TRANSCRIPT

**Citi First Quarter 2020 Earnings Review**
*Wednesday, April 15, 2020*

**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 First Quarter 2020 Earnings Review with Chief Executive Officer, Mike Corbat, and Chief Financial Officer, Mark Mason. Today's call will be hosted by Elizabeth Lynn, Head of Citigroup Investor Relations.

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

Miss 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 as well as those included in our SEC filings, including without limitations, the Risk Factors section of our 2019 Form 10-K.

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

**MIKE CORBAT:** Thank you, Liz, and good morning, everyone. Today, we reported earnings for the first quarter of 2020. With net income of $2.5 billion, we had earnings per share of $1.05. Our earnings were significantly impacted by the COVID-19 pandemic. We had strong revenue performance as the economic shocks caused by the pandemic weren't felt until late in the quarter, and we continued to show expense discipline. However, as you would expect, credit costs reduced our net income. The significant loan loss reserves we took also reflected the day-two impact of the new CECL accounting standard.

In our Institutional Clients Group, we had strong performance in our Markets business as we helped clients navigate severe volatility. That led to trading revenues that were higher than last year in what is typically a strong quarter for that business as it is. Treasury and Trade Solutions was impacted by the cuts to interest rates, but client engagement stayed very strong throughout the quarter. Investment Banking matched last year's solid performance as we continued to gain share among our target clients.

Global Consumer Banking also fared well from a revenue perspective, considering the environment. In the US, we had strong revenue growth in Cards, with Branded and Retail Services up 7% and 4%, respectively. We grew average deposits 8%, with another solid portion acquired digitally. In Asia, we saw a slight revenue decline as the economic impacts of COVID-19 first materialized in that region. In Mexico, revenues rose modestly, excluding a one-time gain from 2019, as the virus had limited impact on that country's economy during the quarter.

Our tangible book value per share increased to $71.52 at the end of the quarter, up 9% from a year ago. We ended the quarter with a Common Equity Tier 1 ratio of 11.2% as our risk-weighted assets increased significantly due to increased client demand.

As I said, this isn't a financial crisis; it's a public health crisis with severe economic ramifications. Although we did have good revenue performance this quarter, we exited the quarter in a dramatically different environment. While we built significant loan loss reserves, no one knows what the severity or longevity of the virus' impact on the global economy will be. That said, we entered this crisis in a very strong position from a capital, liquidity and balance sheet perspective. We have the resources we need to serve our clients without jeopardizing our safety and soundness.

Now, I'd like to take a moment to highlight some of the things that we're doing to help our people, clients and communities which you can see on slide 3. I have to say, I'm very proud of how our people have responded to this fast-moving situation. We've been very aggressive shifting to remote working to reduce our people's chances of becoming infected. Where the spread of the virus dictates it, we only have people going to our sites if there's no possible way they can perform their roles remotely.

For example, last week, in North America Markets and Securities Services, 98% of our people worked remotely. And globally, our people have adapted well to this new way of working with over 80% of our colleagues working remotely. The investments we've made in our technology have allowed us to operate very smoothly in a set of circumstances that would've been hard to imagine with such a large share of our workforce working remotely at the same time. Those investments are also helping us to serve our clients through digital and mobile channels, whether it's a consumer depositing a check or a corporate treasurer managing liquidity.

Our investments in risk management and controls, while never complete, are also serving us well in the face of a severe economic downturn and large swings across markets whether in equities, fixed income or commodities.

We've tried to help keep our people financially healthy as well and reduce the stress they're facing. We decided last month to make a one-time payment of $1,000 to employees who make $60,000 or less per year in the US and are making equivalent payments in our international markets. And we've halted new reductions in our workforce for the time being.

From a consumer and institutional perspective, we're well-positioned to serve the clients and the customer segments we've been focusing on. We know many consumers are facing real struggles and we're doing our best to support them. We were quick to implement the ways to reduce the burden on our consumer clients and announced additional accommodations last week in the US.

While we haven't been a large player in small business lending, we're ramping up our efforts so we can support clients who participate in the Payroll Protection Plan, and we have additional consumer relief programs in place in our international consumer franchise. We're working hard to support our corporate clients, many of whom are facing financial pressure. We've been able to support them while keeping within our risk and liquidity limits.

We've also been helping the communities we serve during this extraordinarily difficult time, partnering with groups like the World Health Organization. Citi's foundations have already committed $30 million to-date to support those impacted and we'll make additional announcements in coming days. We've donated personal protective equipment to hospital workers. And last week, we started using our cafeteria in our headquarters to make meals for food banks.

Our people keep coming up with new ways to help, and I couldn't be prouder. And, as a bank, we'll do everything we can to support the broader economy. We serve as a transmission mechanism for policy makers for both fiscal and monetary, which they can use as a bridge to the real economy.

 

Looking forward, there are too many unknowns to count: the path the virus will chart; whether there will be successful interventions; the action government leaders will take to either reopen the economy or put in place measures that will further restrict it. We also have to bear in mind COVID-19 is a new disease and the medical guidance continues to evolve as you would expect. But I feel confident in our ability to manage through whatever scenario comes to pass.

And with that, Mark will go through our presentation and then we'd be happy to answer your questions.

**MARK MASON:** Thank you, Mike, and good morning, everyone. Starting on slide 4. Citigroup reported first quarter net income of $2.5 billion. Results included a $4.9 billion increase in credit reserves this quarter. This reserve increase reflects the impact of changes in our economic outlook due to COVID-19. These builds are larger given the significant impact this change in our economic outlook has on our estimated lifetime losses under the new CECL standard.

Revenues of $20.7 billion grew 12% from the prior year, primarily reflecting higher Markets revenues and the benefit of mark-to-market gains on loan hedges in our Corporate Lending portfolio. Expenses were roughly flat year-over-year, and we were able to deliver positive operating leverage and a 27% improvement in operating margin. Credit costs were $7 billion this quarter. Our effective tax rate was 19% for the first quarter, below our full year outlook, reflecting a small benefit associated with stock-based incentive compensation.

The ultimate economic impact of this health crisis and our performance will continue to evolve over the coming quarters. The impact that we're already seeing varies across our franchise. We saw the earliest impact on consumer behavior in Asia as spending slowed in response to restrictions on travel and other commercial activity. We're seeing the same pattern today here in the US, and now beginning in Mexico, which is likely to put pressure on loan balances.

However, deposit growth remains strong across regions and we're leveraging digital channels to engage with our clients. The rate environment has changed significantly. Our accrual businesses reflect the impact of the three US rate cuts seen last year as well as some impact from additional cuts seen this quarter in response to the crisis, with an expectation for a more pronounced impact going forward.

