TRANSCRIPT

Citi First Quarter 2018 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 First Quarter 2018 Earnings Review with the 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, Natalia. 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 and capital and other financial condition 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 2017 Form 10-K.

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

MIKE CORBAT: Thank you, Susan, and good morning, everyone. Earlier today, we reported earnings of $4.6 billion for the first quarter of 2018 or $1.68 per share. Our quarter showed strong and balanced performance as we continued to capture client-led growth, and we remain on track to deliver on the targets we announced at Investor Day.

Our earnings per share were 24% higher than one year ago as a result of strong business performance, a lower tax rate and a continued reduction in shares outstanding as we execute our capital return plans. Relative to a year ago, we grew revenues by 3%, improved our efficiency ratio to just under 58%, increased our return on assets to 98 basis points and improved our return on tangible common equity to 11.4%. We grew loans in our core businesses by 7% or $44 billion from last year, and we ended the quarter with over $1 trillion in deposits.

Global Consumer Banking had a good all-around quarter with 6% revenue growth and positive operating leverage in every region. In the U.S., we continued to make progress with our Citigold Wealth Management offering and also had growth in Retail Services. In Branded Cards, we saw the underlying revenue growth that we projected, driven by an increase in interest-earning balances and strong client engagement. And in Mexico and Asia, we saw momentum in both Retail Banking and Cards.

Our Institutional Clients Group had another solid quarter. While Fixed Income revenues were lower than a year ago driven by less investor activity, our Equities business saw its best quarter in many years, giving us confidence that our investments are delivering results. We also saw ongoing momentum in TTS, our Private Bank, Corporate Lending and Securities Services as we continued to grow these stable, accrualtype businesses. While Investment Banking revenue was down, we held on to the wallet share gains we've made in recent years, and client engagement remains strong.

In addition to improving our return on capital, we continued to make progress in improving the return of capital for our shareholders. During the quarter, we returned over $3 billion in capital to our shareholders, helping to reduce our common shares outstanding by over 200 million shares from one year ago, or 7%. We will complete our current $19 billion capital return plan in the second quarter, and we recently submitted our plan for the 2018 CCAR Cycle. We believe we remain on track to meet the commitment we outlined at Investor Day of returning at least $60 billion over the 2017, 2018 and 2019 cycles, subject, of course, to regulatory approval.

The environment remains unique, to say the least, we have synchronized global growth and a macroeconomic environment which is as positive as we have seen since before the financial crisis. U.S. corporations are starting to see the benefits of tax reform, the labor market is tight and wage growth continues to improve. At the same time, though, there are concurrently escalating and deescalating tensions, depending on the day and geography. And while our Markets business may appreciate the volatility, we'd be better served by steady and predictable growth and having our fundamentally robust economy do its thing.

With that, John will go through our presentation, and then we'll be happy to take your questions. John?

JOHN GERSPACH: Okay. Thanks, Mike, and good morning, everyone. Starting on Slide 3, net income of $4.6 billion in the first quarter grew 13% from last year as growth in operating margin was partially offset by higher credit costs and we benefited from a significantly lower tax rate.

EPS grew 24%, including the impact of a 7% reduction in average diluted shares outstanding. Revenues of $18.9 billion grew 3% from the prior year, reflecting 7% aggregate growth in our Consumer and Institutional businesses, offset by lower revenues in Corp/Other, as we continued to wind down legacy assets.

Expenses increased 2% year-over-year as higher volume-related expenses and investments were partially offset by efficiency savings and the wind down of legacy assets. Our efficiency ratio was 57.9% for the quarter, roughly 50 basis points better than last year, representing the sixth consecutive quarter of year-over-year efficiency improvement. And cost of credit increased, mostly driven by the Institutional business as well as volume growth and seasoning in Consumer. Our return on assets was 98 basis points for the quarter, and RoTCE improved to 11.4%.

In constant dollars, Citigroup end-of-period loans grew 6% year-over-year to $673 billion, as 7% growth in our core businesses was partially offset by the continued wind down of legacy assets in Corp/Other. GCB and ICG loans grew by $44 billion in total, with contribution from every region in Consumer as well as TTS, the Private Bank and traditional Corporate Lending.

Turning now to each business, Slide 4 shows the results for Global Consumer Banking in constant dollars. Net income grew 37% in the first quarter, driven by operating margin and EBIT growth in each region as well as a lower tax rate. Total revenues of $8.4 billion grew 6% year-over-year and were up 4%, excluding the impact of the Hilton portfolio sale, which resulted in a gain this quarter, partially offset by the loss of operating revenues for a net benefit of about $120 million in our U.S. Branded Cards business.

From a product perspective, Global Retail Banking revenues grew 6% in the first quarter, reflecting growth in loans and AUMs even as we continued to shrink our physical branch footprint. And Global Cards delivered 3% revenue growth, excluding Hilton, driven by continued growth in loans and purchase sales in every region.

Slide 5 shows the results for North America Consumer in more detail. First quarter revenues of $5.2 billion were up 4% from last year. Retail Banking revenues of $1.3 billion grew 4% year-over-year. Mortgage revenues continued to decline, mostly reflecting lower origination activity and higher funding costs. However, we more than offset this pressure with growth in the rest of our franchise. Excluding Mortgage, Retail Banking revenues grew 8%, driven by continued growth in deposit margins, growth in investments and loans and increased commercial banking activity.

Average deposits declined 2% year-over-year, including the impact of lower mortgage escrow deposits. We generated 2% growth in checking deposits this quarter, driven largely by our Citigold segment. However, this is more than offset by a reduction in money market balances as clients put more money to work in investments. And in keeping with this focus on Wealth Management, assets under management were up 10% year-over-year to $61 billion. We continued to see positive momentum in Citigold with continued growth in both household and balances, with improving penetration of investment products.

And we're continuing to drive our digital transformation as well. As part of our mobile-first strategy, we've been developing capabilities to enhance the experience of our clients and we're now at a point where we can leverage these digital capabilities to acquire and service a broader range of Retail Banking customers. Our recently announced launch of National Digital Banking is key to this next step in our transformation, designed to meet all of a client’s needs through mobile banking, including the ability to seamlessly open a new Citibank retail account within the mobile app. We believe these capabilities will allow us to expand beyond our core markets and build a national presence. But we recognize that this build-out will take time. New features will begin to roll out towards the end of the second quarter, followed by a promotional campaign beginning in the third quarter.

