TRANSCRIPT

Citi Fourth Quarter 2019 Earnings Review

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Host
Elizabeth Lynn, Head of Investor Relations

Speakers
Michael Corbat, Citi Chief Executive Officer
Mark Mason, Citi Chief Financial Officer

PRESENTATION

OPERATOR: Hello, and welcome to Citi's Fourth Quarter 2019 Earnings Review. Today, we are joined by Chief Executive Officer, Mike Corbat, and Chief Financial Officer, Mark Mason. Today's call will be hosted by Elizabeth Lynn, 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 call is being recorded today. If you have any objections, please disconnect at this time.

Ms. Lynn, you may begin.

ELIZABETH LYNN: Thank you, operator. Good morning, and thank you, all, for joining us. On our call today, our CEO, Mike Corbat, will speak first. Then, Mark Mason, our CFO, will take you through the earnings presentation, which is available for download on our website, citigroup.com. Afterwards, we will be happy to take 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, capital and other financial conditions may differ materially from these statements due to a variety of factors, including the precautionary statements referenced in our discussion today and those included in our SEC filings including, without limitation, the Risk Factors section of our 2018 Form 10-K.

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

MIKE CORBAT: Thank you, Liz. This morning, we announced that we had a strong close to 2019. We reported earnings of $5 billion for the fourth quarter, bringing our net income to $19.4 billion for the year, the highest since 2006.

Our earnings per share of $2.15 were over 30% higher than a year ago. And the $8.04 for the full year was over 20% above 2018. We finished the year with a return on tangible common equity of 12.1%, just ahead of our 12% target for the year and this is 120 basis points higher than our 2018 return on tangible common equity of 10.9%.

In constant dollars, our 2019 underlying revenues increased by 4% in both Global Consumer Banking and our Institutional Clients Group. Good revenue growth paired with disciplined expense management allowed us to deliver positive operating leverage, even as we continued to make significant investments in the franchise. Pre- tax earnings were up 5%.

We also had loan and deposit growth for the year and for the 16th consecutive quarter. Our return on assets rose to 98 basis points for the year. Our strong finish to 2019 was a result of balanced performance across both products and geographies. Both North America and international consumer banking had 4% year-over-year revenue growth.

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In the U.S., Branded Cards revenues continued to grow at a healthy clip with a 10% increase for the quarter, bringing the full year increase to 8%. We continued to attract digital deposits from both existing and new customers, bringing the total to $6 billion for the year.

Better sentiment helped increase our wealth management revenues in Asia. And our cards business contributed to growth in Mexico. Investor sentiment also positively impacted our institutional business for the fourth quarter. Fixed Income was up nearly 50% from a tough final quarter of 2018. Equities didn't perform as well, mainly due to weakness in derivatives. We continued to gain share in Investment Banking. And the Private Bank posted good revenue growth of 6%. Treasury and Trade Solutions continued to grow despite a lower rate environment as we work to ensure our global network remains indispensable to our multi-national clients.

We ended the year in a strong capital position with a common equity Tier 1 ratio of 11.7%. And we're on track to deliver our Investor Day commitment of returning more than $60 billion of capital to our shareholders over three CCAR cycles, having returned over $22 billion in 2019 alone. Our dividend creates a very respectable yield for our common shareholders. And we reduced our shares outstanding by 11% during the year. Our tangible book value per share increased to over $70, a 10% increase for the year.

I'm very proud of our firm's performance. As we did in 2018, we hit our return target for the year, despite an uncertain environment which saw trade disputes, rising geopolitical tensions and still no finality regarding Brexit. As we told you entering the year, we prepared for multiple scenarios and used multiple levers to manage the firm through the uncertainty and deliver a solid year for our shareholders.

We enter 2020 in a strong competitive position from capital and liquidity to talent and technology. We continue to invest in areas where we see opportunities for client-led growth and in our infrastructure, in light of the enduring need to be an indisputably strong and stable institution. We're looking forward to sharing with you how we'll take our firm forward over the next several years. With that in mind, we will hold our next Investor Day on May 13. The environment has changed meaningfully since our 2017 Investor Day. And we'll lay out what we aspire to this year and beyond.

Now, let me turn it over to Mark. And then, we'd be happy to answer your questions. Mark?

MARK MASON: Thank you, Mike, and good morning, everyone.

Starting on slide 3. Net income of $5 billion in the fourth quarter grew 18% 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 34%, including the impact of a 10% reduction in average diluted shares outstanding, as we've continued to buy back shares throughout the year, consistent with our capital plan. Revenues of $18.4 billion grew 7% from the prior year, driven by higher non-interest revenue and reflecting continued solid results across Consumer, as well as our accrual businesses in ICG, along with a rebound in markets.

Expenses increased 6% year-over-year, reflecting higher compensation and volume-related expenses along with continued investments in the franchise, partially offset by efficiency savings and the wind-down of legacy assets. And cost of credit increased, driven by volume growth and seasoning in Consumer as well as volume growth and a few episodic downgrades in ICG, while overall credit quality remained stable.

Our effective tax rate for the quarter was 12%, better than our outlook, reflecting discrete tax items. The discrete tax items equate to a benefit of $0.25 per share this quarter. Excluding this benefit, our tax rate would have been roughly 22%. In constant dollars, end of period loans grew 2% year-over-year to $699 billion, as 3% growth in our core businesses was partially offset by the wind-down of legacy assets. And deposits grew 6% with contributions from both our Consumer and Institutional franchises.

On slide 4, we show our full year results. Looking at 2019, our progress was broad-based with revenue growth, positive operating leverage and operating margin expansion across both our Consumer and

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Institutional businesses. Revenues were up 4% on an underlying basis, excluding the impact of FX as well as the $150 million gain on the sale of the Hilton portfolio and the $250 million gain on the asset management business in Mexico in 2018.

In Global Consumer Banking, we generated 4% revenue growth across all three regions. In ICG, revenues also grew 4% with continued momentum in our accrual businesses as well as growth in our market-sensitive businesses. And even as we continued to make critical investments in our franchise, we maintained expense discipline, delivering roughly flat expenses for the year, in line with our outlook. Credit quality remained broadly stable across the franchise. And underlying pre-tax earnings grew by 5%. EPS grew by 21%. And we generated an RoTCE of 12.1%, ahead of our target for the full year.

Turning now to the businesses. Slide 5 shows the results for Global Consumer Banking in constant dollars. The Consumer business showed continued momentum in the fourth quarter. For the quarter, revenues grew 4% with contributions from all regions while expenses were down 1%, driving continued growth in operating margin and earnings. And looking at full year results in Consumer, excluding both gains in 2018, we also generated 4% revenue growth while expenses were roughly flat, resulting in 9% growth in operating margin and 13% growth in pre-tax earnings.

