

Citi First Quarter 2020 Fixed Income Review*Thursday, April 23, 2020***Host**

Tom Rogers, Head of Fixed Income Investor Relations

Speakers

Mark Mason, Citi Chief Financial Officer

Mike Verdeschi, Citi Treasurer

PRESENTATION

OPERATOR: Hello, and welcome to Citi's Fixed Income Investor Review with the Chief Financial Officer, Mark Mason; and Treasurer, Mike Verdeschi. Today's call will be hosted by Tom Rogers, Head of Fixed Income Investor Relations. We ask that you please hold all questions until the completion of the formal remarks, at which time you will be given instructions for the question-and-answer session. Also, as a reminder, this conference is being recorded today. If you have any objections, please disconnect at this time.

Mr. Rogers, you may begin.

TOM ROGERS: Thank you, Natalia. Good morning and thank you all for joining us. As Natalia mentioned, I am joined this morning by our Chief Financial Officer, Mark Mason; and our Treasurer, Mike Verdeschi. In a moment, Mike will take you through the Fixed Income Investor Presentation, which is available for download on our website, Citigroup.com. Afterwards, Mark and Mike will be happy to answer your questions.

Before we get started, I'd like to remind you that today's presentation may contain forward-looking statements, which are based on management's current expectations and are subject to uncertainty and changes in circumstances. Actual results and capital and other financial 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 2019 Form 10-K.

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

MIKE VERDESCHI: Thank you, Tom, and good morning, everyone. On today's call, I will cover a number of topics. First, I'll briefly discuss our operating results for the first quarter 2020. Second, I will cover recent balance sheet trends, including growth in loans and deposits. Third, I'll review our issuance program. And finally, I'll discuss our continued strong liquidity and capital position.

Slide 3 summarizes our results for the first quarter 2020. In the first quarter, we reported net income of \$2.5 billion, which included a \$4.9 billion increase in credit reserves, reflecting the impact of changes in our economic outlook due to COVID-19. These builds reflected the significant impact these changes in our economic outlook have had on our estimated lifetime losses under the new CECL standard.

On slide 4, we show average balance sheet trends over the past five quarters in constant dollars. On this basis, we have grown our balance sheet by approximately 8% over the last year as we supported both our Consumer and Institutional clients through the uncertainty caused by the COVID-19 health crisis, while continuing to maintain a strong balance sheet.

We grew deposits across our Consumer and Institutional businesses. We saw strong growth in both ICG and GCB loans. Trading-related assets and liabilities grew as a result of increased client activity in light of the heightened market volatility we saw in the quarter. And long-term debt increased, as we prudently built liquidity to support our clients and maintain the firm's strong liquidity profile.

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As much of the growth that we saw this quarter took place in March, these trends are even more pronounced on an end-of-period basis. For reference, we've added a summary end-of-period balance sheet on page 17 of the appendix of this presentation.

Slide 5 presents trends in our loan portfolio on an average basis in constant dollars. Total Citigroup loans increased 3% year-over-year and 4% in aggregate across our Consumer and Institutional businesses. In our Consumer franchise, average loans grew 4% year-over-year, with growth across regions. In our Institutional franchise, average loans also grew 4% year-over-year driven by the Private Bank. Loans in Corporate Lending were unchanged on an average basis, but grew 22% on an end-of-period basis, reflecting drawdowns and new facilities as our clients built liquidity in response to the crisis. And loans included in Corp/Other continued to decline, driven by the wind-down of legacy assets.

On slide 6, we show credit quality trends in our GCB and ICG loan portfolios. In GCB, our credit trends show the seasonality we typically see in the first quarter. In ICG, non-accrual loans increased sequentially but remained low at 57 basis points of total corporate loans.

Turning to slide 7, we show trends in average deposits over the past five quarters in constant dollars. Total deposits increased 11% from the prior-year period. In our Consumer business, deposit growth accelerated to 8%, driven by strong growth across all regions. In North America, strong deposit growth of 8% reflected digital deposit sales as well as good engagement with existing clients. In our Institutional business, deposits grew 12% on an average basis and 21% on an end-of-period basis, primarily driven by strong deposit inflows in TTS and Securities Services from both corporate and investor clients, particularly in March.

