TRANSCRIPT

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HOST
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SPEAKER
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QUESTION AND ANSWER

GERARD CASSIDY: Good morning, everyone. Thank you for joining us for the next presentation here at the BancAnalysts Association of Boston's Fall Conference. We're very pleased and privileged to have Citigroup as our participant. With us is Mike Verdeschi who's the Treasurer of this global bank. As we all know, Citi is truly one of the United States only global banks with over $2 trillion in assets and, obviously, in countries throughout the world.

But with that, Mike, thank you for joining us today.

MIKE VERDESCHI: Thank you, Gerard. Appreciate being invited and happy to be here today.

GERARD CASSIDY: Great. As we look at the balance sheets of the banks in the United States this year, there's been robust deposit growth. Can you talk about the deposit growth that you're seeing so far and what it may look like for the remainder of the year?

MIKE VERDESCHI: Sure. As you know, the Fed appropriately increased liquidity in the system earlier this year to address the adverse market conditions caused by the virus outbreak and a large portion of the economy being shut down. They did so, of course, through their quantitative easing program, which entails the Fed buying securities. So the Fed took their balance sheet up by over $3 trillion in the last year, which also had the effect of taking industry deposits up – whole industry deposits up $2.7 trillion over the last year.

And at this time, the Fed continues to add liquidity to the system. So they're purchasing securities in a neighborhood of $120 billion each month. So with that liquidity added to the system, we've certainly seen significant deposit growth and since the beginning of the year across our businesses in part reflecting the global platform for both our Institutional and Consumer franchises. We had strong growth across our regions in Consumer especially in North America though where we saw continued momentum in both our traditional and digital channels. But also in the ICG especially in TTS, we did see good deposit growth there as well as client engagement remained quite high.

So, during the crisis period, call that beginning of March, our deposits grew by over $160 billion. Year-over-year, that's more in the range of $200 billion. And so, to break down that $160 billion for you, we raised, call it, $30 billion in consumer deposits with another $10 billion in our high net worth clients from the private bank, and of that remaining $120 billion of growth, roughly 60% of that came from corporates while 40% came from financial institutions. And this, by and large, 90% of the growth was driven by the deepening of our existing client relationship.

So, that split between Consumer and Institutional in terms of the growth we saw looks a lot like the deposit composition that we have on the balance sheet. You talked about the deposits going forward. I do believe they're going to remain elevated. Keep in mind, as we're seeing these new deposits come in, they represent a deepening of the relationship with our clients and certainly the – part of the execution of our strategy. But also, as investors derisk their portfolios during the stress period, and corporations who have bolstered their own liquidity positions through their own issuance activities, I mean, we've seen record investment-grade issuance during some of those periods, our clients increase their levels of cash as well. And this has, of course, translated to higher deposits at Citi.

So I mentioned the macro impact as well. That macro impact is both Fed policy, but there's also fiscal stimulus that contributed. So this stimulus, obviously, adds liquidity to the system. And as I mentioned, the Fed is still purchasing securities. So I do think the deposits in the system are going to remain elevated and I believe ours will as well.

One thing I would add, Gerard, a lot of questions come up too about, how do we think about the stability of those deposits? And, of course, we evaluate those on a quantitative basis looking at the activity around those deposits. But we also look at it on a qualitative basis as well through the ongoing dialogue we maintain with our clients around their needs and expectations for those funds.

But lastly, I would say that our view on these deposits will evolve as we see economic activity and market conditions evolve which, ultimately, will lead the Fed to unwinding quantitative easing. But I would expect this to be probably gradual and transparent, no different than how they unwound their last QE operation some years ago.

GERARD CASSIDY: Mike, I just want to remind our participants that they're welcome to send in questions on the dashboard through the portal that they're listening to this presentation. Coming back to the Federal Reserve and the monetary policy driving deposits which, obviously, is happening, if you had to say the other central banks around the world, is that – because you've got a unique lens for a bank here in the United States having a global footprint that you do. What do you see – what kind of impact those central banks have do you think on the deposits outside the US for Citigroup?