Slide 6 shows the results for North America consumer banking in more detail. Fourth quarter revenues of $5.3 billion were up 4% from last year. We have continued to make meaningful progress against our strategy to create a more integrated, client-centric relationship model, launching new value propositions across Cards and Retail Banking and continuing to enhance our digital capabilities.

In 2019, we introduced the Rewards+ Card; digital lending products, Flex Loan and Flex Pay; new digital checking and savings accounts and relationship offers, for both cards and deposits. And in digital, we enhanced our account opening and servicing capabilities, for example, streamlining the digital account opening process which has roughly doubled our application submission rate. These actions are resonating with our clients, driving deeper relationships and better growth in deposits, AUMs and loans.

And while most of the new offerings we've introduced in 2019 have leveraged our proprietary products and reward programs, this year, we will be expanding our reach and the breadth of our customer base with both existing and new partners. For example, we're expanding our partnership with American Airlines to include deposit products. And we recently announced a new partnership with Google to attract clients digitally. Importantly, we are building these capabilities in a scalable manner with the ability to expand to other partners efficiently.

Turning now to the results of the individual businesses. Branded Cards revenues of $2.4 billion grew 10% year-over-year. Client engagement remained strong with purchase sales up 7%. And average loan growth improved to 4%, while our net interest revenue as a percentage of loans expanded to 921 basis points this quarter. In Retail Banking, our deposit momentum continued to improve with average deposits up 7%, with a strong contribution from both traditional and digital channels. And our AUMs were up 20%, or 8% excluding market movements, reflecting strong engagement from our Citigold clients.

We saw continued momentum in digital deposit sales, bringing our full year total to roughly $6 billion versus the $1 billion we raised in 2018. And our experience to-date gives us confidence in our ability to drive towards national scale in retail, as we deepen relationships over time. However, Retail Banking revenues of $1.1 billion were down 4% year-over-year, as the benefit of stronger deposit volumes was more than offset by lower deposit spreads. Finally, Retail Services revenues of $1.7 billion were up 1% year-over-year, with continued growth in loans and purchase sales across the majority of the portfolio.

Total expenses for North America consumer were down 4% year-over-year as efficiency savings more than offset investment spending and higher volume-related expenses.

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Turning to credit. Net credit losses grew by 10% year-over-year, reflecting loan growth and seasoning in both cards portfolios. Our full year NCL rates in U.S. Branded Cards and Retail Services were 319 basis points and 513 basis points, respectively. Looking ahead, we expect NCL rates in 2020 to be at or slightly above the high end of our outlook range of 300 to 325 basis points for Branded Cards and 500 to 525 basis points for Retail Services. And I'd also note that we typically see higher NCL rates in the first half relative to the second half of the year, reflecting normal seasonality.

On slide 7, we show results for international consumer banking in constant dollars. Fourth quarter revenues of $3.2 billion grew 4%. In Latin America, consumer revenues grew 6%, including a few small episodic gains. Loan and deposit growth was muted in Mexico again this quarter, and we are seeing lower levels of client demand in the current environment of decelerating GDP growth and a slowdown in overall industry volumes. But importantly, we delivered strong year-over-year EBT growth again this quarter.

Turning to Asia. Consumer revenues grew 4% in the fourth quarter. We continued to see strong growth in our wealth management drivers in Asia with 10% growth in Citigold clients and 9% growth in net new money versus last year. In total, operating expenses for international consumer banking increased 3% in the fourth quarter, as investment spending and volume-driven growth was partially offset by efficiency savings. And cost of credit was down 6%, driven primarily by Mexico.

Slide 8 shows Global Consumer credit trends in more detail. As a reminder, this quarter, we realigned our commercial banking business with all commercial banking activities, including those previously reported as part of GCB, now reported in ICG. The consumer credit trends on slide 8 reflect this change.

In North America and Asia, this shift resulted in only a slight increase in the reported NCL rates. However, it did have a larger impact on reported NCL rates in Latin America, given the relative size of the commercial business there, which had structurally lower NCL rates and represented roughly one-third of the GCB loan book. Overall, credit trends remained favorable again this quarter.

Turning now to the Institutional Clients Group on slide 9. Revenues of $9.4 billion were up 10% in the fourth quarter, reflecting continued momentum in the accrual businesses, as well as strong performance in both Investment Banking and Fixed Income Markets, partially offset by softness in Equity Markets.

Total banking revenues of $5.5 billion were up 3%. Treasury and Trade Solutions revenues of $2.6 billion were up 2% as reported and 3% in constant dollars as we drove strong client engagement and solid growth in deposits and transaction volumes, partially offset by the impact of lower interest rates. We continued to see robust underlying business drivers in TTS, reflecting growth with new clients as well as the deepening of relationships with our existing clients, including 10% growth in average deposits as well as double-digit growth in our cross border payment flows this quarter.

Investment Banking revenues of $1.4 billion were up 6% from last year, outperforming the market wallet, reflecting strong performance in equity and debt underwriting, particularly investment-grade underwriting, as we leveraged our global capabilities to help clients optimize their funding needs.

Private Bank revenues of $847 million were up 6%, driven by higher lending and increased investment activity with both new and existing clients, partially offset by spread compression. And Corporate Lending revenues of $732 million were roughly flat, as growth in the commercial book was offset by lower volumes in the rest of the portfolio.

Total Markets and Securities Services revenues of $3.9 billion were up 28% from last year. Fixed Income revenues were up 49%, largely reflecting a recovery from the fourth quarter 2018, coupled with strong performance particularly in rates and spread products. Equities revenues were down 23%, primarily reflecting a more challenging environment in equity derivatives. And finally, in Securities Services, revenues were down 1% on a reported basis, but largely unchanged in constant dollars as higher volumes from new and existing clients were offset by lower spreads.

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Total operating expenses of $5.4 billion increased 8% year-over-year, driven by higher compensation-related expenses and legal costs. And credit costs increased to $246 million, reflecting overall volume growth as well as a few episodic downgrades, while overall portfolio quality remained strong. And on a full year basis, credit costs of $563 million were consistent with what we would expect annually given the size as well as the quality of our portfolio.

For full year 2019, our net income grew 3% on the combination of revenue growth, positive operating leverage, continued credit discipline and a lower tax rate.

On a constant dollar basis, full year revenue growth was 4%. From a client perspective, our revenue growth was largely driven by continued strong engagement with our corporate clients across TTS and Investment Banking as well as both Fixed Income and Equity Markets. And looking at our results from a product perspective, we generated over half our revenues in banking, which grew 3% as reported and 5% in constant dollars on continued momentum in TTS, Investment Banking and the Private Bank. Securities Services revenues were largely unchanged on a reported basis, but grew 4% in constant dollars as we continued to acquire new clients as well as deepen existing client relationships. And in Fixed Income, revenues grew 10% with strong contribution from both rates and currencies as well as spread products.