Turning to Branded Cards, revenues were roughly flat from last year, excluding the previously mentioned impact of the sale of the Hilton portfolio. Client engagement remained strong with average loans growing by 5% and purchase sales up 8% year-over-year. We continued to generate growth in total interest-earning balances this quarter, up about 6% year-over-year, excluding Hilton, as recent vintages continued to mature, as expected, partially offset by the runoff of non-core balances. Excluding the impact of additional partnership terms that went into effect in January, we delivered roughly 2% underlying revenue growth in our U.S. Branded Cards business this quarter, consistent with our full year 2018 outlook.

Finally, Retail Services revenues of $1.6 billion grew 2%, driven by higher average loans. Total expenses for North America Consumer were up 2%, as higher volume-related expenses and investments were partially offset by efficiency savings. We continued to drive transaction volumes to lower-cost channels. And digital engagement remained strong, with a 13% increase in total active digital users, including 25% growth among mobile users versus last year.

Turning to credit. Net credit losses grew by 9% year-over-year, and we billed roughly $119 million of loan loss reserve this quarter, each driven by volume growth and normal seasoning. Our NCL rate in U.S. Branded Cards was 304 basis points, in line with an NCL rate in the range of 3% for 2018. And in Retail Services, our NCL rate was 518 basis points, which is also consistent with our outlook for an NCL rate in the range of 5% for 2018.

On slide 6, we show results for International Consumer Banking in constant dollars. First quarter revenues of $3.3 billion grew 8%, with contribution from every business and region.

In Latin America, total Consumer revenues grew 8%. Retail Banking revenues grew 7% in the first quarter, driven by growth in loans and deposits as well as improved deposit spreads. And Card revenues grew 13% on continued growth in purchase sales and full rate revolving loans as well as a favorable prior-period comparison.

Turning to Asia, Consumer revenues grew 7% year-over-year in the first quarter and were up 6%, excluding the benefit of a modest one-time gain. Excluding the gain, Retail Banking grew 6%, driven by our Wealth

Management business, reflecting favorable market conditions. And Card revenues grew 5% on continued growth in loans and purchase sales.

In total, operating expenses grew 5% in the first quarter as investment spending and volume-driven growth were partially offset by efficiency savings, and cost of credit was essentially flat.

Slide 7 shows our Global Consumer credit trends in more detail by region. Credit continued to be broadly favorable again this quarter. In North America, the NCL rate increased sequentially, reflecting seasonality in Cards, while delinquencies remained stable. And trends remained stable to improving in Mexico and Asia as well.

Turning now to the Institutional Clients Group on slide 8. Revenues of $9.8 billion increased 6% from last year, driven by continued momentum in our accrual businesses along with a very strong performance in Equities this quarter.

Total Banking revenues of $4.8 billion grew 6%. Treasury and Trade Solutions revenues of $2.3 billion were up 8%, reflecting higher volumes and improved deposit spreads with solid growth across both net interest and fee income. Investment Banking revenues of $1.1 billion were down 10% from last year, generally in line with the overall market and reflecting the timing of episodic deal activity. Private Bank revenues of $904 million grew 21% year-over-year, driven by growth in clients, loans, investments and deposits, as well as improved deposit spreads. And Corporate Lending revenues of $521 million were up 19%, reflecting loan growth, as well as lower hedging costs.

Total Markets & Securities Services revenues of $5 billion grew 3% from last year. Fixed Income revenues of $3.4 billion declined 7% year-over-year. Corporate client activity remained strong, driving growth in G10 FX and local markets rates and currencies. However, this was more than offset by lower investor client activity and a less favorable environment in G10 Rates and Spread Products, in particular, in March. Equities revenues were up 38%, with growth across all products, as volatility trended higher, and we saw continued momentum with investor clients, in line with our investment strategy. And finally, in Securities Services, revenues were up 16%, driven by growth in client volumes and higher interest revenue.

Total operating expenses of $5.5 billion increased 7% year-over-year, reflecting the impact of FX translation as well as a higher level of investment spending. And finally, cost of credit was a benefit this quarter, driven by net ratings upgrades and continued stability in commodity prices.

Slide 9 shows the results for Corporate/Other. Revenues of $591 million declined 51% from last year, driven by the wind-down of legacy assets. Expenses were down 35%, also reflecting the wind-down. And the pre-tax loss in Corp/Other was $143 million this quarter, slightly better than our outlook, mostly due to a greater benefit from legacy asset sales.

Looking ahead, we believe an outlook for pre-tax losses in the range of around $200 million to $250 million per quarter in Corp/Other is a fair run rate for the remainder of 2018. This is an improvement from our prior outlook for quarterly losses in the range of $250 million to $300 million based on somewhat higher Treasury revenues, given the higher rate environment, as well as lower expenses.

Slide 10 shows our net interest revenue and margin trends, split by core accrual revenue, trading-related revenue, and a contribution from our legacy assets in Corp/Other. As you can see, total net interest revenue of $11.2 billion this quarter grew slightly from last year.

Core accrual net interest revenues grew by $750 million, but this was largely offset by lower trading-related net interest revenue as well as the anticipated wind-down of legacy assets. On a sequential basis, core accrual revenues grew slightly, reflecting the December rate hike, as well as loan growth, partially offset by the impact of lower day count. And our core accrual net interest margin improved by 8 basis points to 354 basis points, driven by the rate increase, loan growth and lower average cash balances, as we use liquidity to fund higher-yielding assets.

On a full-year basis, we now expect core accrual net interest revenue to grow by over $2.7 billion in 2018, as we've added the impact of the recent March rate hike to our original outlook, which had called for $2.5 billion of growth, assuming only one Fed rate increase in June. Legacy asset-related net interest revenues should continue to decline by about $500 million this year as we wind down that portfolio. And trading-related net interest revenue will likely continue to face headwinds in a rising rate environment, as we saw in the first quarter.

On slide 11, we show our key capital metrics. Our CET1 capital ratio declined sequentially to the 12.1% this quarter due to an increase in RWA, driven by loan growth and client activity, as well as $3 billion of common share buybacks and dividends, partially offset by net income. And our tangible book value per share increased to $61.