MIKE VERDESCHI: Sure. I think very much that same dynamic is in play. If you think about how that system works, these central banks are buying securities. They're putting liquidity into the system. And that liquidity in the system is going to make its way back to banks largely in the form of deposits. And so, it's a closed system. You put liquidity into the system, deposits are going to be elevated, and we've seen good deposit growth overseas as well. So, I think a very similar dynamic plays out there. Of course, the Fed really had its foot on the accelerator earlier this year and continues, and I think the – we're seeing that effect perhaps more pronounced in the US.

GERARD CASSIDY: Yeah. No doubt. It's been staggering the liquidity, as you mentioned, has been built up. Do you have a sense -- and you touched on this in your opening remarks which were really quite thorough, what is it going to take for the corporates to gain more confidence that they don't have to carry as much liquidity as they are doing now? Do you have any suggestions on what you're looking for to see what may make that change?

MIKE VERDESCHI: No, it's interesting and I'll go back to sort of the macro picture for a second. The Fed – I don't want to say they're thinking about fiscal policy as entirely a function on their own actions, right? They have their own mandates, and they're focused on that, but they certainly have encouraged fiscal stimulus as well.

That being said, whether you have that fiscal stimulus, I do think post-election, whatever government, whether it's divided or however that shapes up, I think there will be some fiscal stimulus. I think you're also seeing a very resilient economy playing out. The unemployment level printed this morning, it's 6.9% which was much better. So I think the combination of fiscal stimulus, I think the combination of Fed remaining accommodative, I think, will continue to improve those economic conditions.

Of course, the trajectory of the virus is going to be perhaps the most meaningful part. But I do think there's sufficient stimulus that will give the broader economy some confidence. But it's hard to know exactly the levels that folks may maintain. I do think though as long as those deposits and liquidity remain elevated in the system, it's somewhat of a – it's a closed system. So even if we see some clients beginning to deploy that, it's only going to go into a different part of the system and remains sort of back on the bank balance sheet in some form.

GERARD CASSIDY: Yeah. No doubt. No doubt. Maybe you can talk to us about the funding mix when you look at your funding mix, how it shaped up this year, and how you see it evolving in 2021.

MIKE VERDESCHI: Sure. So clearly, for this year, heavily, heavily weighted towards deposits. And as I said over the past year, that number is in the neighborhood of $200 billion which, clearly, far exceeded our need. Typically in the bank, I would also maintain multiple levers just to have an ability to access the market when needed. And what I would say wholesale in the bank this year has largely been flat. And at the beginning of the year, I indicated that we would go to the market with roughly $25 billion of debt issuance between some combination of the bank and the non-bank. But with that deposit growth that we've seen, we've not issued anything out of our bank note program this year.

In the non-bank, we've done $20 billion of benchmark debt. And as I mentioned last week on the Fixed Income Investor Review, $20 billion is the range that we think is appropriate for the year. But I also talked about maintaining some flexibility around that number. But looking ahead, the bank entities, I think, are clearly flushed with liquidity from those deposits. So we'll have to see how that balance sheet evolves and loan growth picks up. But clearly, we have ample deposits there to cover that.

And I think in the non-bank, our issuance activity is going to really depend on the evolution of the balance sheet, the client needs. And, of course, we do like to remain opportunistic around our issuance activity. And that's going to be influenced by good demand or an opportunity to diversify. Some of the things I talked about last week as well is looking at TLAC. And so TLAC also is part of what informs our issuance of our non-bank benchmark program. So I think at this point, very good levels of liquidity. We'll just have to see how that balance sheet evolves over time.

GERARD CASSIDY: I see. And then when you look at the balance sheet and you look at the actions you have taken in your securities portfolio this year and particularly in light of the deposit growth and where rates are today, how is that evolving? And can you also tie that into – you have different approaches for different countries. Again, you're unique in this global lens that you have. Are you looking at the UK or Asia differently than the United States?