The combined solid performance in these businesses helped to more than offset weakness in equities and deliver positive operating leverage for the year. And finally, while our cost of credit was higher, it was in line with our outlook for 2019, reflecting a normalization in credit trends. And credit quality remains strong with roughly 10 basis points of losses for the year.

Slide 10 shows the results for Corporate / Other. Revenues of $542 million increased 8% from last year, reflecting gains on investments, partially offset by the wind-down of legacy assets. Expenses increased 34%, reflecting higher infrastructure costs, partially offset by the wind-down of legacy assets. And the pre-tax loss was $80 million this quarter, roughly in line with our prior outlook. Looking ahead for 2020, we would expect a quarterly pre-tax loss of roughly $250 million in Corporate / Other as we continue to invest in infrastructure and controls and see some impact from lower rates as well as a reduced level of gains.

Slide 11 shows our net interest revenue, split between our Markets business and the contribution from the rest of the franchise excluding Markets, on the top of the slide. As you can see, we delivered 3% growth in net interest revenue, or roughly $1.4 billion year-over-year in constant dollars in 2019, in line with the high-end of our latest outlook, mainly reflecting strength in North America Branded Cards and TTS.

Looking at results for the quarter, we saw a rebound in Markets net interest revenues, both year-over-year and sequentially, while growth in the rest of the franchise was more than offset by the headwinds of lower rates. And net interest margin increased by 7 basis points sequentially, also driven by the higher Markets net interest revenue.

And turning to non-interest revenue for total Citigroup. This quarter, we generated strong year-over-year growth in non-interest revenue of roughly $1.2 billion. The strong end to the year allowed us to deliver nearly $650 million of growth in non-interest revenue on a full year basis, or 2%, above our original forecast of roughly flat.

So, if you look at our total revenues for full year 2019, we realized 2% growth on a reported basis and 4% on an underlying basis with a balanced contribution from both NIR and non-NIR revenues. Looking ahead to 2020, we do expect to deliver some growth in net interest revenues this year despite the change in the direction of rates, as loan growth and mix become the primary drivers. And we remain comfortable in our ability to deliver continued growth in non-interest revenues this year, driven by continued fee growth across both our Consumer and Institutional businesses. So, in aggregate, for total Citigroup, we expect to generate modest year-over-year revenue growth in 2020 on a reported basis.

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On slide 12, we show our key capital metrics. In the fourth quarter, our tangible book value per share increased 10% year-over-year to $70.39, driven by net income and lower share count. And our CET1 capital ratio increased sequentially to 11.7%, driven by decline in risk-weighted assets.

In summary, we made good progress in 2019 with broad-based revenue growth, positive operating leverage, earnings growth and a sizable return of capital to our shareholders. We improved our RoTCE by over 100 basis points, achieving a full year RoTCE of 12.1%, ahead of our target of 12% for the year. We drove 2% revenue growth with a balanced contribution from both our Consumer and Institutional businesses. On the expense side, we were able to hold expenses flat while making significant investments in the franchise, as productivity savings continued to meaningfully outpace our incremental investments as well as offset volume-related expenses. We maintained our credit discipline, growing our loan portfolio while maintaining loss rates within our medium-term expectations across every business and region.

On the tax rate, we continued to work to better position the firm post tax reform. And we delivered on our capital optimization goals, returning over $22 billion of capital through share buybacks and dividends during the year. Importantly, we continued to deepen and broaden our client relationships in order to drive sustainable, client-led growth and a steady improvement in returns. Our results in 2019 give us confidence in 2020. And we are committed to delivering continued progress going forward.

For 2020, we expect to deliver modest top line growth and roughly flat expenses, while continuing to manage the franchise responsibly. We expect cost of credit to remain manageable. And we expect our effective tax rate to be around 22% in 2020, excluding any discrete tax items. As Mike mentioned, the revenue environment has changed since we set our targets for 2020 with lower interest rates, slower global growth and the pressure we've seen in industry wallets in markets and banking. In an environment similar to the one we are operating in today, we expect to deliver an RoTCE in the range of 12% to 13% for 2020. So, we expect we will continue to make progress in improving our returns. And we look forward to having the opportunity to talk more about this year and beyond at our Investor Day in May.

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

QUESTION AND ANSWER

OPERATOR: The first question will come from John McDonald with Autonomous. Please go ahead.

JOHN MCDONALD: Good morning. Mark, I wanted to ask about deposit growth. It seemed like it accelerated throughout the year. You were kind of doing that $2 billion per quarter, it seems like, towards the end of the year. Is that a pace you think you can keep up with the new initiatives on deposit growth?

MARK MASON: Yes. So, we've seen good deposit growth, as you said, through the year in both our Consumer business as well as on the Institutional side. And that, in many ways, I think is an important proof point around our Consumer strategy. We're continuing to focus on value propositions on the Consumer side in order to grow with our Cards customers and outside of our Retail Banking markets. We just launched the high-yield checking account and will continue to develop new products, such as with our partner in American Airlines. And those types of initiatives we expect to continue to fuel continued growth on the deposit side in Consumer.

We've also, as I said, seen good momentum on the Institutional side. We expect that growth to continue. And that's an important metric as we think about how we continue to increase our engagement with clients. And so, yes, we do expect to see continued growth in deposits.

OPERATOR: The next question is from Glenn Schorr with Evercore. Please go ahead.

GLENN SCHORR: Hi. How are you? Good morning. So, I'm curious. Branded Cards is doing well, up 10%; when you look at Retail Services, up 1%. I'm curious if you could talk about the compare and contrast of

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what's driving one to better growth. I don't know if there were any partnerships or re-pricings or lost partners along the way. Thanks.

MARK MASON: Sure. So, on the Branded Cards side, you've heard us say through the course of the year we've continued to get good traction with our clients there. We've seen purchase sales up 7% and you've seen continued growth in loans on the Branded side. So, 1% growth in quarter one, 2% growth in quarter two, 3% growth in quarter three, 4% in quarter four. So, good momentum there, a good pace of increasing the average interest-earning balances. And so, that has been a big part and contributor to that 10% growth that you referenced and sizable growth for the full year as well.

On the Retail Services side, as you know, there are multiple portfolios that make up Retail Services. And we've seen good momentum in a good number of those portfolios. But within that, obviously, is Sears which is a partner of ours and that the results that we have do reflect the impact from Sears. That said, we've delivered on the 1% we've talked about as guidance for the revenue growth for the quarter. And I think it's 2% for the full year. We would expect to see continued pressure from the Sears portion of the portfolio, particularly on the purchase sales. And that said, it is still a very profitable portfolio for us. We're still very engaged with the customers there. And some 80% of the spend is outside of those stores. And so, profitable, good returning but some pressure, given everything going on with that partner.