Now, let me cover our parent benchmark debt issuance program on slide 8. So far this year, we have issued approximately \$11 billion of parent level benchmark debt across a variety of tenors, including our issuance earlier this month. Going forward, we'll continue to maintain the flexibility to issue a mix of tenors, currencies, and structures as we prudently manage the liquidity profile of the firm and continue to support our clients.

On slide 9, let me cover our issuance, maturity, and redemption expectations. In 2020, we continue to expect gross issuance of approximately \$25 billion in aggregate across our parent benchmark and bank level programs, including the roughly \$11 billion we've issued so far this year. And while we will maintain the flexibility to issue out of both the parent and the bank, at this point, we expect our issuance to be more weighted towards the parent, given the strong deposit growth we've seen at the bank. And we will continue to be flexible around optimizing our funding through opportunistic redemptions.

On slide 10, we show the composition of our long-term debt outstanding. During the first quarter, our total long-term debt increased by approximately \$17 billion to \$266 billion driven by FHLB borrowings in the bank, as well as the parent benchmark debt issuance I mentioned earlier, in order to build liquidity to meet our clients' needs.

On slide 11, we provide an update of our LCR metrics and drivers. Our average LCR remained flat at 115% this quarter.

Turning to slide 12, let me summarize our key regulatory capital metrics. Our CET1 capital ratio declined to 11.2%, driven primarily by an increase in risk-weighted assets as we supported our corporate and investor clients. And our SLRs were 6% and 6.8% for Citigroup and Citibank, respectively.

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Moving to our last slide, let me summarize several key points. We earned \$2.5 billion of net income, including a \$4.9 billion increase in credit reserves. We maintained a strong capital position with a CET1 Capital ratio of 11.2%, an SLR of 6% and a surplus above our TLAC requirement. And we also maintained a strong liquidity position with an average LCR of 115%, \$840 billion of available liquidity resources, and we expect to be in compliance with the NSFR when the rule is effective.

Before we move on to Q&A, let me touch briefly on the transition away from LIBOR. Broadly speaking, we are continuing to prepare ourselves for the transition by working with our regulators and various industry working groups as well as through the work streams we've established within Citi. We are monitoring the adoption of the various new risk-free rates, including the market for SOFR, which has continued to develop. With regard to the unique language in the subset of our preferred securities, while we are continuing to make progress in evaluating alternatives, we are not yet in a position to speak to a specific transaction or timing.

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

QUESTION AND ANSWER

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

HIMA INGUVA: Great. Thank you for doing the call, and I hope that you're all well and families are well and everyone is staying safe.

MARK MASON: Thank you, Hima.

MIKE VERDESCHI: Thank you, Hima.

HIMA INGUVA: Thank you. I am going to ask two questions. The first one is regarding prefs. Considering there will be no common stock buybacks, how should we think about your pref issuance or redemptions this year? Any color you could provide would be helpful.

MIKE VERDESCHI: Sure, Hima. Yeah, I would think about the prefs similar to how we've discussed them in the past. If you go back, we typically were running a little bit over the stated target of 150 basis points of AT1. You can see now with the growth of RWA where we're running a little bit under that target. And so, when we look at the prefs and as we have calls coming due, similar to what I've said in the past, we'll evaluate our need for that capital, and if we don't need it, we may call and not replace, but if we want to keep that capital outstanding, we'll evaluate the economics associated with calling and replacing versus leaving that outstanding.

So I think the only change of course is that we're running slightly short of that target, but not by a meaningful amount. So we'll keep an eye on that, and obviously as we've said before, we'll remain opportunistic and see how the balance sheet evolves from here.

HIMA INGUVA: Great. So just a follow-up on that. So the current environment, just philosophically speaking, does not change the way you think about prefs. Is that a fair statement?

MIKE VERDESCHI: Yeah, I mean, we'll continue to evaluate. I think in this current environment, how our balance sheet will likely evolve and we want to make sure we're maintaining a robust level of capital and liquidity and be in a position to serve our clients. So that's where our focus will be, and again, we'll be evaluating our needs for that capital and liquidity levels. So as we've done even on the liquidity side over the quarter, we've accessed the market opportunistically and we'll be doing the same across our programs.

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

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SCOTT CAVANAUGH: Good morning, guys. Thanks for the call.

MARK MASON: Good morning, Scott.