MIKE VERDESCHI: Sure. First, I would mention when it comes to the securities portfolios, there's really multiple ways to look at it. But there's three that I would point out. And first and foremost, that portfolio, that securities portfolio was a liquidity portfolio. It's a store of liquidity and, therefore, it's part of the liquidity cushion that we maintain to withstand stress conditions. Secondly, it's a tool to manage our overall interest rate exposure for the firm. And then third, given the balance sheet, cash and securities probably comprise over 30% now of our balance sheet, we use those securities to generate some return as well.

So, our broad strategy around the portfolio for the last couple of years, it's basically been to stay liquid and use those securities to bring down our interest rate exposure for the firm in US dollars. And we began doing that as we saw the yield curve trending flatter indicating a change, certainly in the rate cycle, but perhaps the economic cycle as well.

So, our allocation over the last year, call it, increased securities by roughly $90 billion, 80% of that went into US treasuries, again, to help us reduce that interest rate risk sensitivity. We also added agency MBS as well. Again, that's a good returning liquid asset. That allocation turned out to only be 10%, but that is a function of we did see some of that portfolio prepay giving the very low levels of rates that we've now gotten to.

We've also added foreign sovereign. So, you asked about the foreign sovereign portfolio. We did add foreign sovereigns. And again, that has been a function of taking in those deposits overseas doing the very same things, maintaining liquidity in those countries, but also managing that interest rate risk profile. So, we did add foreign sovereigns as well.

But, of course, there's multiple things that we'll think about. Clearly, the weighting is to the dollar products and the highly liquid products. Some of those countries that we operate in, of course, we're going to look at those bond portfolios, and we're going to want to make sure that they're sufficiently liquid. So, there are certainly things that we would look at in certain smaller countries to make sure the liquidity profile would meet what we require.

But I would say if you look broadly at Asia, Europe, North America, you're going to see a lot of the same principles that drive our allocation. So, again, those are some of the things that we think about as we perform that in asset allocation within that portfolio.

GERARD CASSIDY: Mike, from the treasurer's viewpoint, your eyes, what would you say is an optimal level of securities and cash for you that really would kind of maximize but at the same time not put you at risk for not having enough liquidity but maximize revenue? Do you have any thoughts around that?

MIKE VERDESCHI: The answer is that, to me, there's no one answer to give you that exact number. And the reason for that is what's informing your need to carry that level of liquidity on your balance sheet. And part of that is informed by the deposit composition and what assumptions you make on those deposits, and therefore, how much of those deposits are lendable for loans or other illiquid assets versus what portion of that deposit would you rather or need to keep in some liquid asset in case you have a stress and you see an outflow of that deposit.

So clearly, the balance sheet that you want, you want a balance sheet that is really ensuring you have safety and soundness. At the same time, you want a balance sheet that's robust and supporting our client needs. And so that composition of deposits to loans is something that we focus on, but that liquidity component is really going to be informed by the composition of that balance sheet.

GERARD CASSIDY: You're speaking of deposits and, obviously, you just got a great brand, particularly, credit card is well-known. How much do you think the brand recognition – you talked about the growth in deposits in the opening part of this conversation. Do you think the brand has helped with that growth because people do recognize that it is a good brand?

MIKE VERDESCHI: I really do. I mean, when I think about our strategy, I think there's a number of things that enable us to attract those deposits. And certainly, it's a great brand globally. And so I do think when – especially as you saw COVID unfold in Asia first, you did see sort of that that flight to quality. And I do think a lot of that is the brand recognition. But I also think part of our strategy especially in our consumer bank is to drive that digital capability and access our clients broadly through those digital means. And I think while we don't have sort of the branches that necessarily some of the peers do, we certainly have that name recognition. We certainly have the digital capabilities. I think that combination means that we've been quite good at raising deposits both globally but also domestically through our consumer channels as well.

GERARD CASSIDY: And if I recall, obviously, you've got the joint venture with Google. That goes live in 2021, next year, is that correct?

MIKE VERDESCHI: Yeah. I don't know if we've put out an exact time line on that but soon enough.

