to rationalize our branch footprint.

We continued to resize our North America retail banking business in the fourth quarter, all while continuing to grow deposits, loans, and assets under management. Over the past year, we have sold or closed over 130 branches in North America, and we have announced plans to sell or close an additional 60 branches in early 2015.

By the end of the first quarter, roughly 90% of our branches will be concentrated around New York, Boston, Washington DC, Miami, Chicago, LA and San Francisco. We are focusing on our most productive branches in key urban areas and on growing high quality deposits.

While average deposits grew 1% year-over-year in the fourth quarter, checking account balances grew 11%. Today, our average deposit balance per branch is roughly $200 million, up 17% from just a year ago.

Slide 12 shows our global consumer credit trends in more detail. Overall, global consumer credit trends remained favorable in the fourth quarter. In North America and Asia, credit remains stable to improving.

In Latin America, as I described earlier, we incurred a roughly $70 million charge-off related to our homebuilder exposure in Mexico that was entirely offset by a related loan loss reserve release. Excluding this charge-off, dollar losses were flat to the third quarter in constant dollars and the NCL rate would have improved to 4.7%.

Slide 13 shows the expense trends for Global Consumer Banking. We reduced our core expenses by roughly $160 million from 2013 to 2014, even while absorbing $100 million of incremental expenses related to the Best Buy portfolio acquisition. This core expense improvement reflects the significant progress we have made with headcount reductions, product simplification, and branch and support site rationalization.

In 2014, our efficiency ratio was flat to the prior year, even as we incurred higher legal and repositioning costs. Including roughly $900 million of legal and repositioning charges over the past year, our total efficiency ratio for Global Consumer Banking was 56%. Pro forma for the announced market exits, the total efficiency ratio would have been 55%.

Turning now to the Institutional Clients Group on slide 14, revenues of $7.2 billion in the fourth quarter were flat to last year and down 17% sequentially. Total banking revenues of $4.1 billion grew slightly from last year and were down 5% from the prior quarter.

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Treasury and trade solutions revenues of $2 billion were up 1% year-over-year and flat sequentially on a reported basis. In constant dollars, TTS revenues grew 6% from last year and 2% sequentially, as growth in high quality deposits and fees more than offset a decline in trade balances and spreads.

Investment banking revenues of $1.1 billion were down 7% from last year on lower equity underwriting activity, and down 15% sequentially, reflecting the comparison to a very strong third quarter. Private bank revenues of $666 million grew 11% from last year driven by higher volumes and growth in investments and capital markets products.

Corporate lending revenues were $431 million, up 9% from last year, reflecting growth in average loans and improved funding costs, and down 2% from last quarter, driven by fair value marks on loans. Total markets and security services revenues of $3 billion declined 9% year-over-year and 30% sequentially.

Fixed income revenues of $2 billion were down 16% from last year and 33% sequentially, reflecting challenging market conditions as well as seasonally lower activity versus the third quarter. The fourth quarter started with a volatile environment in early October, and ended in a similar way, with uncertainty around Russia and Greece, as well as falling oil prices in the last weeks of the year, driving increased volatility, wider credit spreads, and less liquid trading conditions.

Overall, our currencies business navigated well, with stable revenues year-over-year and a moderate sequential decline from a strong third quarter. However, we saw a significant revenue decline in spread products, in particular credit and municipal products, as we continued to support our clients in a less liquid, more volatile market.

Our G10 rates business was also down versus prior periods, mostly driven by the uncertain macro environment in the latter part of December. Equities revenues of $471 million declined 3% year-over-year and 38% sequentially, both driven by EMEA.

Outside of EMEA, our equities revenues increased 24% year-over-year, with broad strength across products, and declined 18% sequentially on seasonally lower activity. In securities services, revenues grew 4% year-over-year on increased client balances and activity, and were down 4% sequentially, reflecting the impact of pending strategic exits.

Total operating expenses of $5 billion grew 3% over last year, and were flat sequentially, as lower compensation expenses and the benefit of FX translation were offset by higher repositioning costs, as well as higher external legal and consulting fees. Credit costs grew to $163 million in the fourth quarter, reflecting an episodic write-off, as well as a reserve build driven by the overall economic environment.

On slide 15, we show expense and efficiency trends for the institutional business. In 2014, our efficiency ratio was flat to the prior year, as lower core operating expenses offset higher legal and repositioning charges.

Including roughly $700 million of legal and repositioning charges, our total efficiency ratio was 59%. Pro forma for the announced strategic actions, the total efficiency ratio would have been 58%. Our full-year comp ratio was also flat to 2013 at 29%.

Slide 16 shows the results for Corporate Other. Revenues declined year-over-year, driven mainly by lower revenues from sales of available-for-sale securities, as well as hedging activities, while expenses increased on higher legal and related expenses, as well as higher regulatory and compliance costs, including those related to the CCAR process. Assets of $329 billion included approximately $80 billion of cash and cash equivalents and $197 billion of liquid investment securities.

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Slide 17 shows Citi Holdings' assets, which totaled $98 billion at quarter end, with over 60% in North America mortgages. Total assets declined $5 billion during the quarter and $19 billion year-over-year, driven by asset sales and runoff.

On slide 18, we show Citi Holdings' financial results. Total revenues of $1.3 billion in the fourth quarter were up slightly year-over-year, mainly driven by higher gain on asset sales and lower cost of funds, and down 20% from last quarter on lower gains on asset sales, partially offset by lower losses on the redemption of debt.

Citi Holdings' expenses continued to decline, driven by the lower level of assets, as well as lower legal and related costs. And credit costs continued to improve as well. On a sequential basis, net credit losses increased, as continued improvement in mortgage losses was offset by the impact of seasoning in the personal loan portfolio, as well as credit losses due to corporate loan sales.

However, higher net credit losses were more than offset by a higher loan loss reserve release. Mortgage net credit losses were entirely covered by reserve releases in the fourth quarter.