SCOTT CAVANAUGH: Two questions for you. First on your energy exposure, I very much appreciate you reintroducing that disclosure. Could you discuss what you're doing with the commodity prices at such a low price or negative for your reserve-based lending?

And then, secondly, looking at the credit cards, can you go through the interplay with your retail partners and what volumes you're seeing subsequent to quarter-end? And I do appreciate you breaking out the reserves for both retail and branded.

MARK MASON: Sure, Scott. Thank you for joining and thanks for the question. Why don't I take you back to slide 25 and just give you a little bit of a sense for what we've disclosed here between 25 and 26, so that you know what we have here. Obviously, this is a sector that's been under a considerable amount of pressure for certainly through the quarter. We've got about, as you can see, about \$60 billion in quarter one of funded and unfunded exposure here. About 75% of that is investment grade and about 85% of the unfunded is investment grade. You can see there is a concentration for us in North America and the UK.

The sector's been moving very rapidly through the crisis. We've seen clients reduce CapEx. We've seen them reduce and eliminate the dividend payouts in some instances. We've seen them access alternative sources of liquidity. When I look at our \$60 billion, you can see here, about \$22 billion of that is funded exposure. We've obviously been supporting our largest and most creditworthy energy clients, given the pricing pressure that you referenced from an oil point of view, and we'll continue to do that. We're intensely focused on that. We did build reserves in the quarter against the energy sector. We currently sit at about 2.1% in terms of a funded reserve ratio. If you break that out for the non-investment grade, the non-investment grade reserve ratio is about 4.2%, so we are obviously a bit more reserved against that, as I think you would expect.

But overall, the exposure in the sector is, I would say manageable, and within – certainly within our risk framework appetite and limits. But this continues to evolve. We continue to manage it closely and tightly, and we break out more detail on the unfunded exposure, on the next page. I won't drag you through that. I think there's a fair amount of detail there to give you a sense for how we're managing through that. But as you suggested and as is the case, there is pressure on the sector, but we are managing it actively and closely.

In terms of your second question, which was with regard to the Cards portfolio, I'll make a couple comments on that. One, I mentioned on the earnings call that we saw significant pressure in the way of purchase sales across many of the categories in Cards spend activity, on many of the categories there, down as much as 30% in the back end of the month of March. That continues to be about what we're seeing, about down 30% to 35% year-over-year. It has flattened a bit relative to the last week of March, but it continues to be down to the tune of that level.

What I would highlight is that we obviously have 85% of our Cards exposure concentrated in our two US portfolios, so the Branded portfolio, as well as our Retail Services portfolio. And it's important to kind of really understand and think about the credit profile and how that's evolved over the past number of years and certainly since the last crisis.

And a couple of quick data points, in our Branded Cards portfolio, over 60% of our portfolio today is with customers with a FICO score that's greater than 720. And when we look back to the period of time where we were heading into the last crisis, that was less than 40%. And on the lower end, less than 15% today is with customers with a FICO score that's less than 660 versus the pre-crisis levels where – of the last crisis where it was nearly 30% back then.

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So there's been a significant change in the profile of the customer that we have in the Branded portfolio. A greater proportion of the customers are transactor customers, and so we think that speaks to obviously the quality that's there. We've been disciplined around our line exposures, so we have less than 1% of the open-to-buy to customers are with FICO scores of less than 660. And so, again, very focused on the high end.

In terms of Retail Services, and you asked about that specifically, a couple things to keep in mind there. One is that we've been very focused on working with our partners to support them as they manage through this crisis and advising them as clients, and that includes how we can help them drive sales digitally. Obviously, the shutdown is impacting most of the economy, particularly when you have stay-at-home orders. But that said, we continue to work closely with clients in that regard.

It's also important to keep in mind that the nature of these relationships that we have, these partnerships that we have, are such that we share in the losses so to speak when and if they do materialize. And so while we end up carrying the full reserve against that portfolio, ultimately there's a loss sharing that happens that flows through our revenue line.

In terms of the credit quality, and it's important to speak to that on this portfolio as well, over 40% of the portfolio here is with customers with FICO scores greater than 720. And back before the last crisis, that was about a third. And again, on the lower-end tier, only about 25% of our loans are with customers that have a FICO of less than 660. And that was about a third going into the last crisis.

So I just wanted to kind of share some of those metrics to give you a sense for how the portfolios have evolved going into this crisis. But obviously we continue to manage it very, very closely, and that's kind of where that stands at this stage.