Although, I would note that this is being partially offset in areas like TTS where clients are moving volumes towards us as a stable partner of choice. A similar dynamic is playing out in Markets where we are also seen as a counterparty of choice. Additionally, we're seeing higher corporate loan volumes, reflecting drawdowns and new facilities given our clients' response to the crisis.

And finally, our performance in Investment Banking reflects the market volatility we've seen as well as the uncertainty that remains on the corporate side. From the onset, we've been focused on our employees and our clients and ensuring we maintain balance sheet strength to serve them through this uncertainty.

As of March 31, our CET1 Capital ratio was 11.2%, below our stated target of 11.5%, given our efforts to support our clients through this period. Additionally, we had over $800 billion in available liquidity to help support our clients. Including the $4.1 billion transition impact as we adopted CECL at the beginning of the year, as well as the additional reserves taken this quarter, credit reserves stand at roughly $23 billion, with a reserve ratio of 2.9% on funded loans.

With the level of capital, liquidity and the reserves we hold today, plus significant pre-provision earnings power, we are operating from a position of strength. We're combining this financial strength with operational resiliency, given investments in our people, operations and technology along with digital capabilities, which allow us to partner with and support our clients as we all manage through this crisis.

Turning now to each business, slide 5 shows the results for Global Consumer Banking in constant dollars. Revenues grew 2% as growth in North America was partially offset by lower revenues in Asia, reflecting the initial impact of COVID-19 on customer behavior. Expenses were roughly flat, allowing us to deliver positive operating leverage and 5% improvement in operating margin. Total credit costs of $4.8 billion were up significantly from last year, including a reserve build of approximately $2.8 billion, primarily related to the impact of changes in our economic outlook.

Slide 6 shows the results for North America Consumer in more detail. First quarter revenues of $5.2 billion were up 4% from last year. Although the impact of COVID-19 has only been felt in North America in recent weeks, we have leveraged our experience in Asia to inform our response strategy.

We were one of the first banks in the US to provide assistance to help impacted customers, starting in early March. We've since expanded that support and continue to evaluate whether additional support is needed. In addition, the enhancements we have made to our digital capabilities have prepared us to better respond and continue serving our customers as they manage through this crisis.

Digital deposit sales remained strong this quarter at $1.6 billion. We've continued to drive mobile adoption, up 13% year-over-year. We made changes to allow our customers to use self-service channels for more transactions including increased limits for ATM withdrawals, mobile check deposits and Zelle transactions. And we've continue to launch new digitally-led value propositions such as Citi Wealth Builder, a new digital investment platform for clients in the emerging affluent segment. These capabilities are allowing us to remain engaged with our clients even as roughly 40% of our branches in the US are now temporarily closed, driven by lower customer traffic particularly in urban areas.

Turning now to the businesses, Branded Cards revenues of $2.3 billion grew 7% year-over-year, driven by 5% loan growth and continued spread expansion with net interest revenue as a percentage of loans improving to 933 basis points this quarter. Client engagement remained strong through February with purchase sales growth of roughly 10% for the first two months of the quarter. However, as seen across the industry, purchase sales declined significantly in late March with the implementation of more extensive lockdowns in many states.

Categories like travel and entertainment have seen the biggest impact, while there has been some offset from higher spending on essentials as well as higher online sales. So, in total, we grew purchase sales 3% in Branded Cards in the first quarter, but the trend line over the past month would indicate a significant decline in purchase activity in the second quarter, which is expected to impact loan growth.

Retail Banking revenues of $1.1 billion were largely unchanged year-over-year as the benefit of stronger deposit volumes, and an improvement in mortgage revenues, were offset by lower deposit spreads. Our deposit momentum continued to improve with average deposits up 8%. As I noted earlier, digital deposit sales remained strong this quarter even as we continued to adjust pricing given the current rate environment. We also saw strong engagement with existing clients, driving balanced growth across deposit products including checking. While AUMs declined by 6% due to market movements, we drove continued growth in Citigold households and investment fees during the quarter. And mortgage revenues grew as a result of increased refinancing activity.

Finally, Retail Services revenues of $1.7 billion were up 4% year-over-year, reflecting lower partner payments and higher average loans. Purchase sales were down 3% year-over-year in the first quarter, again, including significant pressure in late-March driven by reduced client activity and store closures at some of our partners. This is expected to have an impact on new account acquisitions and loan balances as we move through the year. Total expenses for North America Consumer were down 1% year-over-year as efficiency savings more than offset investment spending and volume-related costs.

Turning to credit, total credit costs of $3.9 billion increased significantly from last year. We built roughly $2.4 billion in reserves this quarter, reflecting the impact of changes in our economic outlook. And net credit losses grew by 8% year-over-year, reflecting loan growth and seasoning in both Cards portfolios.

Our NCL rates in US Branded Cards and Retail Services were 346 and 553 basis points respectively, consistent with the uptick we typically see in the first quarter. Historically, we've seen higher NCL rates in the first half versus the second half of the year. However, given the rapidly changing economic environment due to COVID-19, we are likely to see increased pressure on NCL rates in the back half of 2020, consistent with the reserve actions we took this quarter.

On slide 7, we show results for International Consumer Banking in constant dollars. In Asia, revenues declined 1% year-over-year in the first quarter. Despite the early emergence of COVID-19 in the region, we saw strong investment and FX revenues through most of the quarter. This was offset by lower purchase sales activity and loan balances in our Cards business, driven by restrictions on movement and changes in customer behavior.

We also saw an impact on customer acquisitions in products like insurance, which rely more heavily on face-to- face engagement. However, average deposit growth remained strong at 8% this quarter and we continue to drive digital engagement across the franchise. Today, we are seeing some early signs of a pick-up in activity in China as movement restrictions have eased over the past week or so, but that is a small consumer business for us and, of course, many other markets are still in an earlier stage of managing through the crisis.

Turning to Latin America, total consumer revenues were largely unchanged year-over-year and grew 3% excluding a residual gain last year on the sale of our asset management business. Similar to other regions, we saw good growth in deposits in Mexico this quarter, with average balances up 4%, and we're also benefiting from improved spreads in Cards. However, we continued to see pressure on overall loan growth. And while we haven't yet seen the full impact from COVID-19 in Mexico, we did see a slowdown in purchase sales in March, which is expected to continue as customer behavior will likely follow the pattern we've seen in other regions.

