Citi First Quarter 2018 Fixed Income Investor Review

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Host
Tom Rogers, Head of Fixed Income Investor Relations

Speakers
John Gerspach, Citi Chief Financial Officer
Michael Verdeschi, Citi Treasurer

PRESENTATION

OPERATOR: Hello, and welcome to Citi's Fixed Income Investor Review with the Chief Financial Officer, John Gerspach, and Treasurer, Mike Verdeschi. Today's call will be hosted by Tom Rogers, Head of Fixed Income 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.

Mr. Rogers, you may begin.

TOM ROGERS: Thank you, Natalia. Good morning, and thank you all for joining us. As Natalia mentioned, I'm joined this morning by our Chief Financial Officer, John Gerspach, and our Treasurer, Mike Verdeschi. In a minute, Mike will take you through the Fixed Income investor presentation, which is available for download on our website citigroup.com. Afterwards, John and Mike will be happy to answer your questions.

Before we get started, I'd 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 presentation 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 VERDESCHI: Thank you, Tom, and good morning, everyone. On today's call, I will cover a number of topics. First, I'll briefly discuss our first quarter 2018 operating results. Second, I will cover recent balance sheet trends, notably growth in loans and deposits. Third, I'll review our issuance program. And finally, I'll discuss our liquidity and capital position which remains among the strongest in the industry.

Slide 3 summarizes our first quarter 2018 results. Total revenues grew 3% from last year, including 7% growth in our core businesses. And we delivered the sixth straight quarter of year-over-year improvement in operating efficiency. We reported net income of $4.6 billion and achieved an efficiency ratio of 57.9% as well as an RoTCE of 11.4%.

On slide 4, we show average balance sheet trends over the past five quarters in constant dollars. On this basis, our balance sheet increased by approximately 2% from the prior year period. Over the past year, we've seen client-driven growth in both Consumer and Institutional loans as well as trading-related assets as we've executed on our investment plan in equity markets. We funded this growth with a balance of deposits, debt and trading-related and other liabilities, approximately a third from each source. On a sequential basis, we optimize our balance sheet using cash, investment and trading-related liabilities to fund growth in loans and trading-related assets.

Slide five presents trends in our loan portfolio on an average basis in constant dollars. Total Citigroup loans increased 5% year-over-year and 7% in aggregate across our Consumer and Institutional businesses. In our Consumer business, average loans grew 4% year-over-year, driven by growth across all regions. On the Institutional side, loans grew 10% year-over-year driven by strong client engagement across our businesses. At the same time, our loans included in Corp/Other declined by 30% as we continue to wind down legacy assets.

On slide six, we show credit quality trends in our GCB and ICG loan portfolios. In GCB, overall 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. In ICG, total non-accrual loans declined to 47 basis points of total loans. On an absolute basis, ICG NALs declined 28% year-over-year to just over $1.6 billion even as we've continued to grow loans across our businesses.

Turning to slide 7, we show trends in average deposits over the past five quarters in constant dollars. Total deposits increased 2% from the prior year period. In our Consumer business, deposits were flat year-over-year as 3% growth in Latin America and Asia was offset by a 2% decline in North America, which included the impact of lower mortgage escrow deposits. While checking deposits increased 2% in North America, driven largely by our Citigold segment, this growth was more than offset by a reduction in money market balances as clients continue to put money to work in investments. And in alignment with this focus on Wealth Management, we grew our assets under management by 10% year-over-year to $61 billion. In our Institutional business, deposits grew 3% largely driven by continued growth in TTS.

Now, let me highlight our parent benchmark debt issuance program on slide 8. So far this year, including the $2 billion priced earlier this week, we will have issued approximately $8 billion of parent-level benchmark debt, including $7.4 billion of senior and $250 million of subordinated debt. We issued across a variety of tenors and as we previously noted, across a combination of both callable and bullet structures. We also took the opportunity to issue a Euro benchmark transaction as we saw an improvement in relative economics after having been absent from the Euro market for about 18 months. Going forward, we continue to expect to issue a mix of structures, tenors and currencies.

On slide 9, let me cover our bank-level issuance. In the first quarter of 2018, we issued approximately $2.5 billion of bank notes and approximately $2.8 billion of credit card securitizations. And as we previously noted, we will continue to maintain the flexibility to opportunistically issue across a variety of tenors and structures as we calibrate the efficiency of our funding sources.