On a full-year basis, 2014 was an important turning point for Citi Holdings, as we achieved profitability while continuing to wind down the portfolio and moving past our legacy legal issues. We sold our remaining western European retail operations in Spain and Greece, significantly reduced our mortgage exposures, and positioned the OneMain business for exit.

On slide 19 we show Citigroup's net interest revenue and margin trends. Our net interest margin improved to 292 basis points in the fourth quarter, reflecting lower cost of funds. Our full-year margin was 290 basis points, up from 285 basis points in 2013. Looking to the first half of 2015, we expect our net interest margin to remain more or less flat to full-year 2014 levels.

On slide 20, we show our key capital metrics. During the quarter, our CET1 capital ratio declined to 10.5%, driven by pension-related reduction in OCI and an increase in operational risk RWA.

Foreign exchange movements had no impact on the CET1 ratio during the quarter. Our supplementary leverage ratio was flat to the prior quarter at 6%. Our tangible book value declined sequentially to $56.83 per share, driven by changes in OCI.

To conclude, I would like to spend some time on our outlook for 2015. We remain committed to delivering on our financial targets, including a mid-50%s efficiency ratio in Citicorp and a return on assets of at least 90 basis points for Citigroup. We believe we can reach these targets through a combination of several drivers.

First, we continue to believe we can generate low to mid single-digit revenue growth in Citicorp. Citicorp's full-year revenues in 2014 were broadly flat year-over-year, but in many ways, this understates the progress we're seeing across the franchise.

In North America consumer, we saw 3% growth in the second half of the year, excluding certain one-time items. As we moved past the difficult comparisons in mortgage refi volumes, loans and deposits continued to grow and spread headwinds began to abate. In international consumer, we also grew revenues by 3% in the second half of the year, even as we saw slower global growth and absorbed significant regulatory and spread headwinds that we see abating somewhat in 2015.

In investment banking, we saw good momentum again this year, growing wallet share with our target clients and generating strong revenue growth year-over-year. And, our momentum in treasury and trade solutions and the private bank was also evident, as we progressed through the year, with continued volume growth translating into stronger revenue performance.

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In total, our current expectations for continued volume growth and somewhat abating headwinds provide good line of sight for revenue growth in these businesses, which account for over three-quarters of Citicorp revenues. In markets, we expect our performance in 2015 to reflect the overall environment, with the goal of continuing to gain wallet share with our target clients.

Going into 2014, we knew we would face difficult markets comparisons in the first half of the year, which was certainly true. But in the back half, total markets revenues broadly stabilized, even with continued challenging market conditions.

Second, we believe we can drive a meaningful reduction in total operating expenses as a result of continued expense discipline to offset higher regulatory and compliance costs, the full realization of cost savings from the actions we took in 2014, and a significant reduction in legal and repositioning costs from the levels we saw in the past year. Although on legal, as we have said before, nothing is certain until the matters are resolved. Higher revenues and lower operating expenses would naturally result in positive operating leverage in Citicorp.

We expect credit costs to increase in 2015 driven by loan growth, as well as lower loan loss reserve releases. Our tax rate should be in the range of 31%.

We believe that Citi Holdings will stay at or above breakeven on a full-year basis, and we expect to keep balance sheet discipline, staying at or below our current size. We expect the combination of these factors will help us deliver on both our efficiency and ROA targets in 2015.

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

QUESTION AND ANSWER

OPERATOR: (Operator Instructions) Your first question comes from the line of John McDonald with Sanford Bernstein. Please go ahead with your question.

JOHN MCDONALD: Hi, good morning. John, I was hoping you could try to give us a sense of how much of the one-time items you had in the fourth quarter core expense figure? Of the $10.9 billion core operating expense, you mentioned a number of items that were either pulled forward or that you characterized as one-time-ish. Can you give us a feel for how much that might have been, of the $10.9 billion core expense number?

JOHN GERSPACH: Well, let's focus on the $200 million, because we basically -- the guidance that we mentioned as of the end of the third quarter would have been that we would have expected the operating expenses in the fourth quarter to be roughly flat. We saw about a $200 million rise, which -- I gave you some of the component pieces. I would say that somewhere between 50% and 75% of that $200 million-plus would be non-recurring, so call it two-thirds is non-recurring.

JOHN MCDONALD: That includes the CCAR expense -- some of the CCAR expense?

JOHN GERSPACH: Some of the CCAR expense, in the fourth quarter -- overall, in the second half of the year, we incurred CCAR expenses of about $180 million. Roughly two-thirds of that should be non-recurring as well. But that's split, John, between the third and the fourth quarter.

JOHN MCDONALD: Okay, and any sense -- (multiple speakers)

JOHN GERSPACH: I would say, John -- back up. Two-thirds of that should be recurring. One-third of that is non-recurring -- of the CCAR expense.

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JOHN MCDONALD: Okay, those expenses are in the $10.9 billion -- that jumping-off point -- the fourth quarter expense number, correct?

JOHN GERSPACH: John, maybe what may be simpler is if I took you through where we stand with delivering the repositioning saves. That might get you closer to where you're looking to try to get to.

JOHN MCDONALD: Okay.

JOHN GERSPACH: If you think about our repositioning expenses, over the last nine quarters, we've taken roughly $3.1 billion of repositioning charges in Citicorp, including the actions that we announced back in December of 2012. We expect that all of those actions should produce about $3.4 billion of annual savings. Roughly $2.7 billion of those benefits are already included in our fourth quarter expense run rate. Or maybe said another way: The fourth quarter expenses are lower by about $700 million, resulting from the cumulative impact of those actions. So, these savings will continue to accrete each quarter, and we expect the vast majority of those remaining benefits to be reflected in our expense base by the fourth quarter of 2015.

JOHN MCDONALD: Okay. So, if we actually tried to talk about it in terms of -- the $10.9 billion you're running right now, exiting the year, just under $44 billion in core operating expense, you hope to have that number lower in absolute dollars in 2015 with these savings building?