In total, operating expenses for our International business were up 3% in the first quarter, driven by Mexico, reflecting investments as well as episodic items, partially offset by efficiency savings. And cost of credit increased to $939 million, primarily driven by the impact of changes in our economic outlook.

Slide 8 provides additional detail on Global Consumer credit trends, which shows the seasonality we typically see in the first quarter. Overall, we have not seen a pronounced impact from COVID-19 on our credit statistics, but it is still early. We do anticipate rising unemployment and, therefore, higher loss rates than originally expected for this year.

However, it is unclear what benefit the historic $2 trillion relief package as well as our own customer relief efforts will have in helping to mitigate some of the potential stress on consumers. I would also note that we are taking appropriate actions to manage new and existing credit exposures including investments in our operations. And importantly, as I've noted on prior calls, we feel good about the quality of our consumer credit portfolios both relative to the industry as well as Citi's historical risk exposures.

If you look at our US Cards portfolios as an example, the FICO distributions of our outstanding loans and open-to-buy exposures skew much more towards the higher end than before the 2008 crisis. And as a result, when we stress today's card portfolios to the same level as 2008, our pro forma loss rates are 25% to 30% lower than experienced in the last crisis.

In Asia, as you can see from our credit metrics, we maintain a very low risk portfolio targeted at high quality consumers in both our unsecured and mortgage portfolios, where our average LTV is less than 50%.

In Mexico, we clearly serve a wider range of clients compared to our other regions given our national footprint. However, we generally target a higher-quality segment than our local peers. The credit profile of our clients has improved over time as we have remained disciplined and tightened our lending criteria since the crisis, which is reflected in our more stable NCL rates over the past few years.

We generate strong margins in Mexico as well, with a net credit margin in Cards, for example, of roughly 20%. That said, clearly the impact of COVID-19 is not fully known at this point and we remain vigilant in managing the portfolio.

Turning now to the Institutional Clients Group on slide 9. Revenues of $12.5 billion increased 25% in the first quarter, as strong performance in Fixed Income and Equity Markets as well as the Private Bank was partially offset by lower revenues in TTS and Corporate Lending. The quarter also benefited from the impact of $816 million of mark-to-market gains on loan hedges as credit spreads widened during the quarter.

Total Banking revenues of $5.2 billion decreased 6%. Treasury and Trade Solutions revenues of $2.4 billion were down 5% as reported and 2% in constant dollars, as strong client engagement and solid growth in deposits were more than offset by the impact of lower interest rates. Our global footprint enables us to have a unique relationship with our clients. Given the breadth of that relationship, we're playing a pivotal role in helping our clients navigate through these unprecedented times.

We continue to see robust underlying business drivers in TTS including 24% growth in end-of-period deposits in constant dollars as well as 6% growth in cross-border flows. And we continue to see the benefits of our investments in technology given the accelerated adoption of digital tools. In March, while we, as well as most of our clients, were working remotely, we opened close to 1,000 accounts digitally, three times the number we opened digitally in March of last year.

We've also seen rapid growth in CitiDirect users, up 25% year-over-year in the quarter to over 580,000 users. And within that, active mobile users increased tenfold this year. But as we exited the quarter, we did see the full pressure of the lower rate environment begin to take hold, with revenues down 9% year-over-year in the month of March on a reported basis.

Investment Banking revenues of $1.4 billion were largely unchanged from last year, outperforming the market wallet as growth in M&A and equity underwriting were offset by a decline in debt underwriting. However, I would note that investment grade debt underwriting was up double digits year-over-year, as we helped our clients source liquidity in this evolving environment.

Private Bank revenues of $949 million grew 8%, driven by increased capital markets activity, as we supported our clients through turbulent market conditions, and higher lending and deposit volumes partially offset lower deposit spreads, reflecting the impact of lower interest rates.

Corporate Lending revenues of $448 million were down 40%, primarily reflecting an adjustment to the residual value of a lease financing, as well as other marks on the portfolio. And while average loans were roughly flat, we did see a meaningful increase in end-of-period loans this quarter, reflecting the drawdowns and new facilities that I mentioned earlier as we continue to support our clients.

Total Markets and Securities Services revenues of $6.5 billion increased 37% from last year. Fixed Income revenues of $4.8 billion grew 39% year-over-year, with growth across rates and currencies and commodities. As volatility, volumes and spreads reach record levels, we actively made markets during this turbulent period for both corporate and investor clients. Equities revenues of $1.2 billion were up 39% versus last year, reflecting a strong performance in derivatives, including an increase in client activity due to higher volatility. And finally, in Securities Services, revenues were up 1% on a reported basis, and 5% in constant dollars, driven by higher client activity and deposit volumes, partially offset by lower spreads.

Total operating expenses of $5.8 billion increased 3% year-over-year as efficiency savings were more than offset by higher compensation costs, continued investments and volume-driven growth. Total credit costs of $2 billion were up significantly from last year. We built roughly $1.9 billion in reserves this quarter. The increase in reserves primarily reflected the impact of changes in the economic outlook, as well as some downgrades, along with volume growth in the portfolio.

As of quarter-end, our funded reserve ratio was 81 basis points, including a funded reserve ratio of roughly 2% on the non-investment grade portion. We provide more details on the corporate portfolio in the appendix to our earnings presentation. Total non-accrual loans increased sequentially this quarter, but the ratio of non-accrual to total corporate loans remained low at 57 basis points.

Overall, we feel good about our corporate credit quality, and like consumer, we remain vigilant in managing the portfolio and reserve levels relative to the stresses we see out there today.

Slide 10 shows the results for Corporate/Other. Revenues of $73 million declined significantly from last year, reflecting the wind-down of legacy assets, the impact of lower rates, as well as marks on legacy securities, as spreads widened during the quarter.

Expenses were down 24% as the wind-down of legacy assets was partially offset by higher infrastructure costs, as well as incremental costs associated with COVID-19, including a special compensation award granted to roughly 75,000 employees who are being most directly impacted by COVID-19. And the pre-tax loss was $535 million this quarter, higher than our previous outlook, reflecting loan loss reserves on our legacy portfolio, marks on securities, the impact of lower rates as well as the special compensation award.

Slide 11 shows our net interest revenue and margin trend. In constant dollars, total net interest revenue of $11.5 billion this quarter declined slightly year-over-year, as the impact of lower rates was mostly offset by loan growth and an extra day, along with higher trading-related NIR.

On a sequential basis, net interest revenue declined by roughly $330 million, reflecting the lower rate environment, one fewer day in the quarter, and the adjustment in corporate lending that I mentioned earlier. And net interest margin declined 15 basis points sequentially, with lower net interest revenues driving roughly half of the decline and the remainder reflecting growth in the balance sheet.