On slide 10, let me cover our issuance, maturity and redemption expectations. In 2018, we continue to expect gross issuance of roughly $20 billion of parent level benchmark debt, including the roughly $2 billion we just priced and the $6 billion we issued in the first quarter. $4 billion of debt has matured so far this year out of a total of approximately $20 billion expected for the full year. We've called just under $2 billion of benchmark debt, including those transactions that settled earlier this month, roughly in line with our redemption expectations for the full year. However, we will remain opportunistic around buybacks for the remainder of the year. Overall, we continue to expect net benchmark issuance to be flat for 2018. At the bank level, we continue to expect gross issuance of approximately $15 billion across bank notes and credit card securitizations, including the roughly $5 billion we have issued year-to-date. And $3 billion of debt has matured so far this year out of a total of $10 billion expected for the full year.

On slide 11, we show the composition of our long-term debt outstanding. During the first quarter, our total long-term debt remained largely flat at $238 billion as the trajectory of our benchmark debt at both the parent and bank has leveled off given both our TLAC surplus and the completion of the cash build related to our resolution planning. As you'll note on page 20 of the appendix, we ended the quarter with an estimated $11 billion surplus under the TLAC rule, modestly above our $7 billion to $8 billion target due to the timing of issuance relative to our TLAC roll-off. This cushion gives us additional flexibility to fund growth in our balance sheet by utilizing a variety of funding levers at our disposal with a greater focus on economics. And the weighted average maturity of our TLAC eligible debt declined modestly to 7.6 years.

On slide 12, we provide an update of our LCR metrics and drivers. Our average LCR was 120% in the first quarter, down modestly from the fourth quarter as we optimized our overall HQLA and deployed liquidity as we grew loans in our Consumer and Institutional businesses.

Turning to slide 13, let me summarize our key regulatory capital metrics which, as we mentioned, remain among the strongest in the industry. During the quarter, our CET1 capital ratio declined to 12.1% 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 SLRs were 6.7% and 6.8% for Citigroup and Citibank, respectively.

Moving to our last slide, let me summarize several key points. First, we earned $4.6 billion of net income in the first quarter 2018, achieved an efficiency ratio of 57.9% and improved our RoTCE to 11.4%. Second, we continue to maintain a strong balance sheet. We ended the quarter with an estimated $11 billion surplus under the TLAC rule. We maintained a highly liquid balance sheet with an average LCR of 120% and an estimated NSFR of greater than 100%. And we reported a CET1 capital ratio of 12.1% and an SLR of 6.7%. Finally, we continue to further diversify and optimize our liquidity resources.

And with that, John and I will be happy to answer your questions.

QUESTION AND ANSWER

OPERATOR: Your first question is from the line of Hima Inguva with Bank of America.

HIMA INGUVA: Thanks a lot, John and Tom for taking my questions. I'm going to start with the eSLR TLAC NPR. So, assuming the eSLR TLAC NPR is finalized as proposed, what would be the incremental benefit to you? And given that, do you think it would impact the 2018 issuance or is it more a 2019 story?

MIKE VERDESCHI: Thanks for the question, Hima. It's Mike. Based on our read of the proposal and of course, assuming it's finalized as proposed, we estimate that our binding constraint will shift to long-term debt as a percentage of RWA. And therefore, the buffer that we show at $11 billion currently would actually increase to $13 billion. So, TLAC is one of the factors in our funding plans, of course, and so this would provide us additional flexibility. However, we of course still need to see the final rule, so at this point we're not changing our guidance for parent-level issuance this year.

HIMA INGUVA: That makes sense, Mike. Thanks a lot for that. The second question is on AT1. So, you're AT1 is running a little over 1.5%. Now, do you see anything in the stress capital buffer NPR that changes the way you think about AT1, optimal AT1 levels? And then should we expect any pref redemptions if the proposals get finalized?

MIKE VERDESCHI: Again, once that rule is finalized, but I would say at this point we're still certainly comfortable with the 150 basis point target. As you say, we're a bit over that now, so, no change in our target. And regarding the redemptions, we'll always look at the calls and look at the economics associated with that and make a decision based on that.

HIMA INGUVA: Sure. And then on sub debt issuance, it's been light overall for you and for other banks as well. Do you see any need to increase the sub debt levels in the near term?

MIKE VERDESCHI: No, not at this point. We've talked about targeting 200 basis points of Tier 2 capital and sub debt issuance being a function really of roll down and potential redemptions. But as always, we'll evaluate the opportunity based on the economics and investor demand. We're a bit over that target now, but really no change in strategy at this point.