MIKE CORBAT: In particular, the store closures.

MARK MASON: Yes. A very important partner, but a lot going on there.

OPERATOR: The next question is from Steven Chubak with Wolfe Research. Please go ahead.

STEVEN CHUBAK: Hey. Good afternoon.

MARK MASON: Good afternoon.

STEVEN CHUBAK: So, Mark, I wanted to start off with a question just on some of the RoTCE guidance. It's certainly commendable you guys delivered on the 12% this year. That said, I believe it does include about a 50 basis point benefit from discrete tax items. And so, as I think about the core rate, it's maybe somewhere in the zone of 11.6%. And I'm just thinking, as we try to unpack the walk to that 12% to 13% you spoke of, and the fact that you do have provision likely trending higher in 2020 and assuming no further benefit on the tax side, just help us think through what are some of the key drivers to help us get to that 12% to 13%.

MARK MASON: Sure. So, look, if you think about what we saw this year and some of the key important drivers of performance, you can kind of look across many of the businesses and see good top line growth, underlying, and good EBT performance. We expect that top line growth to continue, particularly as we continue to execute on our Consumer strategy and more deeply penetrate the Cards customers that we have there and develop new value propositions that we can get out to market, having proven those digital capabilities that we've invested in. So continued top line growth on the consumer side.

We do expect to see good underlying metrics with our Institutional clients, particularly in TTS, which is core to our network but also has linkages around – linkages with the rest of the ICG, so good continued momentum, deposit volumes and engagement with both new and existing clients on the Institutional side and in TTS. And so, top line growth of a couple of percentage points and a constructive capital markets environment with flat expenses. And so, we referenced that at the beginning of this year and managed to that with all the uncertainty playing through the year. And we are targeting that again for 2020 and the combination of that and continued work on the cost of credit. And of course, we'll continue to look at the tax line. But we believe the combination of that focus and continued productivity benefits funding the volume growth that we expect to have will get us to the range of the 12% to 13% that I referenced.

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OPERATOR: The next question is from Saul Martinez with UBS. Please go ahead.

SAUL MARTINEZ: Hi. Hey, guys. Good morning – good afternoon, sorry.

MIKE CORBAT: Hey, Saul.

SAUL MARTINEZ: So, I guess, following up – well, actually, first, more of a clarification. I just want to make sure I heard something correctly you said, Mark. You said – on the Corporate / Other pre-tax estimate for next year, I thought I heard $250 million per quarter. That can't be right. Is that – did I – that seems awfully high – or obviously, it's a much higher run rate than what you've been doing. Can you just repeat what that outlook was for pre-tax Corporate / Other?

MARK MASON: Sure. So, I did reference that we would expect to see an impact of about $250 million a quarter for Corporate / Other. That is higher than the prior guidance that I'd given of $100 million to $150 million the last time I gave guidance on Corporate / Other, so a bit higher. There are a couple of things that impact that or that will drive that. One of which is the impact of rates. We obviously had three rate cuts in the back half of 2019. That plays through the business performance, but some of it also plays through the revenue that's in Corporate / Other. We also will have fewer gains. I referenced some gains that we have from investments that play through 2019 and through the quarter here, so likely to have fewer of those.

And then, we are – and I've referenced the investments that we want to continue to make or will continue to make in infrastructure and controls. And those investments will be in the form of technology and people and focused on things such as data, data governance and infrastructure. And so, those are important investments that we'll be making. And those three drivers will be what impacts – or is underneath that guidance, not all in the expense line. But as I mentioned, we will move to keep the expenses flat.

OPERATOR: The next question is from Jim Mitchell with Buckingham Research. Please go ahead.

JIM MITCHELL: Hey. Good afternoon, guys.

MARK MASON: Good afternoon.

JIM MITCHELL: A follow-up. I appreciate the unpredictability of particularly capital markets revenue and I assume that's why the wide range in RoTCE. But if we look at the second half of last year, the operating leverage, particularly in the investment bank, has been minimal. It's been okay. But you had 7% – as a firm, you had 7% growth – top line growth with some investment gains, 6% expense growth in the fourth quarter. So, I just want to understand. I think the upside – the upper end of that range would imply some pretty good operating leverage.

So, is there some unusual items in the back half of the year, accelerated spending that you expect to slow? Or if we see higher revenue growth, is that going to be offset by volume-related expenses and you just can't get a ton of operating leverage? Just help me think through the expense trajectory in different revenue scenarios.

MIKE CORBAT: Well, let me – Mark, why don't I start and maybe just talk a little bit about the revenue environment and what may drive. So, if we look, Jim, at 2019, Mark referenced the back half of the year and rate cuts. But I would say, throughout the year, we saw what I would describe as a lot of things out there that were driving uncertainty, be it the lack of a China trade deal, USMCA – where was that headed – Brexit, Hong Kong. And I think we see ourselves in a position now where the horizon looks like some of those things may clear, right? Hopefully, we get a trade deal in the next couple days here, at lease, phase 1 of the trade deal, hopefully USMCA. And it looks like it should be pretty well along the path to being ratified. And it looks like we'll get a Brexit deal.

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So, I think some of the things that were overhanging some of the volume-related parts of the market might have a chance to lift and we maybe get a bit more action out of the C-suite and out of some of our investors. You would see volumes pick up. But I think, as we look at the activities that we see – and again, I think a pretty reasonable close to the year here when you look at the combination of ECM, when you look at the combination of DCM banking more broadly. Obviously, M&A down a little bit. But I think the backlog looks pretty good. And I think the forward calendar as we look into the other areas look good. So, one is I think there's a pretty good driver on the revenue side.

MARK MASON: Yeah. I guess I'd just add to that a couple of things. So, one, in the broadest sense, again, as we think about 2020, we're targeting flat expenses. With that said, there are a couple of things that are playing through that, that I think will benefit the expense line in 2020 and cover any volume-related increases or investments that we're planning to make. So, one is the productivity saves that we've talked about over the past couple of years and those outpacing investments. And so, we expect yet another $500 million to $600 million of productivity benefits to play through 2020. And that will be used to fund some of those headwinds or investment opportunities.

Two, you would've heard us reference a number of times through the course of the year repositioning charges that we've taken, severance charges as we've adjusted capacity. Those were, obviously, increases in expenses in the year that will play out or reflect or generate benefits in 2020, again, creating capacity.

And then, you referenced the back half. And particularly, if you look at the ICG in the last quarter, you've got to kind of keep in mind that growth is 10% top line growth, 8% expense growth. But that comes with the compensation increase associated with those revenues, the volume increases associated with that activity that we saw in the back half of the year.