Turning to non-interest revenue, in the first quarter, healthy business performance for most of the quarter as well as a strong pick-up in trading activity in March drove a significant increase in non-interest revenue. As we look to the second quarter, we expect both net interest revenues and non-interest revenues to decline, reflecting the full-quarter impact of lower rates, as well as a much more pronounced impact from COVID-19.

On slide 12, we show our key capital metrics. During the quarter, our CET1 Capital ratio declined to 11.2%, driven mostly by the increase in risk-weighted assets. The increase in RWA reflected our support to our customers, as well as increased market volatility and widening credit spreads. Our supplementary leverage ratio was 6% and our tangible book value per share grew by 9% to $71.52, driven by net income and the reduced share count.

In summary, the environment changed dramatically this quarter, but we continued to operate well in a challenging environment. We ended the period with a strong capital and liquidity position. We certainly saw the impact of slower global growth and macro uncertainty on our top-line results as we exited the quarter. But we feel good about our ability to manage risk through this cycle. We remain disciplined in our target client strategy and feel strongly that our focus on these higher-quality, more resilient segments is the right strategy in any economic environment.

Looking to the second quarter and the rest of 2020, let me remind you that we are all operating with a great deal of uncertainty today, and our performance will continue to evolve over the coming quarters. With that said, given the adverse impact of COVID-19, we no longer expect to deliver the RoTCE of 12% to 13% for the full year.

 

Based on what we're seeing today, on the top-line, we expect the revenue trends in the latter part of March and beginning of April characterized by COVID-related lower levels of activity, particularly in banking and our Consumer franchise, will continue through much of the second quarter. And in our Markets business, revenues should reflect the broader industry. The first quarter is typically the strongest quarter and, clearly, this year was particularly strong, so we would expect some normalization in activity levels here. And finally, we will see the more pronounced impact of the lower rate environment on the top-line.

On the expense side, there are a couple things that are important to consider as we think about running the franchise and managing our expenses, including the uncertainty of the impact of COVID-19; how do we continue to protect our employees who are on the front line; and how do we ensure that we are able to help our customers manage through this.

And from this standpoint, we're being thoughtful about where we need to deploy resources to ensure we can deliver for our customers in a period where roughly 80% of our workforce is working remotely. Here we feel good about the investments we've made over the last few years in technology. These investments are allowing us to manage through this period and support our customers and clients through digital means.

However, I would also note that during these unprecedented times, we're also exploring all opportunities to operate as efficiently as possible and potentially re-pace certain investments we would've otherwise made in order to offset some of the headwinds created by COVID-19. We would also expect to see a natural reduction in some volume-related expenses, including T&E, meeting and event costs.

So again, there's a lot of uncertainty today, but we will have more to say on both the top-line impact as well as these efficiency efforts in the coming months as the impact of COVID-19 is better understood. That should hopefully give you a sense of how we're thinking about the environment and our pre-provision earnings power.

Turning to credit, looking ahead to the second quarter and the remainder of 2020, we do expect a higher level of losses given our current outlook. And as our outlook continues to evolve, it is also reasonable to expect additional increases in credit reserves if our outlook deteriorates further. However, given the credit quality of our portfolio, we remain confident in our ability to maintain our overall strength and stability as well as continue to support our customers and win new business.

Undoubtedly, every company around the world will feel an economic impact from this unprecedented situation. But we are confident that Citi will emerge in a position of strength, having demonstrated that we lived up to our stated objective to be an indisputably strong and stable institution and having shown that we stood by our clients and supported our customers and employees during this very difficult time.

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

**QUESTION AND ANSWER**

**OPERATOR:** Your first question is from the line of Glenn Schorr with Evercore.

**GLENN SCHORR:** Hi. Thanks very much. Curious if you could give us a little bit more of the assumptions behind the reserve build. And because Cards is a little bigger for you guys, I'm curious if you could talk about the reserve on how you think about it from a Branded versus Retail Services partner cards perspective. Thanks.

**MARK MASON:** Sure. Good morning, Glenn.

**GLENN SCHORR:** Good morning.

**MARK MASON:** So you can turn to page 20, we've broken out some additional details here, and you can see we started, or ended the year I should say, with about $14 billion in reserves. You're right, the lion's share of that is in Cards and split between Branded and Retail, and our focus obviously tends to be on the higher FICO scored clients and that skews certainly the case in Cards and tends to be higher on Retail Services, but not quite as high as on the Cards side. So that's going to impact a little bit the split between the two.

You can see in terms of the day-one impact that was about $4.1 billion. We talked about that on the last call and we built another $4.9 billion. So that gets us to a total reserve balance of almost $23 billion. What I'd point out is the Cards piece, obviously, is at roughly 9.5% of LLR to loans, but again we tend to think of this as a higher quality book.

In terms of the factors that become important, there are a host of variables that we run through our model as well as combined with severity of a recession, probability of a recession. I would say that the two most critical as it relates to Cards and, again, they're all important and understanding how they work together becomes important, but two very important ones become obviously GDP and unemployment and how that affects the underlying behavior of the consumer in each of those instances.

Obviously, in Retail Services, there are partners that we have that are more directly impacted by the COVID-19 situation, but we also have the $2 trillion relief stimulus that's been introduced, and little bit unclear as to how that ultimately plays out and impacts the behavior. So lots of puts and takes going through the model. Those economic assumptions changed kind of straight through the end of the quarter, but the short of it is that, based on our outlook as of then, this additional build of $2.4 billion for Cards was the appropriate amount for us to take.

**GLENN SCHORR:** That's very helpful insight. Thank you. Maybe just one follow-up. I'm curious your view, because you're in the midst of all of it, how much has the financial plumbing been improved by some of the government actions? And then where – most importantly, do you see that we need the most improvement lest to come on the plumbing, things like money markets, CP, I'm talking about. Thanks.

**MIKE CORBAT:** Glenn, I would say that the actions that we've seen out of the combination of the Fed and the Treasury are truly extraordinary, not just in terms of the volume of dollars and programs, but I think the breadth that's there and the speed of which they've implemented them, whether it's been the CP facility, the money market liquidity facility, the repo facilities, the broader corporate pieces, the SBA loans, and now, not something that's being talked about that much, but is this Main Street program that's there.