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

KEVIN MALONEY: Thanks for taking my question.

MARK MASON: Hi Kevin.

KEVIN MALONEY: Just wondering if you could talk about your forbearance programs, particularly deferral on credit cards, both in the United States and what you're doing in Mexico as well as Hong Kong.

MARK MASON: Sure. Let me just give you, I guess a broad sense. We obviously have forbearance activities around the world in markets that we serve our customers in. You've heard me mention on the earnings call that our primary focus has been, first, our employees, and then ensuring that our customers and clients have what they need from a service point of view, and that certainly includes many of the forbearance efforts and relief efforts that are out there. Locally, in some of the other countries where we have a presence, we obviously do that in adherence with the regulatory and government guidelines there.

Specifically, in the US, we have fee refunds around ATM withdrawals, around monthly servicing fees. We have put in place card payment deferrals and fee waivers for up to two cycles.

On the mortgage side, we've extended treatment options for payment deferrals there. We've suspended foreclosures for 60 days. We have a 90-day forbearance due to hardship. And just to give you a couple of stats, we put out about 1 million waivers since April to our customers across the Cards and Retail businesses that we have.

So at the same time, we're watching the impact of the \$2 trillion relief stimulus that's been put out there. That obviously we have to see what impact that has and how that plays through to our end customers, but we're doing a lot as it relates to these types of forbearance activities to ensure that we're taking care of our customers who've been impacted.



KEVIN MALONEY: Thanks. And does the customer have to come to you, or are you actively going after customers that maybe are on some sort of a watch list?

MARK MASON: Customers are coming to us by and large, and we're obviously responding to their needs as they arise.

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

BRIAN MONTELEONE: Hey. Good morning. Thanks for all the incredible information about -

MARK MASON: Good morning, Brian.

BRIAN MONTELEONE: Hey. Good morning. Can you talk a little bit about kind of the path of the take-up of a lot of the forbearance programs that have been offered to customers? Kind of has it peaked and tailed off? Does it differ by customer type? Can you share some incremental thoughts there?

MARK MASON: Yeah, well look, I mean, one thing I should point out is that I think our regulators have been very, very proactive in terms of these types of programs and really trying to get them off the ground to address the many different client segments, customer segments that are out there. Everything from the large corporate clients to small businesses to the consumers, and they've gone as far, as you know, with the PPP program, for example, and ensuring that there is no kind of drag from a risk-weighting point of view as banks operate to help facilitate getting access to the very important small business segment.

Programs have been operational in varied timelines so-to-speak. And so for example, the small business PPP program was stood up very quickly. And in our case, this is an important but not a very large segment for us, but we moved as quickly as we could to set up the digital access capabilities so that our customers, the customers that we do have in this segment could get access to that quickly. And as you would have seen across the industry, that was used up very quickly and there are now discussions around yet another program focused on that very important segment.

So it has varied in terms of the different programs and the speed at which it's ramped up. It also varies just depending on the customers and how they're impacted. So some were impacted very early on, if you think about different parts of the US and the staggered shutdown, if you will. But as I mentioned, we're kind of at a place now where at least in the consumer side in the US, we've got about 1 million waivers that we've put out there and are running at somewhat of a steady volume, I would say. But hopefully that gives you a bit of a sense.

BRIAN MONTELEONE: Thank you. Sorry, when you say steady volume, like steady volume of increases in applications for forbearance on the Consumer side, or it's kind of plateaued at that level and just remaining steady?

MARK MASON: I don't have that in front of me. I can't really say that it's ramping up. I don't have that in front of me.

BRIAN MONTELEONE: Got it. Okay. And then is there any area of the portfolio where you guys are trying to kind of rein in risk, whether that's reducing credit limits to some credit card customers or anything else that's going on in terms of kind of reducing risk of the portfolio?

MARK MASON: Look, I mean, these are obviously unprecedented times in many ways, but we continue to be focused broadly across the entire portfolio. There are obviously corporate sectors that early on were impacted more than others. I took everyone on the line here through a little bit on the energy side and we continue to kind of manage that.

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You've heard me reference a bit of the open to buy on the Cards side. We obviously watch that very closely. And so there aren't particular sectors that I would point to. I mean, but in this type of environment in crisis, we're watching all of it very, very closely. But again, we feel this is where it matters in terms of your target market and the segments that you've decided to focus on, and we feel good about that, and that's not to say there won't be losses, but that is to say that we'll be able to manage through.