JOHN GERSPACH: John, again, we're committed to delivering that efficiency ratio in the mid-50%s for Citicorp.

JOHN MCDONALD: Okay.

JOHN GERSPACH: As we said before, we think it takes some low- to mid-single -- low single-digit revenue increase. We need to deliver on these expense initiatives. We've got the path to get there. I don't want to get into an absolute level of expenses.

JOHN MCDONALD: Okay. John, in terms of the repositioning, unlike the legal costs, the repositioning, as you and Mike have said, are 100% in your control. So, do you expect to have any repositioning in 2015, and should it be a lot lower? Could you give us any kind of sizing perspective on any additional repositioning you should expect in 2015?

JOHN GERSPACH: I'm not -- I would never use a word like we won't have any repositioning, because we're constantly looking at the Business. But it certainly shouldn't be at the level you saw in 2014 where we had, in Citicorp, something like $1.5 billion, $1.6 billion worth of repositioning costs.

What we said, John, when we set up those efficiency targets, don't forget, is we said we thought that, in a normal year, we would have about 200 basis points of our revenue consumed by legal and repositioning. We certainly aren't looking to run repositioning anywhere near the level -- in 2015, anywhere near the level that we ran it at in 2014.

JOHN MCDONALD: Okay. Got it. Thanks, John.

OPERATOR: Your next question comes from the line of Jim Mitchell with Buckingham Research. Please go ahead with your question.

JIM MITCHELL: Hey, good morning, guys. My question is on the strategic actions. There's a lot of moving parts there. You mentioned, I guess number one, that you expect Citi Holdings to remain at breakeven or better next year, or 2015, but we have -- you're adding businesses that have been losing money. There's the -- pretty clear that you guys are looking to sell OneMain. Is all of that contemplated in that comment? How do we think about that?

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JOHN GERSPACH: It's all contemplated in that comment.

JIM MITCHELL: Okay. Perfect. Then, can you guys help us a little? We can all take our own guess on what maybe the capital gain could be in OneMain or anything else, but with all these actions, is there any way to think about the RWA reduction potential coming out of OneMain, as well as the strategic changes?

JOHN GERSPACH: No, OneMain has about $9 billion worth of GAAP assets in it.

JIM MITCHELL: Right.

JOHN GERSPACH: Obviously, it's higher than that on an RWA basis, but I don't want to get into the capital accretion that might come from a OneMain exit. As we get closer to that -- because, again, that's going to be dependent upon which path we go down. We're obviously working a dual-path exit strategy for OneMain. Let's think about which path we actually go down, and then we'll be able to talk about what the implications are.

JIM MITCHELL: Okay. Thanks. Maybe just one last bigger-picture question: You guys, obviously, are a global company that's been a source of some fear in the market. How are you feeling about the international aspect of your Business, the economies there, given what we're seeing with the volatility outside the US? Has anything changed?

If you look at consumer revenues in international, they are still positive, but they slowed a little bit versus 3Q, and maybe that's just seasonality. You're still expecting growth. What do you see as the risk to that expectation of growth outside the US, and how are you thinking about it?

MIKE CORBAT: Well, I think the balance of where growth is going to come from, with the move in oil, has probably or most certainly shifted over the last couple months. I think what you've seen is revisions in terms of many of the developed economies up, and some of the emerging economies, and in particular, those that are most dependent on oil export as a big part of their economy. I think when you take the aggregate of those two, and add them together, you can look at the growth rates being projected that we're projecting higher growth rates in the global economy in 2015 than we had in 2014.

When you think of -- or as we think of the potential winners and losers, and how that impacts our Business, I would probably break the countries into one of three buckets: those where there's a clear benefit from the reduction in terms of oil prices; those where there's a clear detriment or headwind that comes as a function of lower oil or energy prices; and then there's a bucket in the middle where it probably becomes a bit more complex. That is where you've got different combinations of where economies overall benefit, yet you have governments that are quite dependent on oil export for revenue generation against their budgets.

Clearly, when you look across the world today, the big beneficiaries are the US; they are Europe; they are China, Japan, India; and you could take that list forward. You look at those that are probably most negatively affected, countries such as probably Saudi Arabia, Russia, Venezuela and Nigeria. The countries that I mentioned in terms of being positive probably account for an excess of 65% of our revenues, and you could measure that in 2013 or 2014. If you look at the countries that are most negatively affected, those countries probably constitute somewhere 2%, or less than 2% of our revenues.

That being said, I think we all have to recognize that it's going to create unevenness. It's going to create some uncertainty. It's certainly going to create volatility. I think we all need to be mindful of that.

JIM MITCHELL: Right. Okay. That's helpful. Thanks a lot.

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OPERATOR: Your next question comes from the line of Matt O'Connor with Deutsche Bank. Please go ahead with your question.

MATT O'CONNOR: Hi, guys.

JOHN GERSPACH: Hi, Matt.

MATT O'CONNOR: If I could follow up on the low- to mid-single-digit revenue growth -- just trying to better understand how you get there. I guess if the NIM's relatively stable, and the balance sheet is flat to down, and obviously net interest income is about 60% of revenues, how do you get, call it, 2% to 4% revenue growth when half the revenues, or more than half the revenues, aren't really growing?

JOHN GERSPACH: Well, you've got that revenue momentum already in the second half of the year, Matt. So, when you're looking at it, you need to focus on the second half of the year, and the momentum that we've gotten. Every one of those businesses has both interest-earning revenues and also fee-earning revenues. We are seeing growth in those businesses in both the NIR, the net interest revenue, as well as the fee components.

Some of it, when you take a look at the full-year numbers, that's going to be masked a bit. Don't forget, when you take a look at the non-interest revenues, a lot of that impact year-over-year is going to come from the mortgage refi boom. When you take a look at mortgage refi -- that's fees -- those gains that we would have gotten are in 2013, in the first half of the year. They didn't replicate this year; so, year-over-year, our fee-related revenue from that is down, I don't know, $700 million or so.