GERARD CASSIDY: Right. Yeah. Okay. No. It ties into your comments about the brand and the digitalization of not having to have branches and just another channel, obviously, that you guys can pursue. So thank you. When you look at the third quarter numbers and you look at the net interest revenue and the net interest margin, can you share with us what drove those numbers and drove the margin to where it ended up in the third quarter?

MIKE VERDESCHI: Sure. And as we noted on the earnings call, we saw a decline in net interest revenue year-over-year in the third quarter, reflecting impact of lower rates and lower loan balances. This was partially offset by higher trading-related net interest revenue, of course, as we've seen that source of revenue pick up this year. And on a sequential basis, net interest revenue declined as well in the third quarter, again, driven by lower loan balances, but we also did see lower trading NIR sequentially, again, coming off some of those heightened levels at the peak of the market volatility. And we also did see the net interest margin decline, reflecting lower net interest revenues, too.

GERARD CASSIDY: When you look out over the – obviously, we've got one month done already in the fourth quarter. What is your net interest revenue outlook for the fourth quarter?

MIKE VERDESCHI: Sure. So, we expect the same dynamics that I just mentioned to continue to be a factor in the fourth quarter as well. We're expecting net interest revenues to be down year-over-year, again reflecting the impact of lower rates and continued lower levels of activity that we've been seeing related to COVID-19.

Sequentially, we expect NIR to stabilize relative to the third quarter, and this is reflecting the improvement in macroeconomic factors such as unemployment and GDP. And I mentioned the unemployment number continues to, I think, improve at a faster rate than some of those surveys. And with that, also, I would note that we've seen sequential improvement that we're expecting in purchase sales. So, early in the fourth quarter, we've seen some improvement there.

So from a full year perspective, we've said that we expect revenues to be roughly flat with the decline in net interest revenues being more or less offset by the non-interest revenues. And this is all consistent with how we talked about it a few weeks ago in earnings.

GERARD CASSIDY: When you're managing your balance sheet, it's very challenging this low rate environment with asset sensitivity and the issues that you and your peers are confronting. If rates – I don't expect negative rates in this country, but how sensitive are you guys of rates? I don't know how much lower they can go at the front end of the curve without going negative, but any thoughts there?

MIKE VERDESCHI: So, it's a good question. I mean, now that you're at that zero bound, despite what the Fed said, I do still expect people to talk about negative rates and how you think about planning for that. And, first, I would note, at least what the Fed has said on this, it's even before they lowered rates in response to this latest crisis, is that they would first take interest rates down. They would provide forward guidance. And then, lastly, they would do securities purchases through quantitative easing. And they did exactly that.

And so now that we see those low levels of rates, you can't rule out other things that the Fed would still perhaps do before taking rates negative. And that could be increasing the volume of quantitative easing or even moving the securities purchases further out on the curve or go into other asset classes. So, I think there's a lot – I think there are still things in their tool box that they would use before considering negative rates seriously. But, look, negative rates, we do have negative rates in parts of the world where we operate. And so some of the things that we do need to think about is, obviously, repricing flexibility around deposits. So, for example, here in the US, we are much more weighted towards our Institutional Clients Group deposits sourcing rather than Consumer. And in our ICG, you do have the flexibility to take rates negative. And we've seen that dynamic play out in Europe as well, doesn't mean you will.

Obviously, you've got to evaluate your overall client relationship. But is there a dynamic there between the rate you pay or charge in this case versus your broader relationship and, for example, fee income. And then in our Consumer side, you do have the impact of that floor given you can't take Consumer deposit rates below that zero floor.

So there are things, of course, that we think about that can play out in that deposit pricing. But on the asset side too, you want to be thoughtful about do you have a floor in that asset pricing related to some of your loan activity. But I also think importantly, as I talked about this earlier is managing that interest rate risk sensitivity down and we've done that over the last couple of years and so deploying those securities in a way that give you that interest rate protection when rates are falling.