And so, you really got to think about the full year expense base as we go into 2020 as the timing for both investments and the productivity benefits will vary through the course of the year. And we'll get into much more of this and the forward look beyond 2020, obviously, at Investor Day.

OPERATOR: The next question is from Mike Mayo with Wells Fargo Securities. Please go ahead.

MIKE MAYO: Hi. Can you talk about technology spend and where you are in the process and priorities for the back-office and the front-office? I know it's a broad question. But maybe, for the back-office, like, the number of data centers you have or the percent of workload you intend to move to the public cloud. Or for the front-office, a little bit more color on the relationship with Google and where you expect that to go. And then, just overall with total tech spend and where you are in terms of spending or reaping the benefits of past spend.

MIKE CORBAT: Sure. So, why don't I start out. And, Mark, you can chime in. So, again, I don't want to steal the thunder. We'll go into a fair bit of this in detail at Investor Day. But, Mike, I'll give you a couple of examples. You've asked the question before in data centers. And Citi at its peak had just over 70 data centers. At Investor Day, we told you we were down to 20. And today, we're down to 10. What I would say is, based on the combination of the necessity of redundancies, GDPR and other things, I won't say 10 is the static number. But as you get to 10 and you run a global organization approaching 100 countries, I don't think there's massive opportunity. And again, we've got to see how the regulatory and how the legal landscape unfolds in terms of data and data storage.

Second piece beyond data storage is around data itself, that in many ways Citi personifies big data, operating all the places that we operate. And if you look at the way that the company came together through acquisitions and through other bolt-ons, we think there's a significant opportunity to really modernize or to take our data to the next stage in terms of giving us benefits in terms of safety and soundness, in terms of giving us benefits in terms of straight-through processing. All of those manifesting itself in better client experiences. So, a part of the number – a reasonable part of the number that Mark is referencing here in terms of spend is around what I described as the modernization of our data and our data approach. And

so, we're excited about that. I'll give you one example on the Consumer side that we talked about last time, and I'll take you to – back to page 23 again around our consumer drivers. But if you look at, as an example, the things that we've been doing around our technology in the call centers and if you look at the upper right-hand box around agent contact rates, what you've seen is you've seen basically a circa $15 million reduction in calls, inbound calls into our call centers. And at the same time, the way we're handling those calls through the combination of IVR and chat has changed, where we're able to dedicate our specialists to the more complex things and not being forced to deal with what's my balance, when is my payment due, how do I collect my ThankYou Points types of calls. And so at the same time, we're reducing significantly those contact rates. And you can see it there.

We're also taking on more volume, right? As we're growing, as you're growing your Cards footprint, as you're growing your digital deposit base, obviously, you're getting more engagement. And so, we're not only on the absolute level reducing the number of inbounds, but we're also taking on volume at obviously very attractive rates. So, I think that underscores or highlights why we believe – and I think you've seen in the numbers that we've put up. As we've made some of these investments in technology, we've gotten pretty good paybacks. And we think the paybacks that we can get out of the things that we've got on the slate certainly warrant going after them.

MARK MASON: Yeah, I'd agree with that. And, I think about it as Mike described, but kind of in four buckets. And so, as we think about technology investments, they're investments that we are making that are directly client-related. Think about new products, new solutions. Think about the work we do with our TTS clients. And as we identify pain points, whether it be managing their receivables or managing their invoices, we invest in other technologies. We invest in our own solutions to service those client-related needs, if you will. Think about client service from a client experience point of view and the investments that we're making to do things like streamline on-boarding. I referenced that regarding digital customers on-boarding, but we also invest a lot in how we on-board our corporate clients in new countries as we enter markets with them. Those are technology investments. That's the second bucket.

The third bucket is just how we streamline our own operations, our own internal processes, how we do more in the way of automation, less manual reconciliation and manual work. There's an opportunity there to manage data from input straight through output, as Mike's referenced and there are paybacks on the streamlining of internal processes.

And then, the fourth bucket – and I separate it in part because of its significance Mike has referenced before which is cyber. And so, cyber is a very important technology investment for us to both protect the franchise and protect our clients. And we've been growing that over the past five years and expect to continue to grow our investment in cyber, so just another way to think about the lens that we look at, the technology investment and need for it as we go into 2020.

OPERATOR: The next question will come from Erika Najarian with Bank of America. Please go ahead.

ERIKA NAJARIAN: Yes. Thank you. Good afternoon. Mike, does the 12% to 13% RoTCE for this year fully capture the potential of the franchise or – and I expect you to give us more detail at Investor Day – or do you think continued improvement could be realized from here if we keep the rate curve fairly flat and there's no major change in the global economic outlook?

MIKE CORBAT: Yeah. Again, we've kind of talked about the steps along the way. And you mentioned the word improvement. And improvement is paramount in terms of the way we're approaching 2020 and we think we've got the ability using technology, client engagement, wallet share gains, a lot of the levers that we've spoken to on the revenue and expense side of continuing to make improvement and make progress against those benchmarks.

MARK MASON: Yeah, I completely agree. I mean, we are focused on significant improvement over time. We've made progress over the past couple of years. When we talked last about our underlying performance,

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Consumer and the ICG, we pointed to Consumer as having the opportunity to close the gap between where we were two years ago and something we thought was up in the 20% or so. We're making good progress on that. We think there's continued upside there. We also have talked about when you think about our TCE and how it's broken out between Consumer, ICG and Corporate / Other. We know that, over time, some portion of what we have in Corporate / Other, the TCE that's tied to the excess capital that we have, the DTA, Citi Holdings, over time, that will work itself down. And that, in and of itself, will contribute to improved RoTCE. So, we've got a real sense of urgency to improve our RoTCE responsibly over time. And we intend to continue to do that.

ERIKA NAJARIAN: Thank you.

MARK MASON: Welcome.

OPERATOR: The next question will come from Matt O'Connor with Deutsche Bank. Please go ahead.

MATT O'CONNOR: Good afternoon. I was wondering if you could just talk about what you're working on in the equities business. Obviously, it's been an area of focus in the last few years. And you had some signs of progress. A tough quarter this quarter. I don't want to kind of overplay it. It's only a few percent of revenue. But you're very strong and gaining share in FICC, strong and seems like gaining some share in banking. And it's still kind of, call it, the missing piece in the puzzle from my perspective. So, maybe if you could just talk about kind of the strategic outlook there and what you're working on.

MIKE CORBAT: Sure. So, as you recall, several years ago, we embarked on the mission – and at the time, we were about number nine – of moving into the top five. Today, we find ourselves at number six. And along the way, we've consistently taken share. And this year, probably not so. We look like – based on some coalition data and others, we're probably kind of flat to market but not – certainly not where we want to be and not where this ends. I think, as we look at things that we've done, you've seen us adjusting in particular front-end capacity against the business in particular in terms of cash, making investments in Delta One, derivatives, prime broker.