There's a lot of those types of items that are just buried in the results. But we're focused -- we certainly are looking through the full-year comparisons, and looking to what we see in the businesses today as we're operating them.

MATT O'CONNOR: Okay. Then just separately, can you remind us how the foreign exchange movements impact -- I guess you said it doesn't impact regulatory capital. It does impact tangible book. Just remind us if that's the right way to think about it?

Why is there a mark? Why is that something that you can't hedge, because it seems like what happened last year, the dollar strengthening, is something that might continue.

JOHN GERSPACH: Well, Matt, we do hedge. Let's start with P&L. P&L -- and we've had these discussions over the years. There's a slide in the back of the earnings presentation, I think it's slide 26, that actually talks to -- which is it -- 28 -- sorry, 28 -- I was off by two -- that actually shows you the impact of FX on the various line items. So, the dollar strengthening or weakening, or different currencies strengthening and weakening, has an impact on our revenue line, our expense line, and our cost of credit line. However, as you can see, in no individual quarter does it really have what I would consider to be an outsized impact on our pre-tax earnings. In fact, this quarter, even with all the volatility, the net impact was close to zero. So, that's P&L.

When it comes to capital, we do hedge our capital that's invested in foreign currencies, but we hedge it with a view towards protecting our CET1 ratio. That's why -- when you look at how foreign exchange movements occur, they not only impact your capital invested, they will impact your assets, and they'll also impact some of the assets that you have, such as the intangibles, that serve, then, as direct deductions against your regulatory capital base. We factor all of that into a hedging program that gives us fairly good results.

This quarter, with all the movement we had, the combination of our hedging program, and then the natural hedges that we have, resulted in a zero impact on our CET1 ratio. However, because we do not hedge every dollar of capital, you will then have an impact through OCI on tangible book. But if I'm going

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to run the Company with an eye towards where do I have exposure, I want to protect my CET1 ratio. I don't want to run an FX position through that ratio. So, in a quarter where the dollar strengthens, we may take a reduction on tangible book, but I protected the ratio.

If I go the other way, if the dollar weakens, and we have had quarters where the dollar is weakened, then I may really enjoy the impact that it has on my tangible book, but it's going to destroy my CET1 ratio. As you know, that is one of the key measures of regulatory strength that we have. So, we think that it's really important that, through our hedging program, we focus on that CET1 ratio.

MATT O'CONNOR: Okay. That's very helpful going through all the detail. I appreciate the color. Thanks.

JOHN GERSPACH: Not a problem at all, Matt.

OPERATOR: Your next question comes from the line of Guy Moszkowski with Autonomous Research. Please go ahead with your question.

GUY MOSZKOWSKI: Thank you. Good morning. My question is very much a CCAR-related one. I think to paraphrase, Michael, you have said in the past that you recognize that a qualitative pass with a very, very ultra-conservative capital return ask, would not really be a win in your eyes. I'm sorry if I've paraphrased you incorrectly, and go ahead and correct it. I guess the question is: Having now been through the process for this year, and done the submission, is that still the way that you feel about it?

MIKE CORBAT: Guy, we are aiming for -- we're looking for -- we've worked towards what we would want to be an unqualified pass, both qualitatively, as well as quantitatively. I think as we've said all along that capital return is something you work towards over time. Again, we think that our capital ask is the appropriate one. When all the results come out, we'll obviously let you be the judge of it. We felt, given everything, that it's appropriate and it's right.

GUY MOSZKOWSKI: Okay. Is there any change in the way that you would answer that question versus what you said, say, at a conference last month?

MIKE CORBAT: No.

GUY MOSZKOWSKI: Okay. The only other question that I have today is, in light of the weakening in certain emerging markets -- and you were very good about giving us a sense for where your revenues come from in terms of markets that are more and less affected by energy prices. Generally, given some of the weakness that we're seeing in more of those markets, what have you done on both the credit side and on the trading risk side, if anything, to, say, increase the level of scrutiny and protection?

MIKE CORBAT: I think you saw back, beginning with GIPS, and I think as different challenges around the globe and the macro economy have presented themselves, I think we've come out and tried to be very transparent with what our exposures look like. I think in this environment, you can imagine, we continue to watch Europe closely. Clearly, Russia, and we can speak to some pretty significant reductions in terms of risk in Russia. John and I had both mentioned Greece earlier.

Clearly, with what I described as those economies that come under pressure, either from the broad perspective of just big exporters of energy, and suffering that impact, or those where governments are extremely dependent on the revenues from energy to fund public and social programs, we obviously have a very close eye towards those. We think we're watching, from a risk perspective, very closely, and monitoring that.

GUY MOSZKOWSKI: Okay. That's helpful. Thank you very much.

JOHN GERSPACH: Thank you, Guy.

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OPERATOR: Your next question comes from the line of Betsy Graseck with Morgan Stanley. Please go ahead with your question.

BETSY GRASECK: Hi. Wanted to follow up to that, which is -- oh, hi, can you hear me?

JOHN GERSPACH: Yes.

BETSY GRASECK: Okay. Wanted to follow up to the question we just had on just the outlook for economies where they are a little bit weak-ish. I know you mentioned earlier in the call, Europe EM could be a little weak-ish, even though they are beneficiaries of oil pricing. Obviously, you have a solid presence in those markets.

So, if the top line is coming in weaker than you think in some of those economies, do you have room to manage expenses down a little bit more? I know you outlined you hit the targets at year-end 2015 on the expense ratio, but just wondering where you might be able to pull some resources out, if the top line disappoints?

JOHN GERSPACH: Betsy, as we've said, we're committed to hitting those targets. We think we've got some level of flexibility, obviously, to the extent that we see certain countries or certain businesses underperforming what the expectations are. If our view towards the targets change at any given point in time during the year, we'll have that discussion with you.

BETSY GRASECK: Okay. You mentioned at the beginning of the call about the concept of moving away from a confederation of banking organizations to a true global organization. Is the steps to get there what you outlined last quarter, which is just exit the 12 consumer businesses, or is there more to do?