So we think of all of those things. And, as I said, we've operated like this overseas and pretty much the same thought process here for the US. But I don't think the Fed is quite ready to seriously consider negative rates quite yet. I think they certainly do urge fiscal stimulus. And I think we will get some sort of fiscal stimulus. And maybe that even steepens out the curve. So I think the Fed will like to see how that all plays out before seriously considering negative rates.

GERARD CASSIDY: Actually, one of the questions coming in on the dashboard, Mike, not to comment specifically on the election, but there's been some volatility, obviously, since Tuesday. And the question really is from the dashboard, what are you seeing in the markets? You just did a very good job telling us about how you manage the risk, but are you seeing much going, not just here in the US, but around the world?

MIKE VERDESCHI: Starting with the US, we have seen some volatility. The day of the election was very interesting. I think the – I don't know if it was the early counter or the exit polls or just perhaps people putting on bets, in anticipation of what that election outcome would be. But you saw higher rates and steeper curve early on. And so I thought of that as the blue wave expectation that you would see a sweep and, therefore, perhaps a very aggressive fiscal stimulus coming. And that have would meant a lot of treasury issuance and perhaps pressuring the curve higher.

I think subsequent to that, of course, when there was the uncertainty, you did see treasury rates fall quite quickly just with the uncertainty. It also could have been, clearly, an unwind of some of the positions that folks already had on. And then today, you're seeing rates start to drift higher again. And I think as the perhaps a little more clarity is starting to continue to inform how this election may actually play out. And therefore, I think people are starting to put some expectations back on the table.

So I think, obviously, the market wants a degree of certainty, but then there'll also be anticipation around that fiscal stimulus. And, of course, that fiscal stimulus, combined with continued demonstration that the US economy is resilient, I think, is going to play out. And so when we look at that, we'll be looking at that somewhat opportunistically as we talk about all the deposits that have come in and the cash that we have, and this will give us an opportunity to continue to evolve the mix of cash to securities. So, we'll be looking at the level of rates, the shape of the curve, the level of volatility, and even how spreads play out. But we think there's enough going on that we'll be able to move some of that cash into securities over time.

I think overseas, clearly, there's a dollar impact there, right? So, obviously, that's going to perhaps be one of the more pronounced aspects in what does this mean for global trade. But I think, overall, nothing we're seeing in the market seems unusual. I think the equity market is really reflecting that there's just – maybe the democracy works where you're seeing this come through and the resilience of that economy means that post-election things will carry on.

GERARD CASSIDY: Very good. Another question coming from the dashboard, Mike, obviously, LIBOR is going away. So, can you share with us your thoughts on the transition away from LIBOR and how you guys are managing that process?

MIKE VERDESCHI: Sure. And in a fixed income call I did last week, it was certainly a popular topic. And a couple of things I'd highlight. And first and, obviously, Citi and the broader industry continue to be really focused and putting an enormous effort on preparing for that transition away from LIBOR by the end of

2021. And during the call last week, really gave some of the recent highlights, so some of those included the adopting of the new protocols for derivatives. And so that was an important step forward which allows for a smooth transition away from LIBOR and those derivatives contracts. We also talked about client outreach, the work we're doing on our operational capabilities, but also efforts in supporting the replacement rate – that being SOFR – and we've done issuance previously off of SOFR to help build liquidity in that market. So we think those are all important steps.

But secondly, and this was a theme that I emphasized last week, consistency in approach. So the transition away from LIBOR, it's very complex given the scope of it and given the amount of products that it impacts. So the transition also is not just a function of what we do to prepare, but it's also the investor uptake of the new rates as well as our clients. So to be able to transition away successfully as an industry, we need that broad sponsorship, all market participants doing their part and working towards that transition.

The market liquidity aspect is an important one. And so, obviously, we need to see that liquidity continue to build in a more expedited fashion. One of the recent highlights is the move away from LIBOR to SOFR discounting. And so we think that will also bring liquidity into the system. So I think having the industry work together, things like the Alternative Reference Rate Committee, bringing people together, coming up with recommendations, and having the industry broadly adopt those recommendations, I think, really best serves this transition.