HIMA INGUVA: Great, appreciate it. And then last one from me is more on M&A in the banking sector. We haven't obviously seen large big M&A like we're seeing in other sectors and industrials. And also, one of your peers commented, sort of alluded to being open to bolt-on acquisitions if the asset makes sense. I wanted to know how we're thinking about inorganic growth, BD, and what focus areas you would see opportunities in the next year or so?

JOHN GERSPACH: Hi, Hima. It's John. So, when it comes to M&A type of activities, I still think it's early yet for anybody to think in terms of large-scale acquisitions. I do think that to the extent that you could do some bolt-on acquisitions – again, these will be acquisitions that would be augmenting your existing strategy or perhaps, providing you with some capabilities that you don't have – I'd say that the door is open for that. Personally, I'd like to get a better understanding of exactly where we're going with the SCB before we would consider anything like that. But, yes, I'd say those are definitely possibilities.

HIMA INGUVA: Okay. Great. Well, thanks a lot, John, Mike and Tom, really appreciate you doing this call every quarter. Appreciate it.

MIKE VERDESCHI: Thanks, Hima.

OPERATOR: Your next question is from the line of Scott Cavanagh of APG.

SCOTT CAVANAGH: Good morning, guys. Thanks for holding the call. It's always greatly appreciated. So, just following on Hima's comments there. When we think about the NPRs, could you go into how you think about on kind of the low margin businesses that even though you have a cushion under the leverage ratio, that cushion has improved under the proposed NPR? Does this change the dynamics of how you think about some of these businesses?

And then, secondly, when you think about the impact on TLAC, do you think we're going to go further or is the industry pushing for more changes? So, could we possibly see the long-term bucket go away or perhaps the 50% rule go away, or how should we think about that?

JOHN GERSPACH: Hey, Scott. It's John. Let me take the first part of that question. The leverage ratio has not been a binding constraint for us at all. And so, certainly, the NPR dealing with the SLR, the eSLR, that doesn't change the way we look at any of our businesses at this point in time. As I said, SLR has not been a binding constraint. We didn't see it as a binding constraint moving forward. I think it gives us, perhaps, a little bit more flexibility. But CET1 ratio is still going to be where we tend to focus as far as how we are looking at capital apportionment among our businesses.

MIKE VERDESCHI: In terms of TLAC, I mean, I think again, as we always do, we'll work with the industry groups and share our thoughts. And of course, any of the changes that we think are logical and the implications of those changes are understood and quite frankly, applied consistently, those are all things that we certainly would be open to. And as indicated with TLAC, it looks like, at least our initial read, we'll have some additional flexibility there as well. We certainly would welcome that.

SCOTT CAVANAGH: And then switching topics, could you give us some insights on what you're seeing in the operating environment in Asia? We've had a lot of different changes go on in Korea. We've had some interesting battles with China with the tariffs. Can you kind of give us insights on what you're hearing from your clients on the ground?

JOHN GERSPACH: Scott, it's John. Pretty much, it's been business as usual. And if you look at the results that we've certainly posted for our first quarter coming out of Asia, business as usual has been pretty good. So, there has been a lot of discussion on a variety of topics, but that discussion, whether it's dealing with tariffs or other issues, hasn't gotten in the way of economic expansion in Asia. Trade flows still moving nicely. So, it really hasn't impacted the operating environment.

SCOTT CAVANAGH: Okay. And then lastly for me, could you go into the operating environment for credit cards, breaking out between the Branded and the Retail Services and kind of where do you think we are in the cycle? We did appreciate the reiteration of the net charge-off guidance in the prior call. But how do we think about this with kind of where we are in the cycle and where peak losses might be?

JOHN GERSPACH: Well, when you talk about peak losses, I mean we've said that from a guidance point of view, our medium-term losses – and medium-term, think in terms of 2020 – for Branded Cards are in that range of 325-ish basis points. And for the Retail Services cards, you're at I'd say 525-ish basis points. So we don't see anything changing with that in what I'll call the medium-term.

As to where we are in the cycle, I don't know, to be honest with you. This environment is different than other environments. We're in the, what now, 9th year of economic expansion, but it's been somewhat anemic economic expansion to this point in time. So we've never seen anything go this long, but we've never seen any cycle produce growth this low. So we're in a different type of environment. I think that we'll get a clearer sense when we get the full impact of tax reform on the GDP and then we just see how growth is moving up. So it's an area where I'd say we certainly want to be cautious because, again, that's kind of how we are, but I don't see anything looming immediately on the horizon that would concern us other than we're always concerned.