MIKE CORBAT: No, I think we said as we did that, as we looked at the exit of the 11 consumer businesses, that the remaining 24 we thought were the right mix of businesses in the right places with the right client demographics. So, we feel that the consumer portfolio is at a point in time today where it is the right portfolio, the right mix.

BETSY GRASECK: Okay, just want to be clear on that.

Then, lastly, there's some action taken today by the Swiss Central Bank. I just wondered how you're thinking about that action, and how it impacts your Business.

MIKE CORBAT: Well, I think there's a couple ways we think about it. One is a move of that magnitude -- and you hear a range of potential standard deviations moves, but it's big.

Clearly, those types of one-off moves affect the markets in a couple different ways. One is there's P&L ramifications from the trade. I think there's also longer-term ramifications from just people being surprised. There's talk out in the marketplace of some of the high-frequency traders suffering a fair amount of pain on that. We'll see how that plays itself out.

We've seen, in these pockets of one-off volatility, that it actually causes people to potentially pull back from the market, and we see volumes abate as a result of those. We'll see what this move does, but I think, clearly, based on market reaction, it came as quite a big surprise.

BETSY GRASECK: Right. I mean, from a competitive perspective, there might be some opportunities for you, or no?

MIKE CORBAT: I think there could. We are, as you know, a big player in foreign exchange. Our Business in the fourth quarter actually performed quite well. We think we're well positioned. If some of

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that pain is out there, and people can't find their way around it or through it, I think we've got the ability to step in and potentially take share or potentially do more business as a result of that.

BETSY GRASECK: Okay. Thank you.

OPERATOR: Your next question comes from the line of Mike Mayo with CLSA. Please go ahead with your question.

MIKE MAYO: Hi. I think if we take your target of a 90-basis-point ROA in 2015, that would imply that Citi would beat consensus expectations for 2015. I think that's a way of saying the market doesn't believe you. If I could just go down a couple issues, especially after page 1 of your press release that 2014 was disappointing.

First, on efficiency, just to be clear, John, you have $700 million more of restructuring benefits to go. Would that be in 2015 or over a couple of years?

JOHN GERSPACH: No, the -- well, Mike, not every dollar of that will be in 2015, but the vast majority of it will be in 2015.

MIKE MAYO: Is that why you guys are confident? I mean, these are big moves in global consumer efficiency from 56%, down to 49% to 52% in 2015, and ICG from 59%, down to 53% to 57% also in 2015. You're reiterating that guidance today. What gives you confidence, in addition to those restructuring benefits?

JOHN GERSPACH: Well, as we said, it will take -- there's some revenue lift baked into at least our initial expectation. Again, it's low single-digit revenue growth. We're not, I don't think, overreaching for that.

2014 was such a noisy year. We did -- it was impacted by $11 billion worth of legal and repositioning charges that I think sometimes that masks some of the progress that we actually made. If you look at 2014's results -- let's take it on the operating results. We had pre-tax earnings of $18.6 billion of pre-tax earnings. Now, again, when you take a look at the Citicorp level of legal and repositioning charges that we had, there's over $6 billion of legal and repositioning charges that impacted Citicorp's results. That's about 900 basis points of Citicorp's revenue.

So, if we had been able to hold legal and repositioning to what we would consider to be the more normal level, say, the 200 basis points of revenue that we would have mentioned previously. If you adjust for those two things, take out the $6 billion, substitute in the 200 basis points, the Citicorp efficiency ratio in 2014 would have been 59%, and the overall ROA for Citigroup would have been in the mid-80s. It's not that we are that far away from the targets, again, if you normalize for the level of legal and repositioning charges that we had this year. Therefore, we think that, given those levels, the 59% efficiency ratio in Citicorp and, say, the mid-80s ROA for Citigroup, the combination of the steps that Mike talked about earlier, the low single-digit revenue growth, the continued delivery on the expense reduction actions, the careful attention to the balance sheet, all of those things should get us -- and keeping Holdings at or above breakeven -- should be enough to get us to both the goals that we laid out.

MIKE MAYO: That partly begs the question: You said you had $3.1 billion of repositioning charges over the last nine quarters. You had another big hit in the fourth quarter. How much more should we expect of these repositioning charges?

JOHN GERSPACH: We don't expect to be talking to you next year about significant levels of repositioning.

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MIKE MAYO: Okay. As it relates to Project Rainbow, which does tie into efficiency, and also going from a confederation to a global firm, how far away are you guys in having your systems connect and finishing Project Rainbow, which really stretches back a long time?

MIKE CORBAT: Mike, we are -- I think as we've talked on these calls and some of the forums before, Rainbow is due for delivery in completion. Again, it's not a one-and-done. We've been continuing to bring countries on, but it's a 2016 -- largely a 2016 completion date.

MIKE MAYO: Then, lastly -- again, the math works. We can all work this out on paper, but then it comes down to execution. Mike, especially after what you called a disappointing 2014, or results below expectations, is this the right team on the field? I ask that because there have not been really major management changes, despite some of the shortfalls. We know what those were, but how do you think about the team you have on the field?

MIKE CORBAT: I feel very good about the team on the field. As you and I have spoken -- we've spoken before on the CCAR. At the end of the day, that's my responsibility. I look at these other things that we're trying to work and put behind us from legal issues, to continuing to shape and exit businesses, and use repositioning to drive costs out of the Firm. I think we've got the right team that's focused on delivering on our targets, and delivering on behalf of our shareholders.

MIKE MAYO: All right. I guess it's a different story if you were not to pass the Fed's stress test. Is that fair?

MIKE CORBAT: I'll let the Board be the judge of that.

MIKE MAYO: Okay. All right. Thank you.

OPERATOR: Your next question comes from the line of Glenn Schorr with Evercore ISI. Please go ahead with your question.

GLENN SCHORR: Hi, thanks. I appreciate --

JOHN GERSPACH: Hey, Glenn.