And I think, from a plumbing perspective, your question's a good one because, obviously, the real economy doesn't have direct access to the Fed or to the Treasury. And I think it's the banks' and, in particular, the big banks' role, one of many roles that we play, to be that transmission mechanism between fiscal, monetary and the real economy. And I think you can just see in terms of, in the early days, how the markets were trading, a lot of the fears and concerns that were there, and whether it was the early fears of draws, whether it was the early fears of money funds and being able to get liquidity across the board, and I think the programs have gone a long way. I think there's still a few things out there that probably need some work. Certainly, as an institution, as an industry, we're in constant dialogue with the Fed and the Treasury on those. And again, as I suspect, as those things create challenges, it's likely that we will see a reaction come out of those bodies to be able to address it.

So I think the plumbing is actually working pretty well, that in spite of working remotely in the numbers that Mark and I spoke to, we had in late-March record volumes of trading in terms of settlement, clearing, margin, margining in the system. And again, most of that done remotely. And we all would've said to each other 6, 9, 12 months ago, we're going to model for this type of stress, we probably all would've been skeptical in terms of how the system performs. So I'm proud of how we've performed, and I'm quite pleased so far how the system has performed.

**GLENN SCHORR:** Excellent. Thank you, both.

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

**ERIKA NAJARIAN:** Hi. Good morning.

**MARK MASON:** Good morning.

**MIKE CORBAT:** Good morning, Erika.

**ERIKA NAJARIAN:** Thank you, Mark. Hi. Wanted to clarify your statement on Card losses. So, just wanted to make sure I was interpreting it correctly. You said that the losses today, the cumulative losses today, could be 20% lower than the global financial crisis experience. And when I look back at the regulatory data, 2009 and 2010 would add up to a 20% loss rate. So wanted just to make sure we were interpreting that correctly, that you could see losses of 15% to 16% in Card in a cumulative loss scenario, which is about in line with both the company run DFAST and the Fed stress test.

**MARK MASON:** Yeah, sure. What I said was that, if you take the Cards portfolio we have today, which is of a better quality than it was back in 2008, and you were to stress it for the 2008 financial crisis that, yes, our pro forma loss rates would be 25% to 30% lower than what we experienced in the last crisis. That's what I said.

**MIKE CORBAT:** And I think, to be clear, basically, that's not a prediction. It's just a level setting based on historic data.

**MARK MASON:** Yeah.

**ERIKA NAJARIAN:** Got it. And one of your peers noted in a call yesterday that they were comfortable going below their regulatory minimum of 10.5% to service clients. And I'm wondering what Citi's stance is on going below that 10% bright line, especially since that's where the automatic distributions on dividend and other payouts kick in.

**MARK MASON:** Yeah, why don't I start, Mike

**MIKE CORBAT:** Sure. Go ahead.

**MARK MASON:** Look, I think our view is, we are clearly living in an uncertain period of time. The crisis we're facing is unprecedented. And if I think about our objectives, primary objective, ensuring the safety and well-being of our employees, second to that, or in addition to that, ensuring that we are positioned to serve our clients, our customers and to play an important role in stabilizing the economy.

And so when I think about the combination of those things, we want to be there for our clients. And I think we're expected to be there for our clients in a period like this. And you've seen our CET1 ratio drop to 11.2% this quarter and, as the needs of our clients evolve, we're going to be there for them. And if that means that our ratio takes more pressure then we'll manage through that. If we were to drop below the 10% you referenced, there's still plenty of room between that and the use of the buffer that the regulators have authorized. And so we're managing it thoughtfully, diligently, but in the context of those priorities that I mentioned.

**ERIKA NAJARIAN:** Thank you.

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

**BETSY GRASECK:** Hi. Good morning. How are you?

 

**MARK MASON:** Good morning, Betsy.

**MIKE CORBAT:** Hi, Betsy.

**BETSY GRASECK:** Question, as it relates to the use of that capital, part of it is coming from the drawdowns. And I wanted to understand how you think your clients are going to be using those drawdowns. Do you expect them to persist for many quarters? Many years? Or do you think that we will, over the next 12 months, see some pay-down of that through terming out in the capital markets? And maybe also give us a sense as to the associated deposits, how much of the drawdowns came back into your liquidity view of the deposits and persistency there as well would be helpful. Thanks.

**MIKE CORBAT:** Yeah. So, Betsy, I would say kind of looking at the numbers, we had roughly right around about $30 billion, $32 billion worth of draws in the first quarter, so somewhere 10%, 11%, 12% of our outstanding but unfunded. So I wouldn't call that an overly meaningful number. And I think, going back to my earlier comment to Glenn, I think that the extraordinary actions taken in the CP facilities in terms of some of the corporate facilities, some of the SBA or probably more likely the Main Street lending facilities alleviates a lot of that pressure. I think we saw two things there.

There were clearly those industries that were under stress and those were pretty easily identifiable along the list that Mark had described. And then, I think there were those that just believed that it was a good time to bring in liquidity. And I think, as the Fed programs and the Treasury programs came into place, the bond markets reopened, you saw a record issuance of debt in the late first quarter.

And again, when you look at our portfolio, it's predominantly an investment grade portfolio, and that investment grade portfolio in times with those programs in place has access to the capital markets. And so we saw people shift there. Obviously, it's something we're paying attention to, we're in constant dialogue with our clients, but again, I think certainly coming into the second quarter, we've actually seen really de minimis draws on the facilities and I think, in our dialogues, we don't see or feel that pressure right now.

**BETSY GRASECK:** Got it. And then on the deposit side, can you give us a sense as to the percentage of the draws that went into deposits and how you think about the persistency of those deposits as well?

**MARK MASON:** Yeah, let me comment a little more broadly on the deposits. So, the ICG deposits that we saw come in in the month of March were about $92 billion. So deposits grew pretty significantly just in the month of March. And if I break that down, about a third of those were from corporate clients that built liquidity through draws or issuance, and it's not necessarily just liquidity, just draws from us, but about a third of it we would attribute as being tied towards that increase in liquidity draws or issuances that they've done. About a third were from broker-dealers, clearinghouses and financial institutions as they bolstered kind of their liquidity buffers, and then a third were from investor clients de-risking and moving to cash.

And so that gives you a little bit of a sense for the mix. We obviously look at the persistency of the deposits and some of those are certainly operating deposits. And I think part of what will inform the view to some extent is, as Mike described, the additional channels that are now available for clients to access additional liquidity as needed, but also how long this persists. And there's a fair amount of uncertainty, as you heard us reference, as to how long this crisis we're managing through persists. So, hopefully, that gives you a sense.