SCOTT CAVANAGH: Thank you very much again. Very much appreciate the call every quarter.

JOHN GERSPACH: Our pleasure.

OPERATOR: Your next question is from the line of Kevin Maloney with BlackRock.

KEVIN MALONEY: Hey, thanks for taking my questions. First off, I noticed the LCR – you had a nice discussion at the beginning – it's fallen to 120%. Is that fully optimized now? I mean, it's been bouncing around between 125% and 120%, and I know it's a volatile measure. But just wondering if you think you can push it lower or this is pretty much as low as it gets?

MIKE VERDESCHI: Hi, it's Mike. As we've discussed in the past, LCR really is an output of our liquidity management, and through those liquidity management activities, really, our resolution planning is something that's more binding, and therefore, that's where we've been focused. And certainly, yes, we did optimize this quarter. We were happy to do that. It's possible you can see more of that, but again, that LCR measure is going to be more of an output and a function of other activities we're managing to as well.

KEVIN MALONEY: Great. Thanks. And ICG obviously had really strong, robust loan growth. And if you break it down, it seems like Western Europe is really performing quite well. And I was wondering if that's coming from the Capital Markets operation and whether it's Prime Brokerage, if that's the case, or something else?

JOHN GERSPACH: It's John. As far as the overall loan growth with ICG, the loan growth was fairly well distributed across geographies as well as product sets. We had – I don't have the percentages right in my head, but there was good, solid loan growth coming out of both trade, the Private Bank, the corporate loan book itself. So I don't think there was any one specific area that was the "hotspot". And what we like about the fact, as I said, is that it pretty much was broad-based and across many regions. So we feel good about the client engagement that we're seeing across the ICG, and that client engagement is reflected in that widespread loan growth that you saw in the first quarter.

KEVIN MALONEY: Okay, great. LatAm was the one area that's down. And it seems like an ongoing trend that there's less loan activity there for you.

JOHN GERSPACH: I don't think it was down by all that much.

KEVIN MALONEY: 4%. Yeah, it's not huge, but everything else was at peak.

JOHN GERSPACH: Yeah, but I think if you go back, we had some good loan growth coming out of Mexico in the second half of last year. So I don't see anything that's really trending there. I just think it's a quarter.

KEVIN MALONEY: Okay. But it's – the last four quarters it's been down but – I understand. Thanks. That's all my questions.

JOHN GERSPACH: All right.

OPERATOR: Your next question is from the line of Arnold Kakuda with Bloomberg Intelligence.

ARNOLD KAKUDA: Thanks a lot for the call, really appreciate it. So you have a positive outlook from Moody's, as you noted on page 27 from November. And since that time, we've had tax reform. You've also posted an 11.4% RoTCE in 1Q, and that seems to indicate an improvement in your profitability that Moody's is looking for. So, are there other major things that you need to do for Moody's at this point?

MIKE VERDESCHI: Look, I think as we laid out last year in Investor Day, we laid out – we let folks know what our targets were in terms of RoTCE and efficiency ratio and focus on return on capital and return of capital, and we're making good progress against all of those goals. And as John was highlighting, we're seeing good, broad strength in our businesses and the loan activity. So, we're focused on executing on the plan that we laid out and we plan to continue to do so. And we feel good about that story and our continued progress towards those goals.

ARNOLD KAKUDA: Okay, great. So, you've mentioned that if these proposed SLR changes go through, then the long-term debt as a percentage of your RWA is going to be your binding constraint. So, that comprises of the 6% base and your 3% GSIB buffer. So, do you feel comfortable sticking within that 3% GSIB buffer over the next few years or – I think some of your peers have talked about maybe the need to recalibrate that. So, do you have any thoughts on the GSIB buffer at this point?

JOHN GERSPACH: Yes. I would say there's a couple of thoughts on GSIB. One is we've certainly given every indication that we do believe that we'll stay in that 3% GSIB bucket at least for this year and then we see where it goes from there. And of course, once you're in that bucket for this year, then that kind of counts for the next two cycles after that. So, we do feel good about that.

But I think that the GSIB overall is in need of recalibration. One of the reasons for the U.S. going to their standalone Method 2 was the need they felt for additional capital requirements on some of the large banks that in this stress situation could put more stress on the system. That was before we had things such as, I think the recovery planning, the robust resolution planning that's now in place.