GLENN SCHORR: Hello. I appreciate the earlier answer when you spelled out the different markets and revenues associated with the beneficiaries and losers in the oil tug-of-war. Just curious: How different would those percentages look if we talked about it as a percentage of exposures versus revenues? Do they match up, or are they pretty different?

MIKE CORBAT: It's interesting that -- I pulled these a while back. If you look, I talked about the four countries I spoke to, Saudi, Russia, Venezuela, Nigeria, which, at the end, constitute -- again, you can go back and look over a number of years -- pretty consistently somewhere 2% to just under 2% of our revenue. They actually, in each of those years, as I went back and looked, as a percentage of our end-of-period loans, are actually slightly below those percentages on a year-end basis, or end-of-period basis. Again, those countries that I just talked about would probably have end-of-period loan balances of less than 1.5% of our outstandings.

GLENN SCHORR: Great. Thank you. Just a quickie on CCAR: Did you remediate all the MRAs from last year? I know that was one of the contributing factors from the prior year. I'm assuming you had a playbook that they said: fix all this stuff. Were you able to address all the MRAs?

JOHN GERSPACH: We certainly worked to address all the MRAs. The Fed will be the ultimate judge as to whether or not the MRAs were, in fact, remediated.

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GLENN SCHORR: Got it. In other words, it's not a black-and-white answer.

I've asked this of the other banks -- I do want to get your color on -- your disclosure on energy-related exposures is very broad. I think it includes petroleum, energy, chemicals, metals. Can we talk more specifically on what you would deem oil-related, and how it breaks down in terms of investment grade, non-investment grade, collateralized, things like that?

JOHN GERSPACH: Yes, Glenn, we're going to provide more in-depth information on this topic at next week's Fixed Income Investor Review. We'll lay things out for you pretty clearly. But just to get the conversation started, we've got roughly $60 billion of combined funded and unfunded ICG exposure to energy companies. That's including those classified as energy, in that conglomeration that you mentioned, PECM, as well as energy-related clients in other disclosed segments.

That $60 billion amounts to about 11% of corporate ICG exposures, just to give you a frame of reference. As with the rest of our book, the exposure is predominantly investment grade -- certainly over 80%. As we keep on saying, it's reflecting the focus that we have on large, multi-national corporations, including the global integrated energy companies.

From a geographic point of view, about three-quarters of the exposure is in developed market, and the largest exposures there would be in North America and the UK. Roughly 35% of the exposure represents funded loans.

The ICG has just over $20 billion of funded exposure to energy and energy-related companies. It represents -- funded exposure -- now I've moved to funded exposure. That represents roughly 3% of our total funded loans. Again, about 80% of the funded loans are investment grade.

That gives you a fairly good overview, I think, of the portfolio. Again, $60 billion investment grade, predominantly investment grade, 80% investment grade. Three-quarters of the book in developed country; most of that North America, UK.

GLENN SCHORR: Definitely helpful; I appreciate it.

Last one: You commented in FICC, FX was pretty good, given the volatility. Rates, I think, was pretty good in general. Those two businesses are a bigger piece of business for you. You commented that the softness is in credit and munis -- I'll paraphrase -- facilitating client flow in times of stress.

I know this is a hard one, and I know you're not alone here, but I thought with your business mix, you might have had better, or less down, performance in FICC, given your mix. Is facilitation -- were there large losses associated with that in this type of environment, or is it a volume thing? How much can we attribute to inventories? I was just scratching my head a little bit on how that contributed to weakness?

JOHN GERSPACH: The biggest impact that we had year-over-year, Glenn, really is in the spread products business. That really is a result of taking marks on inventory positions that we've got to support the customers. Again, I don't think -- as you just said, I don't think that we're alone there.

We do have probably a slightly different mix than many of our other competitors, but even within there, we've got a fairly large muni book, probably a little bit larger than what some of the other banks would have. So, that certainly adds, then, to the results that we're getting out of the spread products.

GLENN SCHORR: Okay. I appreciate all the answers. Thanks.

JOHN GERSPACH: Not a problem.

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OPERATOR: Your next question comes from the line of Brennan Hawken with UBS. Please go ahead with your question.

BRENNAN HAWKEN: Good afternoon.

JOHN GERSPACH: Hi, there.

BRENNAN HAWKEN: Following up on the question there from Glenn on exposures with oil, when we look at the last few years in DCM volumes in the energy business, it looks like you guys have a bit more -- bigger market share there. Is there any reason why that wouldn't be a bit of a headwind for your DCM business here, if we assume that there's a slowdown in energy-related issuance?

JOHN GERSPACH: Some of these things will certainly have impact. I would say that global energy has certainly been a robust area for the last four years. Clearly, our investment banking franchise, as with other institutions, has seen significant growth in episodic business as a result from that sector.

You're going to have some impact for lower commodity prices and lower equity valuations. That is certainly going to have an impact on equity offerings and IPOs.

Energy is a broad business, and some sectors are going to be impacted more than others. We continue to see robust activity in some sectors where we're a leader. I think you'll see the upstream in the energy services sector certainly see significantly less activity. We'll just see how the whole mix continues.

BRENNAN HAWKEN: Okay. All right, thanks.

Then, shifting gears to Mexico, there was some noise and speculation, color in the market on Banamex, and the fact that there would be a bunch of bidders for it and such. Is the reason for that noise because you all are having dialogue? Or is this just from some companies that are hoping to bid for an asset, if it happens to come on the market?

MIKE CORBAT: We rarely comment on things; and in that case we felt compelled to go out and comment and say that we are not a seller of Banamex. I don't think we can be any more clear about that on these calls and in the forums. I've spoken directly to it, and the importance of the franchise, and why we're so constructive on our position in Mexico, and why we think Banamex is the right way to express that in Mexico.

We think terrific franchise. We're committed to it. We think there's very good things ahead coming out of that business.

BRENNAN HAWKEN: That's clear. Thanks.

