PRESENTATION

JASON GOLDBERG: If everyone can get to their seats, we're going to keep this show on time. There's not a better company to kick off the company presentations of a global financial services conference than Citigroup, the most global U.S.-based bank.

I went to University of Michigan; John went to Notre Dame. We all know what happened a couple of weeks ago. Shortly thereafter, John announced his retirement; and I'm now working on next year's conference, so for what it's worth.

From Citigroup, very pleased to have John Gerspach representing the company, Chief Financial Officer. Also present in the front row, I'll call them out, Mark Mason, who takes over as CFO on March 1; Susan Kendall, Director of Investor Relations; and a bunch of members from her team.

So, I'll leave it there and turn it over to John.

JOHN GERSPACH: Thank you. Thank you very much, Jason; and go, Irish. Good morning, and thank you, all, for joining us.

Today, I'd like to provide an update on our franchise and the goals that we laid out at Investor Day last year. Now, as you can see here on slide 2, our priorities, and importantly, our commitment to improving the RoTCE have not changed. Our first key priority is to improve returns on the capital deployed in the operating businesses, driven by client-led revenue growth within our target client segments, while maintaining our expense and credit discipline.

And our second priority is continuing the return of capital as we continue to optimize our capital base.

But while our priorities are unchanged, clearly, there have been developments since we were on stage last year. First, we certainly have benefit today from being one year into the execution of our strategic plan. Now, this is giving us much better insight into the impact of our investments and the expected efficiency savings we should achieve through 2020.

And of course, we also had tax reform. And as we continue to work through the impact of tax reform on Citi, we're starting to put a finer point on the potential benefit to our ongoing tax rate. Both of these have had an impact on how we view the path forward.

Turning to slide 3, you'll see details of our updated outlook since Investor Day. First, our overall target for an efficiency ratio in the low 50% range remains unchanged. As noted before, we expect roughly 100 basis points of improvement in 2018 versus the 58.3% we achieved last year. And from there, we expect roughly 400 basis points of aggregate improvement in 2019 and 2020, as efficiency savings begin to further outpace our investments.

As I've described, we now have line of sight to a higher level of efficiency savings by 2020, for at least $2.8 billion of savings relative to the $2.5 billion we laid out last year. This gives us flexibility to invest more in the franchise, or alternatively, to let those benefits drop to the bottom line depending on the environment, which gives us another lever for achieving that low 50% efficiency target.

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Second, our tax rate has obviously changed. Tax reform required us to take a significant one-time, non-cash charge in the fourth quarter of last year. But, going forward, we benefit from a significantly lower tax rate expected to be less than 24% by 2020 compared to an original outlook for a 33% tax rate.

As we translate these benefits to RoTCE, we now believe we should deliver an RoTCE of 13.5% plus by 2020 for an improvement of 250 basis points or more over our original plan. Roughly 100 basis points comes from the write-down of DTA due to tax reform, and the remainder reflects improved earnings power across the franchise.

Before we go into our updated outlook in more detail, let me highlight the progress we've seen since our Investor Day on slide 4. Certain businesses have outpaced our medium-term growth expectations, while others have lagged, but overall, we're broadly in line with 4% growth in our core businesses.

We've ramped up investments across the franchise to support this client-led growth. But over the past year, we've been able to fully offset this additional spend and volume-driven growth through efficiency savings and the wind down of legacy assets.

As a result, we've delivered an improvement in operating efficiency of roughly 133 basis points and over 160 basis points excluding the impact of FX. And while credit costs have increased, we remain well within our medium-term loss rate guidance, and credit quality remains broadly stable across the franchise.

Over the past year, we've repurchased roughly 8% of our shares outstanding, contributing to EPS growth of 20%. So, we recognize there is significant work yet to do, but we do feel good about our progress. These results reflect continued strong client engagement across the franchise.