So, I do think that there is the opportunity to recalibrate the overall GSIB. I would say that there is recalibration needed because of the work that's being done on resolution. I think there's also a recalibration needed because even when the GSIB was first implemented years ago, a lot of the underlying metrics that were being used were – they weren't necessarily linked to robust analysis that pointed out that these are the definite metrics that are going to cause systemic stress.

And so, we've had it in place for a number of years right now. I think it would be good to go back and actually test to see whether or not we've actually got the right metrics that are going into the GSIB Method 1 and whether or not you need the additional protection then that is afforded by the GSIB Method 2.

ARNOLD KAKUDA: Got it. Thanks for the robust comprehensive answer. And then, lastly, it seems like your loan growth has been outgrowing your deposit growth at least on a year-over-year basis. So this is – if this continues for a while, would that be kind of a good way to run down some of your excess liquidity or will there be a time eventually where maybe you might need to raise some debt to kind of fund that gap if this continues, of course?

MIKE VERDESCHI: Well, as you say, yes, we've seen good loan growth. I mean, for many years, there was a lot of surplus liquidity in the system and you saw deposits, excess deposit levels. And now we're, with the economic activity picking up, finally seeing loan growth absorbing those deposits.

And as we think about the funding of our balance sheet, as we often do, we're going to be looking at our deposits and of course, those provide a good, efficient source of funding, but also attached to that is that as we work with our clients, it's very much a client-led strategy where we want to ensure we're supporting them over the cycle and so some of those deposits, as part of our Wealth Management strategy, may go into investments. And as I said, it's a client-led strategy. We are there to support them.

And you've heard me talk a lot about having different funding levers whether it's bank or non-bank or secured and unsecured, dollars and non-dollar, we're always evaluating the marginal cost of funds and combined with again focusing on our client needs.

At this point, we're not seeing that need for more debt. I think some questions come up – do you need less debt because of TLAC? We're comfortable with our outlook at this point. And again, we're constantly evaluating the marginal costs and the different levers that we have.

ARNOLD KAKUDA: Great, thanks a lot Mike, John and Tom.

MIKE VERDESCHI: Thank you.

OPERATOR: Your next question is from the line of Brian Monteleone with Barclays.

BRIAN MONTELEONE: Hey. Good morning, guys. So, the Fed has started quoting SOFR daily. So, I just wanted to check in to see, have you guys started to think about when it might make sense to issue some of your FRNs off of a SOFR instead of LIBOR? And then also how do you think about pricing – how would you think about pricing an FRN off of SOFR versus LIBOR in this kind of parallel environment?

MIKE VERDESCHI: So, certainly, it's very early days for SOFR and it just began being published. I think the next step, futures are likely to come online perhaps this quarter and maybe some time in May. There's lots of other work going on as well in terms of constructing a curve. So, as you know, basically, the SOFR is just an overnight secured rate, and in addition to that, as we think about LIBOR, that's going to be a term rate. So, at this point, I would say, it’s very early stages and it's too early to think about using that SOFR in our issuance.

I think you bring up another important element, SOFR is secured and what we borrow at today is unsecured. And so, how will the market develop around derivatives that would allow you to hedge that basis? And so, will that develop? How deep a market would it be? So I think there's a lot of good things in progress and a lot of development work being done by ARRC and certainly, the sub working groups, but still early days to really use that in our issuance activities.

BRIAN MONTELEONE: Thanks, Mike.

OPERATOR: Your next question is from the line of Robert Smalley with UBS.

ROBERT SMALLEY: Hi. Thanks very much. A lot of questions asked and answered so far, so I'm going to pick up on a couple of them. First, on Scott's question on Cards, could you give us a little characterization of the credit experience in terms of segment – quality segment? And by that I mean, if you were to say look at your portfolio, split it into thirds by FICO score, what's the experience been particularly in the bottom third as we continue to hear about bifurcation in the economy of the benefits of GDP upswing and employment?

And are you seeing more deterioration in the lower end? And I know in the past, we had spoken about some less recoveries on charged-off credit cards as well on the lower end. That's my first question.

Second, we've seen the front end of treasury curve and the credit curve undergo some severe dislocations so far this year. Could you talk about your experience there? How you're looking at it? Do you have any different take than any other market commentators on why it's happening and what does that do to your own capital and liability planning? Why don't we start with those two?