Then, in equities, right, I know you guys called out the weak cash revenues in EMEA, but was there anything else behind the equities' weakness? Also, more broadly, is there maybe an updated plan for the equities business? Because it does seem like there's a pretty regular stumble in that business, whether it's derivatives or, in this case, EMEA or what have you. How do you feel about it currently, and where do you want to take it in the next couple years?

JOHN GERSPACH: We're committed to the equities business. This has been a business that we have spent a lot of time working on. Outside of EMEA, this quarter, we've actually got performance that shows the progress that we've made. As I mentioned in my prepared remarks, excluding the performance in EMEA, the rest -- we had 24% revenue growth year-over-year in every other region: North America, Latin America, Asia all saw double-digit growth. It's not that there's just one region that's driving the action here.

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This is a good franchise. We have an issue with our equities franchise in one region, and we have certainly begun to take actions there. We've made management changes, beginning in the late second half of 2014. We do expect that region to be a much better performer in 2015.

BRENNAN HAWKEN: Given the fact that it was so strong in other regions, were there some risk management or facilitation losses there, or was it purely just volume-driven?

JOHN GERSPACH: No, it's a combination. We had volumes, and we had strong performance in some of our equity derivatives business. Asia had a very good performance in equity derivatives this year, for one -- in the quarter -- so did Latin America. It was pretty broad-based, good performance. Again, the one difference would be -- the one exception to that would be in EMEA.

BRENNAN HAWKEN: Okay. Then, last one for me: You gave some helpful color on the fact that ICG expenses, you took down the incentive comp, but there was an offsetting assumption to the deferred comp piece. Could you maybe give a little bit more color on those changes? Was that tied to repositioning that you guys are planning? Or is it a change in the timing of the deferral schedule? Are you shifting to more cash-oriented comp? What's driving that?

JOHN GERSPACH: No, it's a combination of factors, as so many other things are. As you go through the year, you make assumptions, both on the absolute -- the dollar level of deferred comp that you're going to have. And don't forget, every country has got some slightly different rules.

We also need to make assumptions based upon the level of forfeiture that we'll have coming out of deferred comp, as people leave. And we've got -- we had slightly less turnover this year, in the non -- outside of the actions, of course, that we instigated. We had to change the view that we had towards the forfeiture percentages, and as well as the absolute amount of deferred comp that we were going to have. So, all of that, we cleaned up in the fourth quarter.

BRENNAN HAWKEN: Got it. Thanks for the color.

JOHN GERSPACH: Not a problem.

OPERATOR: Your next question comes from the line of Gerard Cassidy with RBC Capital Markets. Please go ahead with your question.

STEVEN DUONG: Hi, everyone. This is actually Steven Duong in for Gerard.

Just starting out, just on credit, where do you guys see your net charge-offs going in 2015? What would be the drivers of that?

JOHN GERSPACH: I don't want to get into individual line item forecasts. Obviously, what we said in the prepared remarks is that the cost of credit is likely to increase. That's going to come from a combination of both -- we're likely to have slightly higher NCLs.

I can't tell you -- just as we continue to grow the book; it's not because we see credit quality weakening anywhere. We continue to benefit this year from loan loss reserve releases, and that is certainly likely to lessen next year. So, the combination of those two items will largely cause an increase in our actual reported cost of credit, but we don't see any diminution in the credit quality of the portfolio.

STEVEN DUONG: Okay, great. Thank you.

Just switching over -- just to the Volcker Rule on trading. Volcker Rule's been here since July. Are you guys seeing your traders maybe being a little more cautious, so that they are not doing any prop trading?

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Just a follow up to that is: Where do you see the Volcker Rule impacting liquidity in the fixed income markets?

MIKE CORBAT: Steven, it's Mike. We haven't been a proprietary-skewed institution for a long time. I would say, no, that we really haven't seen those impacts; that ours is predominantly a client-facing organization.

I think ways that you're going to see -- and I think we've already seen it -- manifesting itself, probably comes in the form of liquidity. There's just things we're not in, or there's just types of trades we're not going to do.

In times of market disruption, I think the buy side finds it quite difficult to find liquidity in certain types of assets or in certain asset classes. I think that's a reality of some of those changes. Again, we've talked a bit about that we're probably going to see heightened periods of volatility as a result of that. I think you're going to see more price fluctuations around certain types of asset classes, as I think bank and broker balance sheets have become more refined and defined in terms of what they do, and I think that just has manifested itself in just less liquidity.

STEVEN DUONG: Great, thank you. Just last question: Can you remind us, in your Citi Holdings, how much of your home equity book goes to full amortization of the principle and interest in 2015 and 2016?

JOHN GERSPACH: We will update those disclosures when we publish the Q, but it's roughly $4 billion of HELOCs that become fully amortizing in 2015. Then, I think there's $5 billion that go fully amortizing in 2016, and again in 2017.

STEVEN DUONG: Okay, great. Just looking back at -- in 2014 -- even though that's not that large, but have you guys seen any -- what the early credit metrics have been on the home equity book?

JOHN GERSPACH: You mean as far as the home equity loans that have gone to full amortization, or just in general?

STEVEN DUONG: Correct, yes, just the full amortization portion.

JOHN GERSPACH: Just the full amortization portion. They have been fairly consistent with the results that we've gotten for that over the last couple of years: slightly higher levels of delinquencies, slightly higher NCL rate. Everything is either on track with, or slightly better than, the assumptions that we have built into our loan loss reserve model.

STEVEN DUONG: Great. Well, that's all our questions. Thank you again.

JOHN GERSPACH: Not a problem, Steven. Thank you.

OPERATOR: Your next question comes from the line of Eric Wasserstrom with Guggenheim Securities. Please go ahead with your question.

ERIC WASSERSTROM: Thanks. I'll follow up offline. Thanks, John.

JOHN GERSPACH: Okay, Eric. Thank you.

OPERATOR: Your next question comes from the line of Brian Kleinhanzl with KBW. Please go ahead.