**BETSY GRASECK:** Got it. And the fact that the drawdowns have slowed dramatically, de minimis in your words, Mike, the pressure, I would expect, going forward on CET1 is going to pull back as well. So maybe if you could give us a sense as to how you're thinking about that, and then in the context of that how you're thinking about the dividend. Thanks.

**MIKE CORBAT:** Sure. So I think, as Mark described, the way we thought about, you saw us kind of put our balance sheet to use and you saw the CET1 move from the 11.8% to the 11.2%, clearly, leaving us lots of room, lots of buffer. And again, we're early in this. We don't know where this will go, but our gut or how we're thinking about this is, this recovery is going to be uneven. I would say that, as a team, we've pretty well discounted a uniform V-shaped recovery. The question, is it U-shaped? Is it W-shaped? Are parts of it L-shaped? And I think we want to retain a lot of flexibility and capacity to be able to step into the situations that count. And again, I think, as we said, that includes two roles. One is how do we use our own balance sheet, and then how do we actually use and bring to life a lot of these programs, the continued programs, that are being put out there by the Fed and the Treasury?

So, in the right situations, we're prepared to let that ratio go down. We're in conversations with our board. We are in conversations with our regulators. And I think as Mark said, we feel that we've got a lot of capacity in terms of capital and things that we can do before we get near triggering any conversations around dividend. But, again, we're going to treat that as a time when it comes. But, to be clear, in our capacity here and the way we're looking at things, we remain committed to paying our dividend.

**BETSY GRASECK:** Got it. Thank you.

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

**KEN USDIN:** Thanks. Good morning. A couple more questions on the Cards business, if you don't mind. So, just if you kind of separate the Branded Cards from the Retail Services and can you help us talk about just what you're seeing, relatively speaking, in terms of – we can see it in the rate of change that happened in the first quarter, but would you expect a divergence in either spend trends, volume balances and credit as this evolves? Any color you can help us with there. Thanks.

**MARK MASON:** Sure. Why don't I start just in terms of the spend? And so, in the quarter, if I think about kind of the last week of March, the card spend activity, just broadly for us, was down about 30%; US spend by category down a total of 30%. The big categories, if you will, impacted are not going to be of any surprise to you. Travel down 75%; dining and entertainment down some 60%; discretionary retail, which would include apparel, department stores, et cetera, down 50%. Essentials were up 10%. And so, as I think you would expect and, again, that got us to a total of down about 30% in just the last week.

We all have seen what has continued to happen over the past couple of weeks, and so we would expect there to be continued pressure on purchase sales volumes through most of the second quarter in light of the way this is persisting. And that should play out as well on, ultimately, loan volumes in which we expect to see some top line pressure there.

Similarly, as you referenced, we have a large Retail Services business, and we have partner clients who we advise in that regard, and we've been working with them to help drive sales digitally. But, obviously, the shutdown of most of the economy and the stay-at-home orders as well as the temporary store closures across most of the country will certainly impact our partners and our results, including a slowdown in new customer acquisitions as well as, again, a lower purchase sales volume through that part of our business.

That said, we've got a number of partners who do operate – large partners, I should say, who do operate as essential resources to the economy, and while they'll have lower store traffic, they will be able to continue to kind of serve. And then, ultimately, as I said, we would expect the second quarter to have some of that top line pressure play through and, over the course of the year, to see a pickup in NCLs subject to, of course, how things like the $2 trillion relief package and some of the other customer relief offerings that we put out take hold.

**KEN USDIN:** Yeah. Thank you. And just a follow up. Should and if balances come down, just given that Cards is such a big part of your balance sheet, is there a positive offset that comes through with regard to the reserving needs? Just wondering how Cards specifically for you guys and that in and out with regards to spend and outstandings informs how the ins and outs of Cards reserve builds, if that's a fair question?

**MARK MASON:** Yes. If you think about CECL and how it works and the idea of building expected lifetime losses in any given quarter, there are a number of factors that come into play. So, your probability of recession, your severity of recession, our view on the important economic variables and how they're going to play out as well as balances. And so, as the balances shift and the mix and the makeup of those balances shift, that's going to have an impact on what we would expect in the way of those lifetime losses and, therefore, what we would expect in the way of how the reserve balance would move.

**KEN USDIN:** Got it. Okay. Thanks a lot.

**MARK MASON:** Thank you.

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

**MATT O'CONNOR:** Good morning. So, in the US, there's obviously a lot of efforts underway to kind of soften the blow to the consumer as we think about credit losses; there's the fiscal help, there's payment deferrals. Maybe you could just talk about kind of what's going on in Mexico and Asia and some of your bigger markets there in terms of things that might soften the blow for the consumer. And is it as meaningful as kind of what we're seeing here or how do you factor that into your thought process on potential losses?

**MIKE CORBAT:** Yeah, Matt, I think that's a great question. And I think as you think about or as we think about, all the places we come to work, I think we've got to use a series of lenses to really look at where these countries and these economies are. I would say one is that you've got to look first at the health crisis response. Have the governments taken it seriously? Have they put measures? Have they put social distancing? Have they put stay in place types of things? And what's the trajectory of that look like?

I think the second piece is around what you see in terms of both monetary and fiscal response, and not just what's been to date but what's been the capacity of those economies to be able to implement those and more things potentially into the future. And I think the third important piece that we look at is the underlying demographics of the economy. As an example, do they have big exposures or are they dependent on oil exports or other commodities or other types of things where there's concentrations around that?

So, I would say that it's not by region. It is really, and we are taking really, a country-by-country approach to what that is. And I think you've seen it all over the map in terms of very strong responses out of the US, out of Japan. You've seen some responses out of Europe. And I think you've seen some of those that are slower.

In particular, to your question on Mexico, is we know the president has labeled himself a fiscal hawk, and I think he has been reluctant to use any type of outsized spending to go at this crisis to date. And obviously, we're watching that carefully. We've tried to be pretty prudent in terms of our credit standards there and the things that we're doing and we're obviously watching it closely.

**MATT O'CONNOR:** Okay. And I just want to follow up on that. Remind us, I think your targeted customer base in Mexico is much higher than, say, the broad-based customer. So maybe just remind us about some of the credit metrics in the Card portfolio of Mexico specifically. Thank you.

**MIKE CORBAT:** Mark, do you want to?

**MARK MASON:** I don't have the credit metrics available. What I would say is that, while we do appeal to the broader population there, we do tend to focus on the higher-end, certainly relative to our peer players in that Mexico market. And so we do skew to the higher-end in terms of the credit profile.

They have a different system than the FICO system per se. And we actually have been very closely monitoring, as you've seen over the past number of quarters, our loan volumes have in fact trended lower than that of the broader industry as we've been quite vigilant about focusing, staying inside of our risk parameters, which again do skew higher than most of the peers in that country.