As you'll see on slide 5, we've seen an acceleration in aggregate loan growth across both the Consumer and Institutional businesses. Purchase sales continue to grow as we gain share in Consumer and Commercial cards. On the Consumer side, consistent with our focus on wealth management, we've seen significant growth in global retail assets under management. And on the Institutional side, we're continuing to support our clients as they grow and transact around the world with consistent growth in clearing volumes.

Now, this combination of client-led growth, operating discipline, and share buybacks has allowed us to turn the corner, so to speak, on delivering consistent and sustainable EPS growth. And consensus estimates indicate that trend continuing into the future.

Starting on slide 7, let me spend some more time on the path to our updated outlook. Over the past 12 months, we've delivered an RoTCE of 9.5%. Now, of course, that RoTCE is a blend of some periods where we had tax reform and some where we didn't. Normalizing these benefits by assuming tax reform had been in place for the entire period, our RoTCE would have been approximately 10.4% over the last 12 months.

We now believe we can improve these returns to 13.5% plus by 2020 and to roughly 16% longer term through a combination of capital optimization and earnings improvement similar to what we described last year. About 70 basis points of this RoTCE improvement from now until 2020 could come from continued capital return and the utilization of our remaining DTA post tax reform. And about 240 basis points is expected to come from improved earnings, primarily in GCB and the ICG as our investments mature and we realize the expected efficiency savings.

Starting with capital optimization on slide 8, I want to spend a few minutes on tax reform, which played a big role in normalizing our base of tangible common equity. As a reminder, we recorded a one-time, non-cash charge of roughly $23 billion due to tax reform in the fourth quarter of 2017. Roughly $17 billion was driven by a reduction in disallowed DTA, or in other words, deferred tax assets that were already
deducted from TCE when calculating our Common Equity Tier 1 regulatory capital ratio. And the remaining $6 billion resulted in a reduction in our CET1 capital.

Now, while this reduced the amount of excess regulatory capital we have in hand today, the overall effect was to normalize our TCE and stated returns relative to peers. Prior to tax reform, we had roughly 25% of our TCE caught up in non-productive capital. That is capital that could not be deployed in our businesses, or that was above the level necessary to operate and invest in the franchise. Today, through the combination of tax reform, as well as continued progress on buybacks and dividends, that non-productive capital represents just 12% of our capital base. And we no longer speak to RoTCE excluding DTA, which certainly simplifies our path forward.

Now, we've made significant progress in returning capital to shareholders as seen on slide 9. Since 2014, we've increased our annual capital return from roughly $1 billion to the $22 billion approved in the last CCAR cycle. We remain on pace to deliver the $60 billion of capital return we described last year over the 2017, 2018, and 2019 CCAR cycles, and we've begun to optimize our CET1 capital ratio. And while buybacks remain attractive, we've also increased our quarterly dividend from $0.01 to $0.45 per share, driving our dividend yield to 2.6% today.

Turning to the earnings-driven piece of the equation on slide 10. As I noted earlier, we believe we can deliver roughly 240 basis points of RoTCE improvement through earnings between now and 2020, driven by revenue growth and positive operating leverage. Our outlook for top-line revenue growth remains at roughly 4% to 5% a year for our core businesses.

In Consumer, this revenue growth should be broad-based, driven by continued investments in digital acquisition and engagement; the maturity of our investments in U.S. Branded Cards, as evidenced by continued growth in interest-earning balances and improved spreads; continued organic and inorganic growth in Retail Services; deeper penetration of wealth management with a retail client base that already skewes more towards affluent customers; and finally, a continued focus on unsecured lending, both through personal loans and cards within our target client segments across the segments.

On the Institutional side, growth should largely come from wallet share gains within our existing large, multinational clients, and next-generation clients. We're already generating outstanding growth in accrual businesses, like Treasury and Trade Solutions, Lending, the Private Bank, and Securities Services. Our client franchise in rates and currencies remains strong given our significant penetration with corporate clients. And we expect our investments in Equities to deliver continued wallet share gains as we drive toward the number five position.