BRIAN KLEINHANZL: I had a quick question on the revenue growth targets that you gave out there for Citicorp. What's the trading revenue growth assumptions that you have built into those targets? If trading revenues decline year-over-year, can you still hit that revenue growth target?

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JOHN GERSPACH: No, what we've said -- at least what I think I said in the prepared remarks was that our trading markets will perform in line with the market. We're not giving any view towards what trading revenues will or won't do in 2015. We're expecting -- as we said, we had basically flat revenues on those businesses in the second half of this year compared to the second half of last year. We'll see how 2015 goes.

BRIAN KLEINHANZL: Okay. Then just one thing in the North America cards: You've mentioned for a couple quarters now that the runoff of promotional balances has been a headwind. Is there any way you can size what that promotional balance is, as a percentage of the total? Or maybe, say, when do you expect, actually what quarter, the headwind to abate?

JOHN GERSPACH: No, we haven't talked to that publicly. I -- quite frankly, I don't have those numbers right in front of me right now anyway. It's not going to continue forever, but I just don't have it, sorry.

BRIAN KLEINHANZL: Okay. Thanks.

OPERATOR: Your next question comes from the line of Steven Chubak with Nomura. Please go ahead with your question.

STEVEN CHUBAK: John, I just wanted to clarify something that you had mentioned relating to the efficiency target of 55%. One of the things that --

JOHN GERSPACH: Hold it, Steven. Steven?

STEVEN CHUBAK: Yes.

JOHN GERSPACH: Mid-50%s.

STEVEN CHUBAK: Mid-50%s, okay. I suppose, after applying all of the adjustments that you had talked about, and relating to the strategic actions, on a pro forma basis, contemplating some of the restructuring benefits, the majority of the $700 million that you alluded to, I still get to about a mid-single-digit revenue growth number. I suppose, is the growth -- the low-single digits that you were referring to -- is that off of the reported revenue base from this past year? Or is it a pro forma revenue base, which should include some revenue attrition as you exit some of those non-core businesses?

JOHN GERSPACH: It would be a low single-digit growth off of where we performed in 2014. You can pro forma -- I'm not going to go into every little -- I can't help you with your model, Steven.

STEVEN CHUBAK: I guess, the low-single digits seems reasonably conservative, but if you have all the pro forma actions that are taken to drive that improvement in the efficiency target, it feels as though the revenue growth actually needs to be a little bit better than that. I just wanted to confirm whether that was the appropriate way to think about it or not?

JOHN GERSPACH: No, we -- no, I don't think so.

STEVEN CHUBAK: Okay. Then, just one more for me on a topic that's garnered some attention in the press relating to the growth in your derivatives book, at least through the first nine months of 2014. I actually wanted to just inquire as to whether you're managing that -- how -- I guess, how much more growth you can support? Or whether one of the important considerations we should have is the potential risk that the growth in derivatives book over the last nine months could potentially move you into a higher G-SIB bucket, based on the inputs that have just come out from the Fed?

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JOHN GERSPACH: Yes, all very good questions, but, first, let's start with the fact that what everyone's been focused on is not the growth in our book, but the growth in notionals. Notionals, as you well know, really are not any sort of measure really of risk or necessarily of counter-party engagement -- net counter-party engagement. It's a reference sum on which, then, other things are calculated.

We have been working to compress the trades. What you'll see, when we publish results at the end of the fourth quarter, is a reduction in the reported amount of gross notionals. So, the notionals that we had at the end of the third quarter, I believe, were about $65 trillion of notionals, and that's being reduced now to $60 trillion.

STEVEN CHUBAK: Okay. Actually, that's really helpful. Thank you for taking my questions.

JOHN GERSPACH: Not a problem at all.

OPERATOR: Your next question comes from the line of Matt Burnell with Wells Fargo Securities. Please go ahead with your question.

MATT BURNELL: Good afternoon. Thanks for taking my question. Just one follow up, and then I'll jump offline.

John, I just wanted to confirm some of the numbers you were saying before, in terms of the cost reductions that are currently in the fourth quarter run rate from the repositioning exercise, were $700 million. That's not $700 million of incremental cost benefit? That's what's currently in the run rate right now, with another $150 million to come over the next year-plus? Is that how we should be thinking about it?

JOHN GERSPACH: More or less, yes.

MATT BURNELL: Okay. Thanks very much. I'll jump offline for my other questions.

JOHN GERSPACH: Not a problem.

OPERATOR: Your next question comes from the line of Erika Najarian with Bank of America. Please go ahead with your question.

ERIKA NAJARIAN: Yes, just one quick one for me: As the full CCAR process is now behind you, do you feel that the feedback that you got, the specific feedback that you got on the steps you have to take in order to remedy what the Fed is looking for on the qualitative side, was it more robust and specific this year versus last year's process?

MIKE CORBAT: First, Erika, I would say that the CCAR process is never behind you, right; that the CCAR process is just part of what we do and how we run the firm. We, in essence, put a submission in, but the process continues; and obviously us wanting to continue to improve, and continue to embed. I would say that we had terrific engagement from the Fed at every level, from our on-site team to the horizontal work teams to Washington. I think that the communication was quite good.

Again, at the end of the day, our submission is our submission, but we feel like the communication is good. We felt that we knew what it was we needed to do. Obviously, we felt like that we've accomplished what it was we set out to do, but more to do as we go into the future. As I said in my opening remarks, I feel good about our submission.

ERIKA NAJARIAN: Great. Thank you.

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OPERATOR: Your next question is a follow-up from the line of John McDonald with Sanford Bernstein. Please go ahead with your question.

JOHN MCDONALD: I'm all set. Asked and answered. Thanks.

JOHN GERSPACH: Great, John. Thanks.

OPERATOR: We have no further questions at this time.

SUSAN KENDALL: Great. Thank you, all, for joining us. If you have any follow-up questions, please follow up with Investor Relations. We'll talk to you soon. Thank you.

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

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