In summary, we made good progress towards our longer-term goals this quarter, with solid revenue growth, positive operating leverage and a significant improvement in net income and returns. Looking to the second quarter, for total Citigroup, we expect top-line growth to continue broadly in-line with the pace we set this quarter at around 3%, plus or minus, with stronger growth in our operating businesses being offset by the continued wind-down of legacy assets. Operating efficiency should again show progress against the prior-year period, with more significant improvements to come in the second half of the year. Cost of credit should increase quarter over quarter, assuming that credit normalizes in ICG. And the tax rate should be closer to 25%.

Turning to the businesses in more detail, in Consumer, we expect continued revenue growth in U.S. Retail Banking, Retail Services, Mexico and Asia. In U.S. Branded Cards, as described earlier, excluding Hilton, we expect continued underlying revenue growth as the loan balances are maturing as expected. However, this should continue to be largely offset by the impact of additional partnership terms that went into effect in January. And of course, we will also see a year-over-year impact from the sale of the Hilton portfolio.

On the Institutional side, Markets revenues should reflect the overall operating environment. However, we would typically expect a seasonal decline in trading revenues from the first quarter. Investment Banking revenues should improve quarter-over-quarter, assuming favorable market conditions. And we expect continued revenue growth in our accrual businesses: TTS, Corporate Lending, Private Bank, and Securities Services, as we continue to serve our target clients across our global network.

In addition, we're looking forward to receiving our CCAR results late in the second quarter. At Investor Day last year, we stated our goal of returning at least $20 billion of capital to shareholders as part of the 2018 CCAR process. And subject to regulatory approval, we believe we remain on track to do so.

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

QUESTION AND ANSWER

OPERATOR: Your first question is from the line of John McDonald with Bernstein.

JOHN MCDONALD: Good morning, John and Mike.

JOHN GERSPACH: Hey, John.

MIKE CORBAT: Hey, John.

JOHN MCDONALD: John, I wanted to ask about the longer-term efficiency target. Are you still targeting the low-50s on the efficiency ratio? Do the accounting changes change that goal? And could you remind us what the timeline for getting to that efficiency goal is over the next few years?

JOHN GERSPACH: Yeah, sure, John. The accounting changes impacted our overall efficiency by 50, 60 basis points. So I don't think that that really changes our target of getting into the low-50s at all. And again, our target there is to get into those low-50s by 2020. So that's still our target, and we still figure that we're on progress to do that.

JOHN MCDONALD: Okay. From the outside, it looks like you're really going to need an acceleration in 2019 and 2020. The current pace seems like 100 basis points of improvement a year. And if you're kind of at 57%, 58%, what would drive that acceleration in 2019, 2020? Could you talk a little bit about maybe the spending arcs that you're doing on investing and maybe the savings that you expect? Are those going to ramp up and drive it, or is it all revenue assumptions that drive this improvement in the out-years?

JOHN GERSPACH: A fair question, John, fair question. But we targeted this year for another 100-basis-point improvement as compared to the prior year. Now, I'll give you the fact that when you take a look at the first quarter efficiency ratio of 57.9%, it certainly is above the 57% target that we’ve got in place for the full year, but it's not inconsistent with our plan for the rest of the year. And so when you look at the rest of the year, I think you have to expect continued top-line momentum. We talked about, more or less, 3% sustained revenue growth, but there's also several drivers in play, as it would relate to the expense base.

First, as we mentioned in some of the commentary, expenses related to legacy assets should continue to decline as we complete the existing TSAs and continue to wind down the assets themselves. Second, incentive-related comp tends to be a little bit more heavily weighted to the front half of the year, and that's consistent with historic revenue trend in markets. And finally, as I've noted, I believe even when I spoke at the RBC conference, we're taking the opportunity today to invest in the franchise to both to continue top-line momentum as well as to capture significant efficiency savings that we've outlined for you at Investor Day.

Now, we're seeing much of the year-over-year impact of growth in these investments in the first half of 2018. So, think in terms of investment spending being a bit more front-end loaded in 2018, and the resulting efficiency benefits then begin to ramp up in the second half of the year. And so, when you get growth in the core businesses, we'll certainly have some volume-related expenses growing, but altogether, the second half expense profile should set us up well for achieving larger improvements in our efficiency ratio both in the second half of this year and then into 2019 and into 2020.

JOHN MCDONALD: Okay. So, you do – right, you're saying that to get to that math to work, you do have to have more than 100 basis points improvement in 2019 to get to 2020 low-50s?

JOHN GERSPACH: Yes. That fact has been noticed by me.

JOHN MCDONALD: Okay. And is there also – just one more on this – do you have some kind of uptake in mobile adoption and maybe planned shrinkage of call centers or data centers related to this that will pick up in later years? Is that part of the plan as well?

JOHN GERSPACH: That's exactly part of the plan, John. That's all in, again, some of the investments that we continue to make in digital and mobile. At Investor Day, we talked about achieving $1.5 billion of annual efficiency savings in Consumer. And I think we've made significant progress in some of the investments. And we are certainly on track to achieve those savings. But again, you haven't seen the bulk of those savings yet. Those are savings that we expect to come on in the second half of this year and then even more so in 2019 and 2020.

As you note, key to achieving these savings is to drive towards creating self-service digital and mobile capabilities. And those capabilities, we think, are designed both to enhance the client experience, but also at the same time driving operational efficiencies through reducing customer calls and paper statements.

JOHN MCDONALD: Okay. That's helpful, John. Thank you. And the second thing for me is just on the new proposals, the SCB proposal that we saw come out this week. Is that in line with you're thinking of the 11.5% CET1 ratio target? I know you've kind of incorporated SCB into that, but could that evolve over time in terms of how much management buffer you're putting on your regulatory minimums and your thoughts on that?

JOHN GERSPACH: Yeah, John. At Investor Day, when we laid the 11.5% for you last year as being our target, we discussed various components embedded in that target. And one of those components included a stress capital buffer, which we estimated at 3%. And the details of the NPR that got released earlier this week, as far as we can see, they're broadly consistent with what we expected in terms of the structure of the new framework, and certainly, the expected impact on the minimum capital requirements. So, to have a direct answer to your question, if I had had the document that got released earlier this week last July, we wouldn't have changed either the 3% estimate of an SCB or the target CET1 of 11.5%.