Finally, in Corporate/Other, Treasury revenues should continue to reflect higher interest rates; and importantly, we should benefit from a smaller drag from legacy assets.

As you can see in the example on slide 11, total Citigroup revenues should show better growth going into 2019 and 2020, even as the core businesses remain in that 4% to 5% range due to the smaller expected drag from these legacy assets.

In order for us to realize the benefits of this top line growth, it's important for us to deliver the efficiency savings in our plan to create capacity for both incremental investments and the growth-related expenses that come with higher volumes and transaction activity.

As shown on slide 12, last year, we described $2.5 billion of expected efficiency savings by 2020. And to-date, we've realized about one-third of this amount resulting from investments in digital self-service platforms that deepen client engagement while lowering our costs to serve; investments in mobile and cloud architecture to lower processing costs; process automation and headcount reductions; and footprint optimization. And as we're seeing the earlier results of our investments, we now believe the actions embedded in our plan should deliver at least $2.8 billion of efficiency savings by 2020. As noted earlier,
given a favorable operating environment, this would give us the flexibility to fund additional investments which could, in turn, drive additional savings.

Turning to slide 13, we provide additional details on the investments we’re making to deepen client relationships, drive top-line growth, and lower our cost to serve. As a reminder, we originally earmarked these incremental investments at roughly $1.5 billion by full year 2020. And today, we’ve deployed roughly half of these investments.

Looking at what we’ve achieved so far, we’ve seen a significant increase in active mobile users in Consumer over the past year, which is core to providing a simpler, better customer experience. We’ve also improved the customer experience on the Institutional side. For example, we’re on track to reduce client onboarding time from 30 days to 2 days in the U.S. And as I just noted, we’re driving enterprise-wide efficiency through automation and investments in cloud. Looking ahead, we still have a significant amount of incremental investment dollars to deploy into the businesses, but our efficiency savings should begin to significantly outpace that additional spend.

As many of our investments are focused on technology, I’d like to spend a few moments on how we’re accelerating our digital transformation. As you can see on slide 14, our efforts are built around three key priorities, which are consistent across the organization. The first is around engagement, or investing in capabilities that allow us to deepen existing client relationships and attract new clients. This means serving our clients with a complete set of products and services delivered seamlessly through any channel they prefer. We’re making it easier to become a Citi client with streamlined onboarding. We’re delivering integrated end-to-end solutions across products. And, importantly, we’re providing our clients with better insights and more personalized offers. These experiences are driving increased levels of engagement and satisfaction. This creates loyalty, and ultimately, a higher share of our clients' wallet.

Our second priority is simplification – using technology to improve our client experience, while lowering our cost to serve. We’re delivering more intuitive, convenient, and self-service platforms. We’ve dramatically increased our speed to market with these new services. And we’re taking frictions out of our own operations.

Our third priority is innovation, seeking to disrupt current business models to find new and better ways to serve our clients. Here, we’re embedding Citi in emerging ecosystems, working with partners and investing directly in fintech companies and co-creating with client themselves, all to drive Citi and our clients into the future. And finally, we support these efforts with a strong foundation in talent and core capabilities, such as data analytics and cybersecurity.

Focusing on Consumer on slide 15. Digital has already transformed the way we acquire, engage with, and service our clients. We offer a full suite of digital capabilities, providing a 360-degree view of our clients' financial lives, with everything from customized spend summaries, to robust savings, and investment plans.

We're using these tools to personalize the client experience with features like pre-approved digital lending solutions. And we've combined these experiences with always on 24/7 digital self-servicing that gives our clients seamless connectivity across Citi, with integrated trade execution, fund transfer, check deposit, and payment solutions in a secure, hassle-free environment.

We're reaching beyond our own digital footprint by embedding ourselves in ecosystems, like WeChat for seamless servicing; and we're growing our Pay with Points network. We're engaging with new partners at a rapid pace using common global APIs. And we're driving this change in partnership with our clients. In 2017 alone, we engaged with roughly 50,000 clients to anchor our development research in the U.S.