But I would also urge you not just to look at what we post as the trading revenues, call it, roughly $3 billion for the year. I think you've got to look at the aggregate business which includes ECM, about another $1 billion of revenue as well as our Securities Services business about another $2.5 billion of revenue. So, as we look at and think about our equities business, it's about a $6.5 billion business to us. So, it is in aggregate a meaningful business.

That being said, we still have our objective to break top five. That being said, we still think we can improve profitability and returns in the business. But again, we're focused on the end-to-end, the pre-trade, the trade, post-trade and trying to maximize the overall benefits of that to our franchise. But, Matt, more, more, more work to do there.

OPERATOR: The next question is from Betsy Graseck with Morgan Stanley. Please go ahead.

BETSY GRASECK: Hi. Good morning.

MIKE CORBAT: Hi, Betsy.

MARK MASON: Hi.

BETSY GRASECK: A couple of questions. One, on the capital side of the RoTCE, I think you did indicate that you feel like you have some more opportunity there to give back excess capital. I guess I wanted to understand in the most recent CCAR cycle, do you feel like you maxed out that ask or that you are holding back? And I'm just asking because I'm wondering if we should be expecting an acceleration from here as we go into 2020 CCAR cycle.

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MARK MASON: Yeah. Thanks. So, we've obviously worked down over time much of the excess capital that we had. We've gone from having the CET1 ratio somewhere around 13% or so and kind of working that down – we'll end the year roughly at 11.7%. And so, there'll be less excess that's there. We obviously will go through the CCAR process as we've done in the past and try to responsibly come up with as much as we can return to shareholders. That is an important driver in us delivering on the continued progress that we've talked about. We obviously would want to and will first look to what opportunities for growth of the business exist, so out of the earnings we're able to generate and first to fund that growth.

And then, with what's left and available to shareholders, including the benefits from the reduction in the disallowed DTA that we've been targeting from year-to-year, we would look to distribute that both in the form of continued dividends as well as buybacks. And so, there is some excess that's there. Obviously, there are a number of factors that go into that analysis, including the scenario and so on and so forth. But we'll continue down the path of returning as much as we responsibly can and as it makes sense given the growth trajectory that we see.

BETSY GRASECK: And so, on your 12% to 13% RoTCE goal, is the degree of capital you're envisioning returning and I would think a function of that range as well? Like, that range is being driven in part by the capital. I know you discussed the...

MARK MASON: Yeah. The range does include continued return of capital, not at the payout ratios we've seen in the past, for the reasons that I've mentioned. But absolutely, it includes a competitive continued pay-out in that 12% to 13% RoTCE range.

BETSY GRASECK: Right. Okay. And then, just separately, on your Card guidance, you gave some guidance for Card net charge-offs, both on the Branded and the Retail partner card. And I guess I'm wondering, does that include your expectation for what day-two CECL impact is likely to be? And maybe you could speak a little bit to how you're thinking about CECL and what your assumptions are for the reasonable supportable period of CECL from an economic input perspective.

MARK MASON: Sure. Let me kind of break that in two pieces, if I can. So, on the guidance that I gave regarding cost of credit in Cards – or NCL rates, I should say, in Cards, I referenced that would be a little bit above the 300 to 325 basis points of a medium-term target that we'd set for Branded. And my reference there, and I think I've mentioned this in the past, is that we've seen a higher percentage of conversion into average interest-earning balances. And so, with that higher volume than expected, which is a good thing, that comes with – it's a profitable high-quality volume activity. But with that comes higher NCLs. And so, much of the increase that I referenced that would put us potentially outside of that range is driven by that.

In terms of how we think about our forecast and certainly the range that I've articulated, we have factored in the impact of how we think about CECL. I've referenced in the past a range of roughly 20% to 30% on the high end in terms of the day-one impact. We expect the day-one impact to increase the reserves by roughly 29% to get a little bit more precise or roughly $4 billion, so inside of the range that I've communicated in the past. From a regulatory capital perspective, that will be about 6 basis points of CET1 capital in 2020 with a full impact of about 24 basis points by the time we get to the first quarter of 2023. As you would imagine, the significant build is on the consumer side. So, to your reference to Cards, it's being driven by Cards. And that is based on the increased coverage from 14 months to about 23 months. And so, that's the more significant piece. It's offset by a decrease in the corporate build, which nets down to about the $4 billion.

You referenced kind of day two and we'll talk more about that I'm sure in the forward quarters. But there are, obviously, a number of moving variables that go into that calculation, whether it'd be kind of economic conditions or the seasonality of the business. There are a number of factors there that impact day two. And we've considered that as we look at our 2020 forecast. And as I've given you that range, it factors in that consideration.

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BETSY GRASECK: Okay. Thanks.

MARK MASON: Welcome.

OPERATOR: The next question is from Ken Usdin with Jefferies. Please go ahead.

KEN USDIN: Thanks. Thanks a lot. Good morning. Just a question on capital. I know we're all waiting just the finalization of SCB and the stress test framework. Also, coming out of the year-end, I assume that there was no change to your G-SIB where you landed and all. And so, I guess, the question is just, how are you setting up in terms of the expectations for – regardless of timing around SCB, any potential changes to what the final framework might look like and any anticipated changes to how you have to think about that?

MARK MASON: Sure. So, I guess, I'll first just address directly your reference to the G-SIB score. At the third quarter, we ended up at about 628, which is right below the 629, and so still in the 3% bucket. We should end the fourth quarter well into or inside of that 3% bucket as well, so below the 629 in the low 600s or so, just given some of the seasonality that we see and the focus that we obviously put on, on ensuring that we're managing the business in a responsible way. And so, 3% bucket is where we expect to be for – by the year-end or for the year-end here 2019.

In terms of the stress capital buffer, we've heard – as you've heard a lot of – a number of comments around the interest in getting something out for this next CCAR cycle. We haven't seen anything as of yet. That would need to come out, I think, by middle of February. We obviously are continuing with the normal planning of our CCAR submission. When I think about how we consider that or how we factor that in, I kind of go back to the CET1 ratio that we managed to of about 11.5%. And we have kind of a number of buffers in there, but one buffer in there to account for our estimation of the impact of the stress capital buffer so about 50 basis points above the capital conservation buffer that we have there. And then, we also have a management buffer. And so, my thinking is that as we get more information and clarity on the proposal, we should be able to cover that inside of how we're managing the target that we already have for ourselves.