**MATT O'CONNOR:** Yeah, okay. That's helpful. Thank you.

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

**MIKE MAYO:** Sorry if I missed part of this. In terms of additional reserve builds ahead, another $5 billion in the second or third quarter. Yes, no, maybe?

**MARK MASON:** Hi, Mike. Let me make a couple of comments to that. One, again, a lot of uncertainty here dealing with a significant crisis, as you well know. Even as we have closed out this quarter, the variables that we look at continue to shift meaningfully. I would expect that, with that as a backdrop, and again, subject to a lot of things including how customers respond to the relief programs that are out there, so on and so forth, that we would see additional builds in the second quarter.

And that's kind of where we are. I'm not going to – we've got the rest of the quarter to play out. We've got analysis and models that we have to do. We have consumers that have to respond to much of the stimulus that's out there. We've got to understand how it continues to impact the different businesses that we're in. It's way too early to give you any sense for what that number is.

**MIKE MAYO:** Okay. And what lessons have you learned from Asia? The virus was there first. You should have a little more of a head start than other banks that don't have that experience. And what are you seeing in terms of volumes and credit losses and your ability to work with the clients?

**MARK MASON:** Yeah. Go ahead, Mike. Sorry.

**MIKE CORBAT:** I would say that, in some ways, Mike, we, if you want to call it that, have been fortunate to have lived that, and I think we took a lot of lessons and I think you saw in our actions in terms of the moves we took in terms of getting people remotely, getting people home, the types of client engagement. And I would say lesson one, that we're watching very closely, is the resurgence of cases as people start to come back in. And so I think we've got to be very mindful about how and when, or when and how we in fact do that.

You saw us in very early March go out – I think as the first US bank to go out, and engage around in particular our Consumer customers in terms of opening up channels and talking about some forbearances and some forgiveness on fees and other things to get them engaged. And I think, to Mark's point, and you can see it in the credit numbers that, so far, relatively benign. And we've been putting programs in place in most, if not all, of our Asian countries in terms of similar types of forbearance programs and really trying to engage around that.

So it's early, but again, you can see the numbers that, we're probably 60 days in or so, that we probably had a reasonably full February and March in terms of COVID in terms of Asia, but again, we're watching the numbers closely. But it's around the engagement and the programs and some of it was dusting off the playbooks from 2008 and some of the things in between.

 

**MIKE MAYO:** And if I can just follow up, you talked about the resurgence of cases when people come back in, in Asia. Are your employees coming back yet? Are you seeing this? Or is this just third-party medical advice that you're receiving? Are you seeing this firsthand? And when do you plan to open Asia back up? Citi Asia? How many people are working remote? How many people are in the office?

**MIKE CORBAT:** Yeah, you may have missed it, but we talked a little bit earlier, Mike, in terms of the unevenness of this, that when you think of this virus that it's not only uneven in terms of pacing in terms of where we are in the world, we've got at least a two to three span just in the United States in terms of where the virus is.

And within Asia, we've seen probably the most concerted efforts to get people back in, in terms of China, and I would say we are largely back there. I think the last numbers I looked at, as of yesterday, we were about two- thirds back in terms of Hong Kong, and I would say most of the rest of the region at lower levels than that.

And so we're taking a very specific or very site-by-site view in terms of how we bring people back. So, first criteria is where is the virus in its trajectory. Second criteria is what are the things that happen at a site that are very difficult to replicate in a remote environment. And then, in terms of addressing that, what's the safest way we can begin to bring people back.

**MIKE MAYO:** That's pretty remarkable. Two thirds back in Hong Kong, so is that cautiously optimistic for what's ahead here or don't read too much?

**MIKE CORBAT:** Again, I think it's place by place. So I think we're taking kind of a site-by-site, but at the same time, understand, and again you probably missed this part of it, we're absolutely open for business, we're just working differently. If you look at the things that we've accomplished just in the month of March, it's not that we're not at work. As an example, yesterday, we had over 180,000 people accessing our systems remotely. At one time, our peak surge was 132,000 of those people on simultaneously. You think about the things that we have accomplished, Mark and his finance team, closed the quarter on a $2 trillion balance sheet. You look at the submission of CCAR, you look at all of the things, the remediation efforts, the small business programs, all being applied remotely. So, again, it's going to be bespoke in terms of how we do it. As Mark said, with an eye towards making sure we keep our people safe and, at the same time, doing everything we can do to service our customers and clients through this extraordinary time. And it's going to be case by case.

**MIKE MAYO:** All right. Thank you.

**MIKE CORBAT:** Thank you.

**MARK MASON:** Thanks.

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

**SAUL MARTINEZ:** Hi. Hey. Good morning, guys.

**MARK MASON:** Hey, Saul. Good morning.

**SAUL MARTINEZ:** A couple of CECL questions, so please bear with me. But, first, I want to get your perspective on DFAST stress losses and whether you think it's a good reference point to judge reserve adequacy under CECL, because we do get a lot of questions asking why allowance levels are so much below what the nine-quarter stress losses are in the severely adverse scenario and the adverse scenario, and I think that's true of you guys.

My personal view is that DFAST is a useful data point, but that there are fundamental differences, obviously, beyond the differences in the economic scenarios used. The point of DFAST is to estimate loss absorbing capacity in a severe downturn and maybe estimates are going to be on the conservative end of losses, whereas under CECL these are point in time estimates that are your best guesses of what your losses will be over the life of the loans under an economic scenario.

So, let alone the lot of methodological differences in terms of how you calculate those things in terms of things like weighted average of meaningful life or whatever it is, but I'm curious if you have a perspective and whether you think the stress losses should be sort of a reference point or how useful they are to measure whether a given bank or your bank has adequate reserves.

**MARK MASON:** Look, I think that you said a lot there. I think that it is a reference point. I think you've highlighted some meaningful differences in the approaches and perspectives, everything from the modeling, the assumptions, et cetera, et cetera. And so I think it does serve as a reference point. But I think what we're experiencing now and even as we submitted a plan from a CCAR point of view, is that that's a scenario.

It certainly is a stress scenario. But we're now living through a real life stress situation. And I think that scenario is meant to – those scenarios are meant to, inform a firm's ability to withstand stress. But we've got a real test here that has put us, and I think the industry, in a position where we are constantly modeling and demonstrating our ability to withstand real-time pressures, and the prospect of real life losses.