And as we discussed then, one of the things that we recognize is that the proposed rule is going to create a certain amount of variability in a firm's requirements. We put in a 100 basis point management buffer that I think we described at that point in time as being in place to actually address the variability – or the volatility associated with the SCB as well as OCI movements. So, as we get further into the discussion about the SCB, I do think that it's going to cause managements to need to address how they're using management buffers.

JOHN MCDONALD: Got it. Thanks, John, very helpful.

OPERATOR: Your next question is from the line of Glenn Schorr with Evercore ISI.

GLENN SCHORR: Hello. John, follow-up to your comments when you talked about NII and the trading-related NII and ICG having headwinds in a rising rate environment, I just want to make sure, is that just natural funding costs of a more wholesale-funded business? Can you hedge or reverse that if you felt like it and had a view on rates? Can you pass it through to customers that are using your balance sheet? Just curious to get your thoughts on that.

JOHN GERSPACH: Well, the answer to all of those questions is, well, first, yes. It is just natural within that business. I think maybe in the last earnings call, I mentioned the fact that if you actually look at the trading-related assets and liabilities that are in the average balance sheet that we give you in the supplement, you'll see that the trading-related liabilities cover more or less 50% of the trading-related assets. And so, the balance is funded through wholesale means.

Can we do hedging on it? I guess, you could. But don't forget, when you get into the trading businesses, a lot of what drives NIR also is how different trades are structured. So, there's a structural element of the balance sheet, but I don't think that we want to get into putting on – having an interest rate view of businesses that are trading interest rates.

GLENN SCHORR: Okay. I got it. I appreciate that. And one more follow-up. Prior to the recent Fed letters, there's a Fed letter last month, and one of the things that it did was more aggressively stress card losses in the test, which I thought were already really aggressively stressed, but whatever. Curious if you have a view on how much worse that is? Why they did that now? And does it have any impact on how you actually manage the business in real life? Are there particular types of business that get treated worse that you have to think about how you price?

JOHN GERSPACH: I'm trying to choose my words very carefully here, Glenn. But one of the issues, obviously, that I think there's been a lot of discussion about has been the lack of transparency in some of the Fed models that drive CCAR. Lack of transparency into how scenarios are developed. And so, we don't have a great deal of understanding in how the Fed comes up with some of their views. And so, it's rather difficult then to say, okay, I understand they have a particular view on a particular exposure. We need to rethink the entire business model around something because those views from the Fed change as well. So, long answer, but the short answer is, no, we're not changing the way that we look at our cards book.

GLENN SCHORR: Okay, I appreciate. Thanks, John.

OPERATOR: Your next question is from the line of Matt O'Connor with Deutsche Bank.

MATT O'CONNOR: Hello.

JOHN GERSPACH: Hi, Matt.

MATT O'CONNOR: I thought it was a very clean and straightforward quarter, so appreciate that and appreciate the quick opening comments on such a busy day. If we look within ICG, the trends in Asia were quite strong, both the revenue and net income. And just wondered if you can elaborate on the revenue strength there in terms of some of the products and what drove that.

JOHN GERSPACH: We saw – as you note, Matt, we saw a lot of good activity coming out of Asia in this quarter. It's actually a build-on of things that we saw building from the second half of last year. And I think it speaks to a lot of the growing economies in Asia, a little bit more positive outlook. And fortunately, given the breadth of our franchise, we're in position to capture a lot of that. But it's fairly broad-based. It's in – actually, the Fixed Income business in Asia actually performed very well this quarter. Equities performed well this quarter. Investment Banking was down a little bit in Asia, but a lot less than it was anywhere else. So just a lot of good overall volumes coming out of Asia.

MATT O'CONNOR: And then, just conceptually, I mean, how much of the franchise, when we look at these Asian revenues, are kind of global corporates doing business versus maybe a notch below like more local companies?

JOHN GERSPACH: Well, most of our book is focused on serving the needs of the large multinationals. So that's one of the reasons why if you look at, overall, in the ICG, in our Corporate Lending book and the corporate exposures that we've given you, roughly 80% of that book is investment grade, and that's because it really is concentrated in those large multinationals because we service their subs in Asia and everything else. Now, there is a growing cadre of large local corporates that are also multinational, but still, our overall business is dominated by the large multinationals and their subs that are based in the U.S. and in Europe.

MATT O'CONNOR: Okay. That's helpful. Thank you.

OPERATOR: Your next question is from the line of Jim Mitchell with Buckingham Research.

JIM MITCHELL: Hey. Good morning guys. One of the biggest questions I get on you guys surrounds the U.S. Card business and how to think about or size the teaser rate impact and how it can maybe rebound eventually in terms of conversion rates and what the size of the portfolio is. I mean, we can maybe take an educated guess, but if there is any kind of help you can give us in trying to think through how the portfolio is sized today and how much you think you'll end up with in terms of paying balances next year and beyond?

JOHN GERSPACH: Yeah, and we've never talked specifics about the exact dollar amount on promotional balances that we've built up and so I'm not going to go into that level of detail. But we have told you that it built up significantly last year, and our expectation is that it was going to stabilize at the beginning of this year, and it has. And now it should continue then to reduce throughout the balance of 2018 and then into

2019. So we're never going to drive it to zero because it certainly is an important piece of the growth strategy for the business. But we've got a little – we acknowledge that it was a little outsized last year because we pulled back from trying to grow in the Rewards product area and focused instead on the promo balances in Value and whatnot. But we're already seeing the balances stabilize, and I think they're down slightly from the end of December to the end of March, but the thesis – and our plan is to drive that even lower during the course of this year.

JIM MITCHELL: And what's the sort of expected or what's been your experience with sort of balances that convert to interest-bearing, the rough kind of percentage, how should we think about that?

JOHN GERSPACH: Again, we've never disclosed an actual percentage, but I think if you think in terms of something a little less than half, you'd be in a good range.

JIM MITCHELL: Okay. Well, that's helpful. All right, well, thanks for that. And maybe just a question on Equities trading, you had an obviously very, very significant growth year-over-year. It seems mostly in the market-making component. I assume that's derivatives. How much of that is just outside volatility this quarter or do you really think there's some sustainability in that growth?