GERARD CASSIDY: Very good. Mike, you and your peers this week submitted CCAR, I guess you could call it 2.0. Can you share with us any thoughts how the process went? And, obviously, we're expecting to hear the results for you and others by the end of the year.

MIKE VERDESCHI: Sure. 2.0 is a good way to put it in. On that point, we do believe it makes sense to go through the second analysis given that the last DFAST did not incorporate the stress that we see today. So, along with the rest of the industry, we spent the last month and a half running our own scenarios of what the stress could look like in addition to running scenarios that were provided by the Fed. And we submitted those results based on what came out of that analysis.

So, while the Fed has discussed sharing, as you know, those specific – firm-specific results by the end of the year, they've not spoken about how they intend to use those results. So, it's possible that they may recalibrate the SCBs, but they're not required to do so. So, we felt good about the last run of that process earlier in the year where our calculated SCB came out something along the lines of 1.9%. Of course, that gets taken up to the SCB floor of 2.5%, but we felt really good about that. We also feel good, of course, about our CET1 ratio of 11.8% which is almost 200 basis points above our 10% requirement. So, the combination of our work in this space and sort of the level of capital that we've run today, we feel quite good about that.

GERARD CASSIDY: I'm glad you brought up the CET1 ratio because, as you know, and everyone knows, the GSIB buffer is included in that. And maybe this year, because of the pressure on the industry, there's been pressure on those GSIB buffers. Where do you think yours will be in the quarter? And also, when you look out, how do you see the GSIB going forward?

MIKE VERDESCHI: Sure. It is a good question, and it's an unusual dynamic. And so, as we've been talking about in this session, bank balance sheets across the industry have grown deposits substantially. And so, that's taken up the overall balance sheet, and that does put pressure on your GSIB score, it also puts pressure on your SLR. And what's interesting is that the Federal Reserve did provide some temporary relief related to that SLR by excluding reserves held at the Fed and US Treasuries. That was removed from the SLR calculation, but it was not removed from the GSIB score. So, our read right now, I think third quarter, roughly 3.5%. So, that is the higher bucket relative to where we are today. We're in the

3% bucket today. So, we are seeing that elevated as of the third quarter, and we'll certainly be looking at that as we go through the fourth quarter as well.

But important to note, if we did remain at that 3.5% bucket, the capital requirements wouldn't take effect until two years out, so 2023. But also, next year, you still have the opportunity to go from that 3.5% bucket back down to that 3% bucket scoring. So, we'll have to see what our balance sheet looks like. An important aspect of this is what's driving that score higher and that additional capital that it would require, how do we look at our broader activities? And is that activity overall accretive for that additional capital? So those are all the things that we'll be thinking about in terms of GSIB over the next several months.

GERARD CASSIDY: On a technical question here getting back to GSIB, like you said, if you did go into the higher bucket, it wouldn't be applicable until 2023, then it could always fall next year. If it was to fall next year, would then the higher level that you – again, I'm not saying that you're going to be there, but if you were to go into a higher level bucket, would that by falling next year override what happened, let's say, in the fourth quarter?

MIKE VERDESCHI: Yes. That's right. So you got to get your score back down. Exactly, that would that would override it.

GERARD CASSIDY: Very good. Did the regulators talk to you guys about the GSIB? Or is it more a one-way street where it's all them and then you guys just try to interpret what they're looking for?

MIKE VERDESCHI: No. Look, I would say there's – there is really good ongoing dialogue with the industry and the Federal Reserve on broad macro topics and certainly what's playing out in the marketplace and the impacts it has. So I would say that there is a good amount of dialogue on this to make sure that everybody understands the dynamics of the balance sheet and GSIB and SLR. So I would say the engagement has actually been quite good.

GERARD CASSIDY: Very good. You've recently issued an affordable housing bond. Can you tell us a little more about that transaction? What was behind it? What drove it?