The final point I'll make is that we continue to take some comfort in the regulators' comments and views that whatever we do with any one of these proposals, including the SCB, that we're targeting capital neutrality across the industry and want to take a holistic approach that is factoring in how each of these proposals will work together in an integrated fashion while preserving that capital neutrality so...

KEN USDIN: Got it. Understood. And just outside of the seasonality, is there anything that, just given the environment and some of the ins and outs of the Fed balance sheet, the volatility – seasonality got you inside that G- SIB. Thanks for clarifying that. And anything else just changing in terms of just flows that you see from the business outside of normal course that's coming via the repo markets, the Fed balance sheet expansion? Or is it just really was a seasonality?

MARK MASON: It was seasonality. And we obviously work to ensure that we were meeting client needs while being able to deliver inside of that bucket, but nothing outside of that. Nothing related to kind of the repo activity, as you had mentioned, in the market.

KEN USDIN: Okay. Thank you, Mark.

OPERATOR: The next question is from Brian Kleinhanzl with KBW. Please go ahead.

BRIAN KLEINHANZL: Great. Thanks. Yeah. Just a quick question on the NIR guidance. Can you just kind of walk through some of the puts and takes that get you comfortable with being able to grow in 2020? And then, also, what's the macro assumptions you're using behind that? Thanks.

MARK MASON: Yeah. So, as I mentioned, we expect kind of total revenue growth in 2020 with a mix from both NIR and non-NIR. We would expect that would be driven by both loan growth as well as mix to get to

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that NIR growth that's there. There'll probably be some – or there will be some kind of volatility on a quarterly basis just due to the idea that NIR has Markets business NIR that flows through there as well. And I walked through that dynamic last quarter. But we do expect loan growth and mix to be primary drivers there, offsetting obviously some of the pressure in terms of the impact of rates.

And your point around, kind of, how we think about the forward look. As we plan for 2020, similar to what's out there in the way of the forward curve, we've assumed one additional rate cut of about 25 basis points towards the back end of 2020. So, 2020 will have the full impact of the three cuts we saw in the back half of 2019 and assumed one incremental rate cut in the back half of 2020.

BRIAN KLEINHANZL: Great. Thanks.

MARK MASON: Welcome.

OPERATOR: The next question is from Marty Mosby with Vining Sparks. Please go ahead.

MARTY MOSBY: Thanks for taking the question. And the net interest margin kind of bounced around and it's not really at or trending like what you would see in the rest of the group. So, I just was curious. The positive benefit you got this quarter, it didn't seem like the balance sheet really created looked like it was a real positive earnings impact because NII was stronger. Is it more sustainable? Or how do you kind of – what are the bearings that kind of move as we go forward?

MARK MASON: Yeah. So, the net interest margin grew by about 7 basis points quarter-over-quarter. And much of that, as I mentioned earlier, was driven by the Markets revenue. So, we saw a big uptick, obviously, year-over-year as the fourth quarter rebounded. And so, that mix resulted in an increase in the NIM up to 2.63%. And as we go forward, I haven't given a forecast on NIM going forward. I have spoken, obviously, as I just mentioned to NIR and non-NIR. But obviously, all of the factors you would imagine such as the loan growth and the mix and all of those things will factor into how NIM plays out in the balance of 2020.

MARTY MOSBY: And then, Mike, I wanted to ask you. At the last Investor Day that Citigroup hosted, it really was about capital. You also then talked about how you had to invest in the business and the overall revenue outlook. It was pretty dicey. It feels like we're in a totally different place where revenue is starting to pick up a little momentum. The investment that was required over the last couple of years, you've accomplished that but maybe not as much going forward. So, the dynamics have kind of moved away from just capital as being the driver to actually now the fundamentals of the business starting to perk up a little bit going into this next Investor Day.

MIKE CORBAT: Well, Marty, I'd love to tell you it's an easy environment. But I think, as we look towards the future, I think one is that our levels of client engagement and what you've seen since Investor Day, we talked about revenue gains coming off of kind of potential wallet expansion, but in particular market share gains. And I think, as you look across all of our businesses – or certainly most of our businesses, we've had that. And I would expect at Investor Day we're going to talk more about that as the things we do I think continue to resonate with the clients, as the investments that we've made in our products, the investments that we've made in service, I think, continue to reap good benefits..

You'll hear us talk again about continued expense discipline. But at the same time, you'll hear us talk about the investments in technology and technology infrastructure and those pieces which we think gives a multiple benefit to safety soundness, gives a benefit to customer experience and obviously gives a benefit on the cost side of things. So, again, I think, as you cite, I think the big outsized times of capital return versus net income are probably coming to an end. But I think, at the same time, the momentum in the franchise accelerates.

MARTY MOSBY: Thanks.

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OPERATOR: The next question is from Gerard Cassidy with RBC. Please go ahead.

GERARD CASSIDY: Thank you. Good afternoon, Mike and Mark.

MIKE CORBAT: Hey, Gerard.

MARK MASON: Hey, Gerard.

GERARD CASSIDY: Mark, I know you just gave us some of the assumptions that you guys are looking at on the macro for your revenue growth for 2020. If we're just talking on this call a year from now, you guys have better-than-expected than modest total revenue growth. What are some of the data points do you think we need to look at throughout the year where the revenue growth could come in stronger?

MARK MASON: Sure. So, when I think about 2020, there are a couple of, I think, critically important factors that I look to. One is continued execution on our North America Consumer strategy. We've gotten some good momentum through the course of 2019. We've made meaningful progress in terms of the capabilities to more deeply penetrate our customers. We've seen good client engagement across that portfolio. And so, that continued momentum playing into 2020 and to the extent that it plays in even more significantly, I think you'll see that as we penetrate more customers, as we grow volumes with those customers, as they use our products and services more – whether through purchase sales or any of the other metrics with Citigold households, et cetera.

The second category is, as I think about our global corporate client and our Institutional Clients Group and the continued great engagement that we're seeing with those clients not just in – in TTS around the world – not just existing clients, but new clients that we've been able to on-board and grow very rapidly, not just with cash management products but also with capital markets offerings like our FX capabilities. And the benefits that those clients are realizing as we invest in technologies that bring those product capabilities together were so to create solutions that allow them to run their operations more efficiently. And so, more traction there would be a second thing that you would look to, I think.

And then, the third thing would be something that one of the things Mike has referenced to a number of times on this call. But that discipline around the need to invest across the franchise and not just in growth but certainly in growth around those important capabilities, but also in how we improve the way we go to market, the way we run our businesses and the efficiency around that. I think the combination of those things and return of capital, obviously, will be the things that you'll be able to look at, at the end of 2020 and have a greater sense of clarity as to why we ended up where we ended up in or better than that range. I don't know if there's anything you want to add to that.

MIKE CORBAT: Well said.