JOHN GERSPACH: Well, I actually think it's a combination of both. The overall market conditions for Equities were very strong in the first quarter and so we certainly benefited from that. But, at the same time, we've been making the investments that we've been talking about – the sustained investments in our platforms, the talent, expanded capabilities in order to serve the needs of our clients and putting more balance sheet to work to deepen those relationships. And so I think our performance this quarter is a combination of both favorable market and the foundation that we've built through all of that investment. So we feel really good about our performance. We think that it continues the trend of our ability to capture market share in this area whether you're dealing with unfavorable market conditions or favorable market conditions, we still feel like we're on that march up towards the number five position in equity markets which is something that we targeted getting to several years ago.

MIKE CORBAT: And what was nice about it is the breadth in terms of the combination of cash derivative, Delta One, Prime Finance, all showing nice, sequential and year-over-year gains. So in there, I don't think we can or would annualize that number. We'd love to, but I don't think we're there yet. But I think we feel good about the progress and some of the stickiness that comes with that.

JOHN GERSPACH: Yeah, very good.

JIM MITCHELL: Okay. Great. Thanks, guys.

OPERATOR: Your next question is from the line of Mike Mayo with Wells Fargo Securities.

MIKE MAYO: Hi. If you could just give more information on the credit cards and the promotional balances, I guess I'll try again. You said a little less than half is what – if you could just clarify what that referred to. And I thought the new data point – you said there's 6% growth in interest-earning balances, and I think that would compare to 4% growth in the fourth quarter. So you're seeing an acceleration in the growth of interest-earning credit card balances. Is that correct? And if so, is that because the promotions are sticking once they re-price from 0% to 14% to 24%? Or is that due to other reasons?

JOHN GERSPACH: Okay, Mike. If I miss one of the questions, please remind me what it was. But you're absolutely correct, 6% growth in the interest-earning balances this quarter compared to 4% last quarter so that is an acceleration and that's what we've been talking about, the fact we did expect that growth rate to accelerate, and it has. And the acceleration of that growth rate is a combination both of overall growth in the existing interest rate balances as well as the added growth coming from promotional vintages now maturing and then a good portion of those promotional balances sticking with us as interest-earning balances.

The reference prior to the – it's something in the range of a little less than 50% – was an answer to, I think it was Jim's question, as far as, gee, if you get promotional balances, how much of that do you think sticks with you? And we've never given an actual percentage, but I said if you think of something a little less than 50%, you'd be in the right ballpark. How did I do?

MIKE MAYO: No, I think that's helpful. I mean, I'm still – look, I'm going to your website now, and I see I can basically get free money for 21 months by transferring a balance and then purchases up to 12 months. It sounds like a great deal for consumers. It's just hard for us on the outside to know how good a deal it is for you guys.

And I guess one last follow-up then, so you're not giving us the total balance of the promotional balances and I'll take it if you could give it to us. But what else can you have us look to, to be reassured that this strategy is going to pay off for shareholders?

JOHN GERSPACH: Well, I think that, again, you're going to see, once we get past – we talked about some of the revenue impacts in 2018 holding the overall business revenues flat – you should start to see growth in 2019. More specifically, if you go into the supplement and you look at the net interest revenue percentage ex-Hilton, you can see how that has been steadily declining, and that obviously impacts a combination of the drag on promotional balances along with the rise in interest rates to fund that portfolio. Our expectation is that you've got one more quarter of that to go down, and that's largely due to seasonality – the second quarter is usually a slight reduction there. But then you should start to see, beginning in the third quarter, that that percentage increase and that should give you a fairly good view as to what the future profitability of the business is.

If you look at that now, basically, I think if you look year-over-year, even with that percentage declining, we're still getting growth in net interest revenue in U.S. Branded Cards ex-Hilton of something north of 2%, 2.4%, 2.3%. And that, again, that's in-line with what we talked about as far as being the underlying growth of that portfolio for this year being 2%.

MIKE MAYO: Alright. Thank you.

JOHN GERSPACH: No problem.

OPERATOR: Your next question is from the line of Saul Martinez with UBS.

SAUL MARTINEZ: Hi. Good morning. Well, good afternoon actually. So, you increased your expectation for core accrual NII to $2.7 billion from $2.5 billion, and I guess you're incorporating an additional rate hike. But can you just remind us if we do see three or four hikes, how much you benefit from each incremental rate hike on a quarterly basis? Can you just remind us what the sensitivity is there?

JOHN GERSPACH: Yes, and it's very simple to do, Saul, because what we did was the March rate hike actually happened. We did not have that in our previous outlook, and we talked about that. And so, our guidance had been that for each quarter we get an additional 25 basis point rate hike, it should add about $80 million worth of net interest revenue for the year. So, March happened, three quarters, three times $80 million, $240 million. So, the $2.5 billion goes up to $2.7-billion-and-change. We just rounded it to $2.7 billion. But technically, it would be $2.74 billion, and the math is as simple as that. Now that's certainly in place for the March rate hike, and that's the way we calculated the impact of the June rate hike. I do think that as we go forward with future rate hikes, say – as you get more and more rate hikes, we'll probably see a bit of compression in that $80 million just because the expectation would be that deposit betas are increasing.

SAUL MARTINEZ: Right, right. Okay. That's fair enough. That's about as simple math as you can do. Great.

JOHN GERSPACH: Thank you. I'm a simple guy, Saul.

SAUL MARTINEZ: There you go. It works. Simple is good. On the trading side, just obviously, the volatility early in the year has helped, especially in the Equities side. But generally, I think the perception is that it's a good thing. Obviously, March, maybe FICC was a little bit tougher, but how are you feeling? I know it's hard to predict on a quarterly basis, but how are you feeling about the business from here? You've had – volatility has been good, but with the more recent market downturn, maybe institutional investors are heading for the sidelines a bit. But how should we be – how are you thinking about FICC right now, the outlook there? And obviously, in the Equities side, there's a build-out, but just generally, what are the sort of the puts and takes around the businesses?

JOHN GERSPACH: Well, as far as from an Equities point of view, we certainly feel really good about the business that we're building in Equities. And I think this quarter's performance at least provides a point of evidence for it, although we were building up market share all during last year as well. But I think this is just another proof point.