OPERATOR: Your next question is from the line of Mark Kehoe with MacKay Shields.

MARK KEHOE: Hey. Good morning. I had two questions. The first one is would you mind talking about how you are positioning yourselves within the Securities portfolio and given kind of interchangeable – sorry, guidance around interchangeability of reserves in Treasuries and whether you are taking advantage of dislocations in the MBS market. And I'll follow up the question. Thanks.

MIKE VERDESCHI: Hi, Mark. Yeah, thanks for the question. So I think our strategy around the portfolio has somewhat continued over the past year. We have been allocating to agency MBS, but more recently, we added to US Treasuries and even foreign sovereigns as well, and that's been a function of putting money to work as well as reducing the overall rate sensitivity.

But you're right, you're asking about the agency MBS, and there's been a few areas of focus there. I mean, for one, I often talk about buying product that is call-protected or has less negative convexity associated with it. And so that makes up a good portion of our strategy in the agency MBS book. But we would also hold more generic collateral in current production, and with the Fed coming back in with QE and including mortgages, we saw those generics richen up quite a bit relative to that call-protected collateral.

So, what you would normally see us do is optimizing within that portfolio and optimizing across the HQLA that we hold. But, yes, you have seen us put money to work, and we're certainly now also focused on relative value within that mortgage portfolio given how some parts have richened up, given the Fed's actions.

MARK KEHOE: Great. Thank you. And my last question, with just in terms of, back to the deferral questions, how do you remain top-of-wallet and kind of make sure that customers perceive you not as their preferred bank to defer on? Is that more increasing rewards, increasing advertising so that they don't go to you for their first request for deferral and they may go to peers and keep paying bills on their Citi card? Thank you.

MARK MASON: Yeah, look, I mean, again, we are, when I think about our client focus as you heard me talk about some of those stats, we focus on the higher end in terms of the risk profile. We obviously have both the Branded and the Retail Services Cards, and we do feel good about our wallet position, which tends to be strong.

With that said, we continue to kind of manage that actively, and where there are rewards in place, we continue to offer that even through this environment. But a lot of this is really going to be – yet to have been seen, so-to-speak. So a lot of this is on the common terms of how consumers are ultimately impacted and what it means in the way of the stimulus and what they're able to continue to do in the way of managing their expenses and households and what it ultimately means in the way of unemployment. And a lot of that is still unknown.

And until there's greater clarity on how those things all work together, it's going to be hard to speak to what the ultimate impact will be. But our role, as you would imagine, is to continue to support those customers, and that's what we've been doing, and in the broader sense, to continue to help to be there for all of our clients, corporates and consumers, as we try to play our role in stabilizing the economy as we all manage through this.

OPERATOR: Your next question is from the line of David Jiang with PGIM.

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MARK MASON: Hi, David. Good morning.

DAVID JIANG: Hi. Good morning. Quick question for you, Mark. Just with the LCR kind of flat around 115%, just trying to figure out the dynamics of kind of all the draws that you had, corporate draws, and how kind of that ratio did not move down from the outflow side.

MARK MASON: Mike, do you want to start on that?

MIKE VERDESCHI: Yeah, sure. Hi, David. It's Mike.

DAVID JIANG: Hey, Mike.

MIKE VERDESCHI: So that top of the house measure, as you say, was flat on the quarter. But keep in mind, that's ticking up, and the way the LCR methodology works, it's picking up that top of the house view of liquidity, whereas, keep in mind, in the bank where you see that deposit inflow as well as lending activity, that's going to be at the bank level. So while we did see draws, of course we had enormous deposit inflow, which was of course more than enough to cover those draws that we saw.

But it's really just a function of that LCR methodology at the top of the house. But to answer your question, it's more about the methodology, but overall liquidity, as you can imagine, remains robust. As I talked about that deposit inflow, we saw it early in the quarter. It continued throughout the quarter. And obviously we put some of that money to work in terms of the lending. Much more of it was put in cash, and in a way, it served to fund the needs in the first quarter but would also serve as pre-funding for future needs as well.