Focusing on the Institutional side on slide 16, in ICG, we're using digital to amplify the power of our scale and global network. For example, in Markets, we're fully digitizing the client experience from pre-trade
analytics to execution. Our Citi Velocity platform provides unparalleled access to Citi’s research, data, analytics, and proprietary models. We’re leveraging AI and machine learning in our pricing models, and we’re driving ease of execution through efficient electronic trading solutions.

On the Corporate side, we continue to invest in CitiDirect, our industry-leading payment, trade, and liquidity management platform. We’re using big data to customize liquidity and supply chain solutions. And importantly, we’re enabling our clients to expand rapidly into new products and markets through digital channels. We’re actively employing technologies like blockchain, with over 25 projects currently underway. And importantly, we’re sharing technology across the franchise. These investments both deepen our client relationships and improve our cost to serve and are critical to achieving our return goals.

So, in summary, we feel good about our progress, our client engagement, and the investments we’re making in the franchise. We’re on track to exceed our target for a 10.5% ROTCE this year. And we remain committed to steady improvement thereafter, with line of sight to at least a 13.5% ROTCE in 2020 and over 16% over the longer term.

Now, before we go into Q&A, I just like to spend a moment on activity levels for the quarter. As we noted back in July, you’d expect the third quarter to reflect some seasonal slowdown, given the summer months; and we’ve definitely seen that. But if you look on a year-over-year basis, we think that our total Fixed Income and Equity trading revenues are likely to be flat to slightly higher than a year ago. And Investment Banking revenues are likely to be somewhat lower than last year, given overall market activity and the timing of deals that may close in the fourth quarter. However, overall client dialogues remain healthy; and we expect continued growth in our accrual businesses across both Consumer and Institutional.

And with that, and with Jason’s permission, I'm happy to take any questions. Thank you.

**QUESTION AND ANSWER**

**JASON GOLDBERG:** Thank you, John. Before we open up to the audience for Q&A, maybe we'll go to our automated response systems. In front of most of you, you should have remotes, and we could kick it off with a couple of those before opening up to the audience.

The first question is, and we're going to ask these for all the companies similar to what we did last year. But do you own the stock? A, overweight; B, market weight; C, underweight or short; or D, no? John put down overweight. So, actually, 40% said overweight, which is up slightly from 38% last year.

And maybe the next question. If you don't own the shares of Citi or underweight, improvement in which one of these factors would most let you change your mind? A, loan growth; B, margin; C, fee income; D, expenses, dividend, buyback and valuation? And interesting, loan growth and expenses are the two clear winners. I guess John, you definitely talked about expenses in your presentation, did a good job there. Maybe just expand upon loan growth in terms of what you're seeing on both the consumer side as well as the wholesale side?

**JOHN GERSPACH:** Yeah. The loan growth that we've seen so far, again, if you take a look at one of the slides that I put up there, we've had, I think, good solid loan growth for at least the last year plus. And we see that level of activity staying fairly constant. I'm not saying that it's increased dramatically in the last quarter. And it's hard to just pick everything going quarter by quarter. But if you take a look at trends on a trailing 12-month basis, the trends have been pretty consistent, so we feel good about the loan growth.
JASON GOLDBERG: Interesting. And I'll maybe put up one more ARS question before we open up to the audience. Where do you see Citi's EPS in 2020? You may recall at Investor Day, Citi pointed to $9, but it since revised some of its other targets. Let's see what the audience response is and then, we'll ask John to opine. You may recall what his slide had, consensus for 2019 at only $7.50.

JOHN GERSPACH: Right, which is where – that's where we see it right now.

JASON GOLDBERG: And so, it's evenly split, basically in the $8.75 to $9.75, so not much of an increase despite tax reform. Interestingly, if you look at this conference last year, the most used response was 46% of the participants at $8.25 to $8.75. And you'll look today, that number has actually declined, 32%, despite the fact of a lower-than-expected tax rate.