When it comes to FICC, it really is the investor that is a little bit of a variable there. And one of the things that we've talked about is the fact that investors, depending upon market conditions, are either in the market transacting or else, as you just said Saul, they sometimes drift to the sidelines. That's one of the reasons why we like the fact that in our rates and currencies business, in particular, 45% of the client revenue that we generate in that business are from corporate clients and that gives us a fairly strong foundation in our rates and currency business because corporations need to fund their balance sheet every day, which means every day you've got the ability to have a conversation with either a global treasurer or a local treasurer about what he or she needs to do in order to make payments, fund their working capital needs and all of that helps to drive a lot of the activity in our rates and currencies business. So, good core foundation, but it's the market volatility that ultimately will determine the size of the revenue flows that any institution is going to see in the FICC business.

SAUL MARTINEZ: Got it. And I guess just a final thing from there, just building out – in IB, what's the pipeline look like? How's DCM, ECM, M&A? How are you thinking about the outlooks there?

MIKE CORBAT: Saul, I would say that the first quarter we saw volumes down and our drop in Investment Banking is pretty much right in-line with what aggregate volumes were. But I would describe where we are today as not having hit the stop button but the pause button. And I think part of it is I think we've seen some things on the approval, the regulatory, the legal side that have caused some of the big transactions to take pause.

And I'd say the other piece right now, which we're actively involved in, is in particular in the U.S. in the C-Suite, the introduction of tax reform has people thinking and rethinking strategy and appropriately so. We've taken traditionally a high global tax rate, made it a lower tax rate and rather than global being territorial. And so people are and appropriately so, and we're very involved in these conversations, rethinking that. So I would say the pipeline as we go forward we think looks good and we expect activity to pick back up.

SAUL MARTINEZ: Great. Thanks a lot.

OPERATOR: Your next question is from the line of Steven Chubak with Nomura Instinet.

STEVEN CHUBAK: Hi, good afternoon. How is it going? So, I wanted to dig into some of the NII guidance that you had given. It sounds from what I could glean that given the growth that you're contemplating or anticipating within core accrual NII as well as the declines or more subdued revenues on the trading NII side as well as the legacy runoff book, it feels like for the full year, we should see NII relatively flat. And I was just hoping you can affirm whether that's the right way to think about it or are there other factors that we need to consider.

JOHN GERSPACH: We've told you that core accruals net interest revenue should grow $2.7 billion this year. The legacy asset runoff is $500 million, so, that's $2.2 billion. And trading would be, as we've said, a bit unpredictable, but it's hard to imagine that we're going to get $2 billion of runoff in trading NIR this year. It could happen, I guess, but that's not the way we're planning it.

STEVEN CHUBAK: Okay. Understood. And John, just wanted to dig into some of the efficiency comments you made with regards to some of your digital efforts within Consumer. As we think about the long-term expense trajectory from here, I was just hoping you could shed some light on what you think is an achievable efficiency target for Retail Banking, specifically. It's something that we hear from investors quite often just given your margins are well above some of your U.S. retail bank peers, whether you expect to see meaningful convergence there and how should we think about the timing?

JOHN GERSPACH: Yes, I don't want to get into guidance for individual product lines within a business. At Investor Day last year, we gave you our targets for Citi overall, and I think we shared some targets for GCB as well as ICG. But as you can imagine, there's a lot of trade-offs to go on in between different sub-products in each of those businesses. And I really don't want to get into specific targets for specific products.

STEVEN CHUBAK: Okay. Fair enough. And just one more from me on the stress capital buffer. You mentioned that you had estimated an SCB of roughly 3%. I just wanted to clarify if that estimate is based on your 2017 results or is that more of an average over the last couple of years?

JOHN GERSPACH: That was based on 2017, Steve.

STEVEN CHUBAK: Okay. Perfect. Thanks very much.

OPERATOR: Your next question is from the line of Betsy Graseck with Morgan Stanley.

STEVEN CHUBAK: Hey. Good morning. How are you?

JOHN GERSPACH: Hey, Betsy.

BETSY GRASECK: Question just on LIBOR and the three-month, one-month base differential that happened this quarter. How did that impact you guys in the NIM?

JOHN GERSPACH: Very little. I mean I would say none, but it isn't a noticeable factor that we would point out for anything. And certainly, we had very little impact on any of our funding schemes or on how the businesses had performed. So, it's interesting to look at, but it didn't really impact us at all.

BETSY GRASECK: And on trading, same thing or?

JOHN GERSPACH: Again, it's part of the conversations that you have with clients. It's a great thing. It's a great conversation starter. And so, it can lead to a whole series of discussions as to how clients might be thinking about things or observations in the market. But for how it impacted our business in particular, no.

BETSY GRASECK: Right. And then the front-end skew of your rate sensitivity, I mean, that is LIBOR-based and prime-based, I'm assuming both, but it's just the bases that changed in the quarter didn't impact you. Is that correct?

JOHN GERSPACH: Yes. It's more everything balances – I mean, we have a slight reduction, of course, in our forward-looking IRE as a result of some of these moves and putting more things to work in the business. But it didn't impact anything structurally, no.

BETSY GRASECK: So, then when I look at the core accrual NIM, the one on page 10, the 3.54% this quarter, is that – we can build off of that for the rest of the year, given the forward curve is looking for a couple of more rate hikes.

JOHN GERSPACH: Yes. The expectation would be that we would continue to see growth in that core NIM.

BETSY GRASECK: Okay. Great. And then just lastly, I know we had a lot of questions already on the eSLR. Your SLR is relatively high, and it's been high for a little while. Should we read anything into that? Like are you saying, by having a relatively high SLR already, that you've maxed out your opportunities on the lower risk-weighted asset business lines or maybe you have a different answer?

JOHN GERSPACH: Well, I guess the answer would be SLR has never been a binding constraint for us and so we've never really had to optimize the SLR. We've never had a problem in getting there. When you talk about lower risk-weighted assets as now we're moving much more to standardized approach, there's not as large a gap between what you would think about as an advanced approach, or really risk-based RWA, and GAAP assets anymore. There's some, but it's less so. So, the SLR is interesting, and we would applaud the increased flexibility that it can grant us, but it never – it really hasn't been something that has really impacted our overall business. What impacts us would be our focus on maintaining a 3% GSIB score and managing to that targeted 11.5% CET1 ratio that we talked about. So, I mean SLR is somewhat of a fallout from those two efforts.