MARK MASON: The only thing I'd add to that is we have seen, as Mike suggested, we have seen the draws kind of slow a bit, particularly in light of how the markets have opened up, and given our client segment, having other alternatives to shore up their liquidity. That said, the deposits have continued at a nice pace.

DAVID JIANG: Great. Thanks. So a follow-up question for Mark. Can you just talk about how you think about your regulatory buffers and your operating buffers currently, given that I think CET1 is 11.2%, and that's slightly below your operating target. And how you think about the regulatory minimum at 10%, or is it 10% plus the SCB impact, and how comfortable are you into kind of piercing that regulatory minimum?

MARK MASON: Yeah, sure. Look, I'd start again with we are trying to manage through a crisis and focus keenly on really trying to be there to support our clients and play a broader role in trying to stabilize the economy. And we come into this crisis from, I think, a position of strength when you look across the balance sheet and where we ended the year with the 11.8% CET1 ratio, with 115% LCR, and even as we ended the quarter, you're right, it's below the target that I talked about of 11.5%. But that 11.2% reflects additional draws as clients move to shore up their own liquidity. It reflects new facilities as clients try to manage through this crisis. It reflects the impact of CECL playing through the numerator, and so there are a lot of important things that are flowing through that that get us to that 11.2%.

Look, the 11.2% is still 120 basis points above the reg minimum, and so there is still capacity there to support our clients, which is important. And we'll use that capacity as needed to do so. And frankly, with those primary objectives, if we needed to utilize or play through the buffer, so-to-speak, then we would obviously want to be thoughtful about that. We want to be comprehensive in how we've assessed our entire balance sheet and all of our exposures. But if that's what was called for in order to support our clients and help stabilize things, then we would do that, and frankly, I think that's what some of the measures that the regulators have put out there are designed to ensure, that we and other players in the industry can act in a way that helps to stabilize things.

OPERATOR: Your next question is from the line of Ryan Butkus with Lord Abbett.



RYAN BUTKUS: Thank you again for hosting the call.

MARK MASON: Hey, Ryan.

RYAN BUTKUS: Hi – on slide 18, with the temporary relief for the Supplementary Leverage Ratio. I was curious to see how you would think about this on a pro forma basis for the first quarter. And what does that extra added relief allow you to do? And then lastly, not just on the SLR, but for the COVID-19 regulatory capital relief categories on slide 18, do you foresee any of these sort of being applied as part of the stress testing CCAR process as well?

MIKE VERDESCHI: Mark, maybe I'll take that first one. Yeah, I mean, for the SLR, of course that's not been an area of a binding constraint and we think obviously the regulators are trying to do everything they can with programs and some relief to support markets and the broader economy. For us, obviously we hold a good amount of cash at the Federal Reserve as well as US Treasuries, and so if you look at that SLR, it's probably an impact of roughly 70 basis points. So it's a meaningful amount, but then again an area where we've not necessarily been constrained. So it doesn't really change how we've been operating and managing that balance sheet.

MARK MASON: Yeah, in terms of CCAR, this is obviously in many ways a unique year in terms of the CCAR process. One, because of obviously the crisis, the COVID-19 that we're managing through; two, because of the SCB final ruling that's out and how that changes the process; three, in some regards, when you just look at just CECL and the transition as well as the Day 2 and what that means for the CET1 ratio, so a lot of moving pieces there.

While we haven't been given specific guidance, I think our regulators have made it clear that they are going to be looking towards how banks are managing through this crisis. And so, while there are scenarios that are out there that we've run and we've made a submission around the CCAR capital planning, what we suspect will be critically important is the day-to-day managing of this crisis and our ability to do so as a firm. And that's what we're focused on. And again, while there hasn't been specific guidance out, I suspect that is what the Fed and our regulators probably will be focused on.

RYAN BUTKUS: Okay. Thank you. And then just given the global exposure, I'd be curious on Korea, as they've sort of progressed to another portion of this current crisis, but there seems to be more on the other side. Is there any interesting activity that you've been seeing in Korea compared to – within the crisis that you could share with us?

MARK MASON: Look, this has varied in terms of its – not only the impact but the impact and reaction from country-to-country and in many instances, from state-to-state, and obviously started early in Asia and different countries within the region reacted differently and they're at different phases of hopefully coming out of it.