JOHN GERSPACH: So, you're the analyst. What do you make of that?

JASON GOLDBERG: A little bit surprising. I guess, given the fact that you've kind of upped the RoTCE goal, feel good about expenses, you care to kind of refresh the 2020 EPS goal or how do we think about that?

JOHN GERSPACH: No, I think we've refreshed enough for the morning, so we'll save something to offer when we get to earnings and whatnot. But, to us, the most important thing and the thing that we're focused on is, obviously, improving the return on equity, whether you call it RoTCE or ROE. And the efficiency targets that we've laid out, we think, are certainly a means of getting there.

And I think that when you take a look at some of the responses, where people are focused is, they're focused on expenses, because expenses is something that we can control. And therefore, the expectation is that if we demonstrate that good expense efficiency and the ability to deliver on our efficiency targets, that gives everyone the confidence that we'll be able then to generate the RoTCE, which I really think is the more important measure. But I certainly recognize the importance of expenses driving efficiency ratio and efficiency ratio driving RoTCE.

I've got a funny feeling that's kind of what's embedded in a lot of the answers, which is why we're focused on very much hitting those near-term targets, and then, hopefully, building up the confidence in our ability to hit the longer-term targets, which we certainly have as a management team at Citi. And we'd like to see a little bit more of that reflected in the investor base.

JASON GOLDBERG: Before opening up to audience for questions, maybe a question from me. We've read a lot of articles about Citi in the last week or two in terms of reorganizing the Consumer bank, reorganizing the investment bank, your change, Head of EMEA, Head of NA. Can you talk about in terms of what's going on with the organizational structure? Is this expense-driven, revenue-driven, age-driven? And just maybe kind of ferret out, is it coincidental that all three come out at the same time and just maybe kind of talk to that?

JOHN GERSPACH: Well, I'd say that it's not coincidental. It's planned, and it's planned because these are changes that we could see coming. And rather than dribble out changes over an extended period of time, we thought it best to put them all out in a relatively compressed timeframe, so that we get them out, people can digest them, and then we can all move forward.

When you take a look at some of the changes that Stephen announced in Consumer and Jamie announced in ICG, they're really changes where we're just aligning the organization model to really reflect the business model that we currently have in place. And so, those are what you would think about as natural evolution.

In Consumer, we're just announcing that we're going to organize our Consumer operations in North America, the same way we will have it organized in Asia and in Mexico, with really a focus on the
relationship, rather than necessarily driving all the business through the products. Jamie’s change, some of the articles I’ve seen is, well, now, this sort of has Citi organized similar to other peer institutions. So, again, there were reasons why we weren't organized that way. But now, we're organized very much along the way that you would expect the business model to be organized.

And then the other three, which sort of got sandwiched in the middle, it's just three people reaching that natural stage, where it's time to go off and do something else. And rather than have three separate announcements, do it all at once, get people comfortable with it. We're very comfortable with it. I think it's great that I've got somebody like Mark Mason that I can turn the reins over to. And so, why not put that out there now and have a nice simple transition period.

JASON GOLDBERG: I guess, of all the announcements, the one I got the most calls on was Jud leaving in Cards. And I think it's an area that investors have been particularly focused on over the last year or so. Can you just kind of update us in terms of what's going on there? Any kind of changes in terms of what you've been seeing of late?

JOHN GERSPACH: No. I mean, the U.S. Branded Cards is performing great. And Jud did an absolutely fabulous job in revitalizing our Cards franchise. There's no doubt about that. Putting us on global platforms, coming up with the strategy in the U.S., driving the Costco acquisition, all of that was really positive. But as Stephen – as we move towards another organization model, there are different models for different people, and people feel comfortable working in certain models. And so, Jud's decided to move on.

JASON GOLDBERG: Got you. Let me turn it to the audience to see if there's questions

SPEAKER #1: Good morning. John, as you shorten the timeframe over which you onboard your clients from 30 days to 2 days, how are you assuring that the KYC is implemented effectively?