BETSY GRASECK: And does it matter at all if the rules were to change to take cash out of the denominator? I know the proposal does not have that expected, but there’s a question in there looking for a feedback on that topic. Would it matter to you if that was the case or not?

JOHN GERSPACH: Well, again, we're always going to applaud increased flexibility and applaud the application of logic to regulatory ratios. And why you would need to hold capital against cash, I still don't understand. So yeah, I'd like to see that just because I think it's logical.

MIKE CORBAT: I don't think, John, it would change our business strategy.

JOHN GERSPACH: It wouldn't change our business strategy, absolutely not.

BETSY GRASECK: Okay. Thanks for the color.

OPERATOR: Your next question is from the line of Ken Usdin with Jefferies.

KEN USDIN: Hi. Thanks. Good morning, guys. Good afternoon. Hey, Mike, in your opening comments, you made a good blend of thought amongst – across better synchronized global growth and yet the volatility. And I just wanted to ask you, this comes up a lot with the investor community but tends to be more resilient in the business model. We've seen better results out of Asia and Latin America, especially in Consumer, how resilient is that improved growth and trajectory versus – and what do you hear when you're talking to the regions about, perhaps the jitters that get caused out of the volatility and how that might impact growth?

MIKE CORBAT: Well, when you think about Latin America or Asia and you look at what's going on in those economies, the economies are, across the board, strong. We talked about this global synchronized growth, and when you're on the ground, you absolutely feel it – you feel it from the consumer perspective, you feel it at the corporate level. And I think some of the volatility that we see with morning tweets or kind of stances that vary from time-to-time, I won't say the world is numb or numbing to that, but I think that the positive things that are happening and the advancements we see in growth on the ground are overwhelming that and that, to us, is very positive.

KEN USDIN: Okay, got it. And as a follow-up to that, John, can you just talk to us broadly then also about your outlook for credit? I don't think you've changed anything with regards to your Card outlook like you mentioned in your prepared remarks. But is there anything notable to see underneath the surface in terms of some of the – little moving parts on the Consumer side, LatAm better and then the U.S. normalizing as we expected, but just your overall thoughts on cost of credit and forward expectation would be great? Thanks.

JOHN GERSPACH: Yeah. Actually, we continue to see credit performing very, very well, whether it be in the North America businesses or in Mexico or in Asia when it comes to Consumer. You take a look at that slide, I think it's seven, and it's been pretty stable across the board. And as we look into the delinquencies, which we give you at least insight into the 90-day delinquencies, we don't see anything bumping up. So we feel pretty good about the credit picture across the Consumer business. And in like fashion, we feel really good about the credit performance of our ICG portfolio as well. As I mentioned, 80% of our portfolio is investment grade, and that's clearly the way that the ICG loan book has been performing.

KEN USDIN: Yeah. Okay. Thank you.

OPERATOR: Your next question is from the line of Erika Najarian with Bank of America.

ERIKA NAJARIAN: Hi. Good afternoon. My questions have been asked and answered. Thank you.

OPERATOR: Your next question is from the line of Gerard Cassidy with RBC.

GERARD CASSIDY: Hi, John.

JOHN GERSPACH: Hi, Gerard. How are you doing?

GERARD CASSIDY: Good. Thank you. You guys had some strong numbers in the Treasury and Trade Solutions on the year-over-year basis. It looked like you went up high-single digit revenue growth and Securities Services was mid-teens. How much can you say was due to market share gains versus just a better interest rate environment for you guys?

JOHN GERSPACH: I don't want to split the revenue growth. Obviously, there is three aspects, I think, in that and one is continued volume growth with existing clients. We're doing more with every client. So we're gaining wallet share with our existing clients. We're also gaining wallet share outside of the existing clients by bringing on new clients, and that certainly is a story in Securities Services in particular, but also in the commercial cards aspect of TTS. And then the last would be the impact of rates. But I just don't have a percentage in my head, Gerard. Is it 60-40? Is it 70- 30? 50-50? I just can't give you that. But all three components are working in those businesses.

GERARD CASSIDY: I see. And we talk a lot about digitalization on the Consumer side of the business and you guys touched on what you're doing on your Investor Day with digitalization in this area. How important is that to maybe win new business as some of your competitors may not just be as good as you on the digitalization side?

MIKE CORBAT: Well, I think it's important on a couple of fronts, clearly, in terms of winning new customers. But as you think about the digital strategy here, we're really out trying to change three things. One, the way we acquire. And if you actually look at our acquisitions over the last year or so, about one-third of those are now coming through to us digitally. So the experience is better. And as we can get that hopefully through to straight-through processing, we've got the ability to take costs out.

The second is around the way that we transact and interact with existing clients. So as an example, our efforts to radically reduce the number of paper statements that we're sending out on a monthly or on a regular basis, and we've shown a lot of progress there.

And I think the third piece is really around the service. And in 2017, we reduced volumes to call centers, we think, by about 12 million phone calls. We think we're on track to likely do that again this year. You can pretty quickly run the math between the cost of an analog phone call versus a digital engagement. When you go on and you look at our apps in terms of your ability to check your balances, to move moneys, to make payments and to do those things, those are three big drivers. And what John referenced before is what we laid out in Investor Day around this $1.5 billion of efficiency, we think we can get out of our Consumer business.

And going back to the earlier question, what does this trajectory look and feel like and why should we believe that there is the potential of acceleration into late 2018, 2019 and 2020? And so we're all over this. We view it to be a competitive advantage and as part of that, what John mentioned in terms of our push into National Digital Banking and using a lot of our existing technology to continue to lever our Consumer platform.

JOHN GERSPACH: And Gerard, it's the same story on the Corporate side. These digital capabilities, this expanding all the platforms – again, our strategy really gets to focusing on those large multinationals. So now we've given those global treasurers, the regional treasurers, the ability to have a view into their working capital, not just in the regional office or the global office, but in every operating subsidiary that they have around the world. And they're able then to manage their working capital, move funds off of their tablet. So they can sit in whatever city you want to pick, whether it's New York, London, Zurich or Beijing, and they can actually see on their tablet working capital requirements in their international subsidiaries and move funds through our application. We think that that's a real competitive advantage, especially as we're starting to see more and more companies expand into more and more countries. That's the power of our network.