MIKE VERDESCHI: Sure. I got to say I was really happy with this bond issuance. And it meant a lot to us. So, just to give you a quick rundown on what it entails, so it's a $2.5 billion issuance, and it was the largest social bond from an issuer in the private sector, and the proceeds are going to be used to finance construction, rehabilitation, preservation of affordable housing for low and moderate-income populations in the US. In addition, as part of the transaction, we worked exclusively with women, veteran, and minority owned broker dealers for the transaction. So, we felt really good about being able to do that.

And so, this is – this transaction, our first social bond, and as part of that broader social bond framework that we've established really aligns well with the, I would say, substantial increasing investor interest in social bonds and the broader ESG initiatives.

Taking a step back, in terms of our ESG strategy, it does focus on a number of areas, sustainability priorities that include climate change, racial equity, affordable housing. And in terms of that affordable housing specifically, Citi works with housing developers, housing authorities, local and state agencies to help increase the availability of affordable housing for the nation's vulnerable and economically challenged populations.

In 2019, we lent over $6 billion for affordable housing projects. And in the last 10 years, Citi has helped create or preserve roughly 488,000 affordable housing units. So, to that end, this social bond, it's the latest step in our growing ESG-focused funding, which started early last year with our green bond issuance.

GERARD CASSIDY: Very good. I got a question coming back to the capital ratios and such, when you look at the CET1, that's obviously been the driver for the capital action plans for your bank and other banks. When you talk to the regulators, when you sit down and talk about the CET1 ratio, is that the primary ratio that they focus on for capital action plans? Or do they look at other ratios that may allow or restrict people's capital action plans?

MIKE VERDESCHI: Yeah. Look, without getting into too much detail around that process, clearly, that is one of the key drivers. But as you think about your broader resources, you do need a broad lens around your resource usage in going through that stress scenario or scenarios. So you're looking across capital. You're looking at liquidity levels. So there's a broad aspect there to ensure that sufficient resources are preserved during times of stress. But certainly, that CET1 is a – is very much a key focus in that exercise.

GERARD CASSIDY: Mike, we have a minute or two left. And I guess the just final wrap-up question, when you sit back and think about what we've been through, this country, and the world with the pandemic since the end of March, what has surprised you from a treasurer's lens of how the markets have behaved and how you guys have been able to handle it?

MIKE VERDESCHI: So, look, it's a good question. First of all, we and I think the broader industry came into – and, again, it's a health crisis that has spilled over to the broader economy and markets. But I think the financial industry and Citi came into this quite strong, ample resources and capital and liquidity. And that has all held up quite well. And we heard the call from regulators to use those buffers, so as we think about it, we have a good amount of capital and liquidity to ensure safety and soundness but at the same time support our clients and support the broader recovery effort that we're undergoing right now. So, I think that's played out remarkably well.

And I got to say, the Fed, from the financial crisis, the Fed took out its playbook rather quickly, deployed that playbook, and added, I would say, a couple of new plays to that playbook including outright purchases of credit. And whether those programs and how much usage those programs got or not, the fact that there was a backstop there was quite meaningful.

So, I think the combination of a strong balance sheet going in, I think the aggressive actions by the Federal Reserve, and, let's face it, balance sheets are in good shape. Consumer was in good shape. Employment levels were quite healthy. And I think you're seeing now very good signs of a very resilient US economy. I'd say, surprising, I don't know if it's surprising, but certainly encouraged by the responses and how things have held up. Obviously, we have to see how the virus continues to unfold and the impact that has. But we feel good about how we've performed and been able to support our clients through this crisis.

GERARD CASSIDY: No. You're absolutely right. The Fed has added new plays to their playbook. Think the New York Giants have to do that, too. I tell you...

MIKE VERDESCHI: And I'm with you. And I think it's been a tough year for New York sports. And so, let's hope for better times ahead.

GERARD CASSIDY: There you go. Mike, thank you so much. This has been very enlightening, very insightful. I really appreciate you joining us this year. And Bank of New York will be up next. Thank you again, Mike.

MIKE VERDESCHI: Gerard, thank you very much.

GERARD CASSIDY: You're welcome.

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