JOHN GERSPACH: That's exactly what we're doing. I mean – so, the fact that it takes 30 days or 2 days does not really impact KYC. There's no reason why you can't do KYC in two days. It's a matter of how do you access information, and how do you analyze information, and then how do you drive all that information through your internal processes.

So, as with anything if you take a look at the various activity steps and the different groups that are involved in any process, you're going to find places where information goes off into two or three separate channels, information gets recycled. We're able now by taking a look at detailed process maps to actually look and say, wait a minute, what's the critical path of a client indicating they would like to come on to Citi? And then, actually being able to open an account. And that includes everything that needs to get done with KYC.

SPEAKER #2: So, in the rising rate environment, do you see an increase in the liabilities, especially in the Consumer side of the bank? Do you have a projection as the rates continue to rise? How does that affect your balance sheet? I mean, you have a large Consumer business.

JOHN GERSPACH: So, if you're asking questions on betas and other such, we definitely – and we commented this on the last earnings call, that the betas actually in the first half of the year were much lower than what we had expected them to be. But, clearly, our expectation is that those retail deposit betas will be increasing in the second half of the year. And that is going to have an impact on balances; it will have an impact on rates. But, again, all of that is already built into exactly what all the numbers that I just shared with you this morning. So, it's going to have an impact, but we think that we've baked that impact into our projections.

SPEAKER #3: Just wanted to clarify a point for 2019. I think Jason called out the analyst estimates at $7.50. And you said, that's where we see it.
JOHN GERSPACH: That's where we see the analyst estimates.

SPEAKER #3: Okay. That's a statement of fact. Okay. That's all I wanted to know.

JOHN GERSPACH: That's okay. I'm just confirming that Jason is correct, not that he needs any affirmation.

SPEAKER #3: All right. Well, since I have one, what your position is on Citi, I guess, I'll just clarify that your 12% ROTE would suggest a higher number than where the Street is. That's the rationale of the question.

JOHN GERSPACH: That is very true. That is very true. You're correct, and Jason is correct.

JASON GOLDBERG: Other questions, we've got two more minutes.

We can go to another ARS question. Let's see what we've got. Of Citi's 2017 Investor Day targets, I guess, which one are you most skeptical of? U.S. Branded Card expansion and profitability; international GCB revenue growth; talk on Equities and IB business; market share gains; efficiency efforts, which is now should be $2.8 billion, so you shouldn't be skeptical of $2.5 billion; all of the above; or not skeptical?

JOHN GERSPACH: Wow.

JASON GOLDBERG: No clear consensus.

JOHN GERSPACH: No.

JASON GOLDBERG: Interesting.

JOHN GERSPACH: It's either that or certainly skeptical about a lot of different things.

JASON GOLDBERG: This group's always skeptical.

JOHN GERSPACH: Yeah. And that's good, actually.

JASON GOLDBERG: About 45 seconds left. Any last question for the audience, or otherwise, I'll take it. I see one in the front row. You can just call it out, I'll repeat it.

SPEAKER #4: If you don't hit your Investor Day targets and we are sitting here 2 years from now, what went wrong?

JOHN GERSPACH: I mean, other than some global recession, whatever. I'd say, if we have this type of operating environment, so let's just say, it's a consistent operating environment, talking about what went wrong with our execution, it could be a variety of factors. We could be late with this digital transformation. It could have been some disruption that we were not prepared for. Although, again, it's hard for us to sit here today and see that, because we do think we've got a fairly clear path forward.

But I would I would say that the one that would be critical for us to deliver, and it goes back to what I talked about before, the real target we're working on is RoTCE. And that RoTCE is, in part, driven by the efficiency ratio. So, if we miss the RoTCE target, it's likely going to be, because we have missed those efficiency ratios and couldn't make it up with volume.

JASON GOLDBERG: With that, please join me in thanking, John, for his time today and his service over the last many, many years.
JOHN GERSPACH: Thank you.

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