We've got people working remotely around the globe, and that certainly is still the case in parts of Asia. Mike spoke to some of that, and I don't have specifics on Korea as it compares to some of the other countries, but those local market conditions more broadly in Asia are evolving. And at this point, we have branch closures kind of broadly across Asia that are still at about 10% or so, which is lower than other parts, other regions around the world.

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

ARNOLD KAKUDA: Hi. Good morning. So Q1 has seen a surge in balance sheet growth from deposit inflow, and a lot of that seems to be sitting in liquid assets and it sounds like the near-term trend is for that to continue. But when do you expect things to change in terms of either the balance sheet contracting or do you see kind of loan growth picking up? Like what is your kind of mid to near-term view on that?



MIKE VERDESCHI: Yeah, maybe I'll start with that. I mean, look, I think with the Federal Reserve adding a lot of liquidity to the system via quantitative easing, of course they expanded their balance sheet by call it \$4 trillion over the past few months and that's resulted in added reserves in the system of another call it \$1.5 trillion, and deposits then in the industry are up call it \$1 trillion.

So obviously that action by the Fed is going to increase deposits for us as well. And again, we feel good about that deposit growth, especially in Consumer where we've seen that good trend continue of attracting deposits through some of our digital strategies, but also, we've seen a continuation of very good deposit growth in our ICG and especially in our TTS business. And so, that deposit flow I would expect to continue. We've even seen that inflow continue so far in this month as well, and we do think that's going to be both a function of the Fed's actions but also our ability to attract flows both based on our consumer strategy, but also was a bit of flight to quality and the continued momentum in TTS.

And so as we evaluate that, as I said, we put some of that to work in lending, and some of that will go into cash and securities to warehouse that liquidity and to use in the future. As Mark mentioned too, we saw loan draws in the first quarter. We begin to see that slow in the second quarter as our clients have been going back to the markets that they normally would raise funding in, and that's going to be in the capital markets, be it term issuance or in commercial paper. And so we've seen that slow, but the evolution of the balance sheet is going to be very much a function of Fed actions but also our customer needs, and hopefully that gives you a little bit of color of some of the things playing out.

And, Mark, anything you want to add to that?

MARK MASON: Yeah, I'd make a broader comment which is, again, this is an unprecedented crisis, right? And so to be able to predict exactly when this turns and the like, I think is certainly going to be challenging to do. We have to remember that this started as a health crisis and has obviously evolved to a global economic crisis. But at the root of that, there has to be a solution, some resolution around the health concerns that are there.

I think that the things that are being done to support the broader economy, the monetary actions, the fiscal actions are helpful, but until the root of the problem is addressed, they're simply going to be bridging the economy, so-to-speak. And we are, as I mentioned earlier, seeing areas where things are picking up a bit. And we talked about Asia. We are seeing signs of pick-up in China specifically. There are early signs of pick-up in Korea as well, but not enough to move the needle, and there's still a fair amount of uncertainty that's out there.

And so as Mike suggests and as I mentioned earlier, we are seeing the draws kind of taper a bit, but we want to be there for our clients. And if that means that it evolves to those picking up or it means that we're helping clients access other forms of liquidity or it simply means that we're the holder of flight to quality that clients and customers think is important, then we'll continue to do that.

ARNOLD KAKUDA: Okay. Great. And then as a follow-up, be there for clients, you had almost \$300 billion increase in the balance sheet. How much do you think of that is gaining share potentially from a peer that is under Fed orders that you cannot grow?

MARK MASON: Yeah, look, I'd say that we are broadly gaining share across many of our businesses, which is a good thing. It's hard to say specifically where that's coming from, particularly in an environment like this where there are so many different pressures that come into play. But again, we are gaining share. It's just hard to point to any one player. We wouldn't want to speak to that.

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

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TOM ROGERS: I'd just like to thank everyone for attending today, and of course, if you have any follow-up questions, please feel free to reach out to Investor Relations. Thanks, everyone.

OPERATOR: This concludes today's call. Thank you for participating. Please disconnect.

Certain statements in this document are "forward-looking statements" within the meaning of the rules and regulations of the U.S. Securities and Exchange Commission. These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances. Actual results and capital and other financial condition may differ materially from those included in these statements due to a variety of factors, including the precautionary statements included in this document and those contained in Citigroup's filings with the U.S. Securities and Exchange Commission, including without limitation the "Risk Factors" section of Citigroup's 2019 Annual Report on Form 10-K.