JOHN GERSPACH: Okay. All right. It's John, Robert. And I'll take the first one and then I'll let Mike get on to the second one while I still remember the first one. So if you think about the way that our credit card portfolios have been operating, and you talk about dividing into thirds – don't forget, when you divide our, especially U.S. Branded, but even in the Retail Services portfolio, you take that by thirds, our bottom third is still much stronger than the bottom third of many of our peers.

And so what I would say is that at least what we see right now in the book is that the strata are pretty much performing the way we would expect the strata to perform. Meaning, yes, we see higher losses coming out of the lower FICO score accounts, but I don't see a marked deterioration as yet where there's significantly more stress than you would otherwise think about on the lower FICO scores compared to the upper FICO scores. So the Cards are performing the way you would expect given where they sit from a credit sensitivity point of view. So I don't see the buildup in any more stress.

And the other question you asked as far as from the recoveries, that really was not so much associated with specifically the lower FICO score. It had to do with once – and we were focused at that point in time really on Retail Services – and it was once an account went to being more than 60 days past due, we saw a reduced ability to bring them back to current from where we had seen that in the past. That now has settled down. It still isn't where we were a year, two years ago, but we don't see any more deterioration in that percentage of curing that we would normally expect to see on accounts once they get to the 60 days past due.

And Mike then on the...

MIKE VERDESCHI: Sure. In terms of the markets and especially in the front end, of course, a few things have been in play. The Fed has been hiking, of course. And so when you look at just the flattening of the yield curve, I think over the past quarter, you saw rates move higher pretty much in parallel fashion. But obviously, the curve has flattened quite a lot and talking about the 2s/10s curve. And lot of that of course, is the Fed taking away some of the accommodation while inflation has remained sort of well within their target.

Now, added to that – just getting to more of the LIBOR discussion because I know there's been a lot of focus on that. And when you look at LIBOR, I would just start with one month versus three months, of course, with additional hikes now being priced in from the Fed, you see that spread move a little bit steeper. But also, there's been some write-ups about LIBOR-OIS and I think there's many factors driving that spread wider. First is tax reform and the impact that has on the issuance agenda and T-bill supply has been up, and that's pushed a bit on that front end. And at the same time and as you mentioned, there's been a lot of write-ups on this, are you seeing some of the other impact of tax reform such as U.S. subs not sourcing money from their parent due to one aspect of tax reform which is BEAT – the base erosion and anti-abuse tax – and so, that may be factoring in a bit as well. There's also been talk about whether some institutions are getting more liquid to plan for repatriation.

The other thing I think about too though, is that overall, in an economy that's growing, demand for money is up and at the same time, the Fed is beginning to drain reserves. So, I think you are seeing some premium being put back into that market and I think that's some of the drivers of that. And in terms of that activity, I think there's a lot of factors. But I think there's the absolute level of rates that pushed higher but also some of the spreads as well from those factors.

ROBERT SMALLEY: Thanks. Just if I could follow up quickly on LIBOR. I know I'm just checking in. I know you've been asked about LIBOR language in some of your preferred documents. Have you looked at that and any potential changes there?

And secondly, when I look at the cadence of your benchmark issuance, you're about 38% of the way done for the year. When I look at the simple day count here near the end of April, we're 38% done with the year. Can we expect any change in that or are we going to have a very nice even kind of calendar for benchmark issuance through the rest of the year?

MIKE VERDESCHI: So first starting with the preferreds and you're right, we've talked about this a lot. We recognize that that language presents a concern for our investors. We fully appreciate that. As we've said, we really value the relationship with them and we recognize the need to address that as we look at the potential of LIBOR being discontinued. And so, that's something that we are still very focused on. As I said, we have representation on a lot of the committees and working groups that are working towards the transition on LIBOR and we want to work alongside all that to adopt industry-best practices. So, that's something that's still very much on our mind.

In terms of the benchmark issuance, again, I think we are still looking at an outlook that entails the $20 billion at the parent, the $15 billion at the bank, and how that may change – it could be a function of how our balance sheet grows, but also the market and the demand for the paper. So I would say, overall, we're looking at a pretty steady trajectory. But as we've said before, we will be opportunistic, and that will be a function of our balance sheet evolution, but also how we look at spreads.

ROBERT SMALLEY: Great. Thanks for answering all my questions. I greatly appreciate it.

JOHN GERSPACH: No problem, Robert.

OPERATOR: That concludes the question-and-answer session. Mr. Rogers, do you have any closing remarks?

TOM ROGERS: I'd just like to thank everyone for joining the call, and of course, if you have any additional questions, please feel free to reach to us in Investor Relations. Thanks, and have a good day.

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