GERARD CASSIDY: John, you didn't list Portland, Maine as one of those cities.

JOHN GERSPACH: I thought about that, Gerard, but I wasn't sure if that's where you were today.

GERARD CASSIDY: You guys are unique in your International business versus some of your peers. Is there any behavior differences between your International or non-U.S. Consumer customers versus Americans on the digital usage or how they behave?

MIKE CORBAT: Yes, in some cases, very much so. So, you can go look at smart devices, you can look at digital engagement. As you can imagine, Asia is really at the forefront in a lot of things we're doing in terms of digital engagement, the amount of transactions and things coming through and things we're putting in place. And while moving and moving at a reasonable pace, you can simply walk into one of our branches in Mexico and recognize that Mexico is still predominantly a physical or an analog experience for our customers but changing and evolving. And again, what we like is we got the technology elsewhere in the world that we can continue to roll out. We don't have to invent it for Mexico. It exists. And I would just say that the world is at varying stages of digital engagement but all headed in same direction.

GERARD CASSIDY: Great. And then just lastly, Mike, you touched about the breadth of the equity trading revenues being in cash and prime brokerage, et cetera. Have you guys seen any impact yet from the MiFID rules that went into effect? I know it's early, but any early read on that yet?

MIKE CORBAT: So, we've obviously been engaged and been working with our clients towards making sure everybody is MiFID-compliant. I would say though from our perspective, we believe those conversations have been very constructive, and the conversations we've been involved in are largely holistic approaches to what we're going to provide and I would say the engagement has been good. And then I would describe today that we haven't had any surprises to the negative in any material way to how we thought this would roll out.

GERARD CASSIDY: Mike, thank you. John, thank you.

OPERATOR: Your next question is from the line of Al Alevizakos with HSBC.

AL ALEVIZAKOS: Hi. Thank you for taking my question. You've done a very good analysis to explain to us how the business is working with – effectively with the transaction banking working with your FX and rates business and the importance of your corporate clients. However, I would like to know your view about how you're feeling regarding the macro environment, especially regarding trade finance, given all the news flow that we see everywhere regarding tariffs and all these kind of things that are happening with China and Russia, would it be possible to somehow quantify any potential downside for us? Thank you.

MIKE CORBAT: Sure, sure. So, one is when you look at coming out of 2017 and some of the numbers that were published, and I think it was the IMF published a report in January that talks about the 175 countries that they track, somewhere in the magnitude of 150 or 155 of those countries actually grew exports year-over-year, the largest number that I could remember on history. And so trade is alive. Trade is well. So, that's kind of piece one as we come into 2018.

Piece two is when you think about the distribution of trade. While 80% of global trade is denominated in dollars, about 20% of global trade affects the U.S. And so, as we think about our business, our businesses is, I think, very representative of global trade in that about 20% of our trade business is U.S.-related, and therefore, 80% is rest of world. So, from our perspective and the diversification that we have, for us it's not necessarily a question of who's trading it, but is it trading and is it moving.

And I think as we've done our analysis, at least as it pertains to us, the impact of a U.S.-China trade war is probably a bigger macro event than it is a Citi-specific trade event, meaning that I'm just hard-pressed to believe that if you've got two of the book ends of the global economy that the world is counting on for growth, and you've got a trade war going, that growth is likely to suffer, and that's likely to have a spillover to the rest of the economy. It seems as of today and as of recent conversations that from what I'm sure we're all reading, that things have deescalated a bit there and seem to be headed in a more positive direction. But I think it's in everyone's best interest to try and avoid a trade war, if we can.

AL ALEVIZAKOS: Sure. And if I may follow up on Gerard's question regarding MiFID II. You've already mentioned that Asia Pacific equities were very strong. How was Europe, especially in cash and derivatives?

MIKE CORBAT: It was good. It was also strong. And again, I think, from – again, I talked a little bit about the product, the underlying mix between cash, derivative, et cetera, but as we look at North America, we look at EMEA and we look at Asia, again, good, balanced participation in that growth.

AL ALEVIZAKOS: Great. Thank you very much.

OPERATOR: Your final question is from the line of Brian Kleinhanzl with KBW.

BRIAN KLEINHANZL: Yes. Thanks. Good afternoon. On the credit cost, you said you're expecting them to tick up from here. But I want to make sure there was no change in your credit card NCL guidance, you're still comfortable with 2018 and the medium-term targets that you laid out previously?

JOHN GERSPACH: Yes.

BRIAN KLEINHANZL: Okay. And then a separate question is there seem to be a lot of concerns about deposit costs and whether going from here – your deposit costs were only up 8 basis points quarter-on-quarter. But are you seeing something different in the market over the last month or two that makes you concerned as well that there's a more meaningful inflection in deposit costs? Are you starting to see irrational pricing in the market, perhaps, or deposits moving faster, deposit gammas I guess, going up or something else in the market that we're not seeing in the numbers that you reported?

JOHN GERSPACH: No. The way I would characterize it, Brian, is I think at least from our view, our deposit betas are, by and large, operating exactly as we had modeled them to this point. I do think that – and this may be what you're hearing, as we continue to get rate increases and the rate increases increase also in frequency, you're going to start to see some pressure on those deposit betas. It's just inevitable that it's going to happen. Hasn't happened yet, but I think we're all seeing pretty much the same thing, the betas will move up. Now, betas moving up is all part of our forward projections and so it's not a surprise to us, but it's just something that you have to expect to happen.

BRIAN KLEINHANZL: Was the deposit beta this quarter below still what you're expecting?

JOHN GERSPACH: Mixed. I'd say corporate betas have moved up certainly more than consumer betas and that's been consistent at least for the last year. So, you do have a mixed component in beta. Not every beta is the same. And so, our deposit performance is a mix of what's going on with our corporate deposits as well as our consumer deposits.

BRIAN KLEINHANZL: Okay. Thanks for taking my questions.

JOHN GERSPACH: No problem.

OPERATOR: There are no further questions.

SUSAN KENDALL: Great. Thank you, Natalia, and thank you all joining us in what I know is a very busy day. If you have any follow-up questions, please reach out to us in IR. Thanks.

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