Now, with that said, CECL, a new approach, I think that the timing is interesting in that we get to see – we see a meaningful shift between transition and day-one, which I would think in a normal environment you wouldn't see that type of dramatic shift. But, again, that's informed by a view, a forward-looking view, of what is now a crisis in a stressed environment. And so that magnitude of the change that we see in the day two is a direct by-product of that.

And I think what we'll see is that continues to – that what we do in the way of forward reserves will continue to be informed by that. And what we ultimately experience in losses, however, will be informed by how much of the uncertainty that I talked to plays out. So, again, no stress scenario that's been created thus far would've contemplated the amount of fiscal response and monetary response that we've seen in short order. And so that's not modeled.

And how customers or consumers react to that is not part of any CCAR, DFAST model that we would've run. How that offsets the impact of unemployment or, ultimately, losses is completely unclear. And so there's a fair amount – yes, it's a data point, but there's a fair amount of uncertainty and now differences I would expect in light of now managing through a real life scenario.

**SAUL MARTINEZ:** That's helpful. If I could follow up, you guys use one scenario. Most large banks use multiple scenarios in calculating their reserves. And sorry, if I missed this, but can you just outline the sort of big picture, some of the big picture assumptions you're using, whether it's global growth or US growth or unemployment that underlie that scenario?

And I guess, as sort of an adjunct to that, does using one scenario create more volatility? Because if you use a scenario analysis, you can kind of calibrate between different outcomes, whereas it's more of a big change if you change your outlook if it's just one scenario to another, in your case, as opposed to maybe a grade of different outcomes if you were to use sort of a weighted average scenario analysis that most banks use. Do you think it creates more volatility and more jumps and releases than you otherwise would have?

**MARK MASON:** Yeah, so we do use a model approach where we use a scenario. But what I would say is that that scenario is informed by kind of a further management adjustment, and the factors that are considered are not only thousands of variables like GDP and unemployment and many, many, many other stats given the nature of the business that we do, but also the probability of recession and the severity of a recession.

And we can toggle in our management adjustment, degrees of severity that we would expect in a recession, whether that's 25%, 50%, 75%, 100% in terms of the severity relative to a 2008 recession or whatever the case may be. So, while we do use a model and one scenario, there is flex there, if you will, in terms of ensuring that we capture what we think best reflects the forward view of the economic outlook in our analysis.

In terms of, as I may have mentioned, I think I mentioned earlier at some point, you got to put a stake in the ground at the end of the quarter and look at the assumptions that we have to work with in terms of those thousands of variables and, certainly, the key ones that I mentioned. And this quarter in particular, we've seen things continue to move. And so, even the view that we would have taken at the end of the quarter around many of those metrics, the outlook on them has continued to shift. And so we find ourselves running various scenarios to understand the impact on our ratios and on our estimated losses, including ranges of unemployment from 10% to 15%, and GDP declines from 20% to 40%, and we're constantly kind of running those scenarios to understand the implications on our CET1 ratio and other important metrics that are required to properly run and manage and plan at the firm.

**SAUL MARTINEZ:** Got it. Okay. That's really helpful. Thank you.

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

**BRIAN KLEINHANZL:** Great. Thanks. Mark, just a quick question first on the ICG and the reserve coverage there. I know that you said that you're comfortable with it, but we kind of look at the reserves that you have against the total exposures, it's about 80 basis points against all the exposures, but yet you're looking at non-investment grade being 21% of the portfolio. So what kind of metrics are you keying on to get comfort there? It doesn't seem like it takes a large amount of delinquencies also and have a large increase in losses.

**MARK MASON:** Yeah, look, we've got – there are a series of metrics that we use. In the case of the ICG, GDP is an important metric, obviously; a view on downgrades is an important metric; a view on energy prices, oil prices is an important metric. And as you – we don't have the entire portfolio parsed here, but that 81 basis points is going to be a mix of where we feel as though we need to have more reserves. And so, one example is that when you – we built additional reserves and you can look at kind of our reserve ratio for the energy sector, for example, and that's closer to 2%, 2.1% in terms of the funded reserve ratio.

And so, I highlight that as just a simple example of, obviously, there are going to be some higher, some lower. And in terms of the broader non-investment grade, similar to that example I just gave you, the broader non-investment grade bucket is closer to 2% in terms of the reserve ratio. So, again, I can understand the question given the 81 basis points, but we obviously are using good judgment as we look through the different risk profiles of the portfolio.

**BRIAN KLEINHANZL:** And then, with regard to the guidance you're giving about how March and April could trend out to the rest of the quarter, is there any way you can give an update on kind of – and I'm sorry if you gave it already, but how purchase sales were trending in April, and how the revenues and TTS were trending in April? You said March they were down 9% in TTS. Has that gotten worse in April? Thanks.

**MARK MASON:** Sure. I don't have the spend activity at hand as I look here for April. I'm not sure if you caught what I said earlier, but the card spend activity towards the end of March, the last week in March, has been around 30%, down 30%, with the mix across the differences in the different categories.

In terms of TTS, again, I don't have the April stats. We did see kind of pressure in the month of March and what I was referencing there was the rate pressure playing through in terms of commercial card activity just as another proxy for spend, similar to the retail card or consumer card spend levels. That was down pretty meaningfully, which says a lot about our corporate client base in terms of T&E. Commercial card spend was down almost 60%, and kind of B2B, business-to-business commercial card activity was down some 19% in the month of March.

And so – but likely those trends continue, however, I would kind of just note that we continue to see very good engagement with our TTS client base, and we see that in the higher volumes that we saw in Q1. We expect that that will continue. We see that in the new accounts that we're opening with them. We would expect that to continue including utilizing many of our digital capabilities there.

And frankly, as this continues to evolve, with all of the uncertainty that it comes with, we would expect that we're going to be a critical partner to these large multinational clients as they think about what the new norm looks like. And so, the metrics will move, the top line will move in light of the rate environment, but I think those underlying drivers, if you will, say a lot about what the future prospects are for the firm here.

**BRIAN KLEINHANZL:** Thanks.

**MARK MASON:** Mike, do you want to comment?

**MIKE CORBAT:** If I can just quickly, Mark, before we close out here, I just want to go back to Mike's question and apologize for having flipped my numbers. We've got globally over 80% of our staff working remotely, and the number in Hong Kong is that we've got about a third back and two-thirds still working remotely. So, Mike, I apologize for getting that one inverted.

Operator, with that, I think that concludes the call.

**ELIZABETH LYNN:** Thank you all for joining us today. Please feel free to reach out to us at Investor Relations if you have any follow-up questions. Thank you and have a good day.

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