GERARD CASSIDY: No, thank you. And tying into some of your answer, Mark, Mike, obviously, in the Consumer business, credit cards is a great example as economies of scale in the community banks in the states and even some of the regional banks really cannot compete with you and your peers at a profitable level that most investors would find acceptable. If we shift over now to the capital markets business – and I know you have that economies of scale in Treasury and Trade Solutions. Do you think, Mike, in three to four years, could the capital markets be something similar to the credit cards where the five dominant banks really kind of run the show, like in credit cards, for example?

MIKE CORBAT: I think, Gerard, you're already seeing some of that. And we can cite different examples. But one is in Europe. The fact today that, in Europe, the top five banks in the market space are all US banks, right? And by nature of the businesses, those banks are largely all – certainly, we are – operating at scale in the businesses that we're in.

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And so scale matters, and we measure scale lots of different ways. And certainly in the Consumer business but also in the Institutional business, part of scale is your ability to invest, control and build your tech stack, your tech infrastructure to make sure that you're at or out in front in terms of the evolution of the business. So, I think you continue to see consolidation in the capital markets space.

GERARD CASSIDY: Thank you.

OPERATOR: The next question is from Vivek Juneja with J.P. Morgan. Please go ahead.

MARK MASON: Vivek, I apologize. I just have had a hard time hearing your question. I really apologize. If you could repeat that, please.

VIVEK JUNEJA: Sure. When you look at revenue growth, if you look at the revenue growth, it was – when I look at it on a core basis, excluding Trade Web gain and a $1 billion increase in securities gains, it was about a 2% year on full year 2019. For 2020, when you look at your guidance, Mark, are you expecting more securities gains or these gains to continue and any gains from further sales of businesses or portfolios? And also, what assumption do you have for rates outside the U.S., Mark?

MARK MASON: Sure. So, there are a couple of questions in there. As I think about our forward-look and estimate of revenue growth, we are expecting net revenue growth from all of the buckets that I've described. So, core underlying revenue performance is what's going to drive what we see going into 2020. I'd be careful about looking at 2019 just through the items that you mentioned there. There are other things that don't necessarily reflect the underlying strength of the franchise. So, just be careful about kind of narrowing it to just those two things. But the answer to your question is, in fact, that we see good underlying growth in our businesses.

In terms of the forward look on rates, I guess, what I'd point you to is if you look at kind of our interest rate exposure that's in our 10-Q and will ultimately be in our 10-K, we often talk about the impact of a 25 basis point move.

There is an analysis there for both US. dollar and non-US dollar. And you will see that the non-US dollar impact, to get to your question around non-US rates, is not a material impact on a quarter-to-quarter basis. It's a little bit less than $30 million a quarter for a 25 basis point shift in the non-US dollar rates. And obviously, there are a number of different countries that make up that. But it's about – it's less than $30 million.

VIVEK JUNEJA: Okay. Thanks. And I have a question for Mike. Mike, just going back to the equities business and I recognize it's a relatively small business, but I know you had big hopes for this business with a $1 billion increase in revenues a couple of years ago when you were talking about it. Recently, you've had some head count cuts. I know you've already put more capital to work in the prime finance business. So, what can you do tangibly now differently to really get that revenue growth going again because full year 2019 you were at the low end of where you've been in the last five years?

MIKE CORBAT: Yeah. Prior to 2019, and we'll see where the coalition data and other data settles, but it seems like we're coming in somewhere about flat to market wallet where we had the past several years taken share. So, one is we've got to get back on the track of taking share. I think the second piece is that we've got to continue to assess the capacity of our front end and continue to use technology to drive parts of our lower or low-touch business. I think we feel pretty good about the derivatives space. I think we feel good about Delta One. We feel good about prime broker. We feel good about our Securities Services businesses. And all of those are obviously higher returning businesses, i.e., in some cases, less capital. And again, I think based on the nature of the clients that we cover, the consolidation of assets – not just in the U.S., but around the world – we think we've got the ability to face off against those continuing to take share and, again, as we pull the business together, to drive returns and have it make sense.

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VIVEK JUNEJA: If I may, one quick one, Mark. You went to the high end on CECL day one from the 20% to 30%. Given that the economic environment has held up pretty well, any color on what brought you towards the high end? Is it a shift in your Card business which also drove that little increase in charge-offs? Or is there something else?

MARK MASON: Again, there was no particular change as we work through it. We obviously developed our model. There were shifts in balances. But there are a number of different factors that go into that. And I think I've been communicating guidance towards the high end, not just on this call where I talked about the actual number, but on the past couple calls. And so, no meaningful shifts that I'd point to.

VIVEK JUNEJA: Thank you.

OPERATOR: The final question is a follow-up from Mike Mayo with Wells Fargo Securities. Please go ahead.

MIKE MAYO: Hi. I wasn't able to get this in earlier. Just as you look at efficiency, clearly, your guidance implies better efficiency ahead. And it's improved for the last several years. But when we slice and dice the numbers different ways, it doesn't seem to be as efficient as it could be, if you take out Cards, for example. So, how much does technology help keep the expenses flat? And where do you think efficiency can go in the short term and the long term and– I had also asked a prior question about the Google relationship, if I can throw that in, too.

MIKE CORBAT: So, I'll start with Google. And, Mark, you can chime in as well. So, we're out with the announcement. Obviously, Q1 to Q2, we're going to be launching some products here in the U.S. for them. And so, we're not out with the exact design of that, but more to come in the not-too-distant future.

MARK MASON: And on the operating efficiency, in the earnings deck, we kind of show a chart on page 18 of the LTM efficiency ratio. And there, you'd see we've got this continued downward trend, 56.5% for the year, 89 basis points of improvement. What I would say, Mike, is that we put out a target. We put out a target not just on returns but on flat expenses again this year. We're gearing up for Investor Day. We're going to make sure that we can talk to how we think about the future, but also how we think about technology and the role that it plays now and going forward.

We've given you some descriptions on the benefits that accrue to the firm from the investments we've made already. I think we've demonstrated proof points of those generating productivity savings consistently, and we expect that to continue. But in terms of much more detail around the technology benefits or around how we think about beyond 2020, I'd ask that you kind of wait for us to get to Investor Day where we can talk about it in a more holistic way.

MIKE MAYO: I guess I'll reserve May 13 on my calendar. Thanks a lot.

MIKE CORBAT: Thank you.

MARK MASON: Thank you.

OPERATOR: At this time, I would like to turn the conference back over to management for any closing comments.

ELIZABETH LYNN: Thank you, all, for joining today. And of course, if you have any follow-up questions, please feel free to reach out to us in Investor Relations. Thank you, and have a good day.

OPERATOR: Ladies and gentlemen, thank you for participating in today's conference call. You may now disconnect.

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