RICHARD RAMSDEN: Okay. So, good afternoon, everybody. I'm very excited to introduce our next presenter, who is Mark Mason, the CFO of Citigroup. Mark has been with Citi for 19 years. He's been CFO for almost two years. And prior to being the CFO of the group, he was CFO of ICG, and previously ran the Private Bank and Citi Holdings. This is the second year that Mark is with us, obviously this time virtually. But, Mark, we're delighted to have you back. And thank you very, very much for joining us. So...

MARK MASON: Thank you, Richard. Great to see you.

RICHARD RAMSDEN: Good to see you too. So, I thought I'd start off with a broad question. And I know your answer is going to be different to everyone else's because of the footprint that you have. But you do operate in pretty much every major geography around the world, and that does give you a unique insight, I think, into global growth, and the state of economies around the world. And I appreciate there's still a lot of unknowns. But can we just start off with your assessment of the health of the key markets that you operate in, and perhaps you can talk a little bit about your expectations for those markets heading into next year.

MARK MASON: Sure, Richard. I think I'd start, and this may be a theme depending on how the conversation goes, but I'd start by saying that I think we're in a much better place than we would have expected to be back in October, and so – just broadly speaking, right. And when we look at the health of the markets that we're in, there's some unevenness to it, there's some choppiness to it. But, by and large, I think we're in a much better place. A couple of examples. If you kind of start with the US, and you look at the kind of solid PMI, if you look at a solid business outlook, the prospect for a rebound in GDP, employment levels likely to pick up. So, showing some promise, if you will, notwithstanding the increases in terms of cases, but certainly recognizing the prospect for vaccines and stimulus and things of that sort.

If you look at China, and China has started to demonstrate a solid rebound. And while the rebound in China may not be enough to carry the entire region, I think that's an important factor that we're seeing good signs of recovery in that economy. So, I think that's important.

If you look at Europe on the other hand, Europe is going through a second wave, parts of Europe that are under lockdown. We certainly see pressure when you look at some of the key data and key economic indicators there. And so, you kind of look across that, and you kind of see, I call it, asynchronous growth, where you have the US and China looking better, you have rest of the world, particularly, the EU and lesser developed emerging markets under a bit of pressure.

When I look at health, specifically, I think it's likely that the next couple of months are somewhat tough. We're playing into winter. We've obviously seen a rise in cases. And those will put a little bit of pressure from a health point of view on the economy. With that said, I think when you look at the combination of testing more widely available, if you look at the prospect of multiple vaccines being rolled out, that certainly does give us a sign of light at the end of the tunnel. And I think the combination of those things make us a bit more confident that next year is more likely to show signs of normalcy. And I think that's a positive outlook.
The final point I'd make is somewhat unique to or specific around Citi, which is I think we've managed well through this crisis in a way that's allowed for us to be there for our clients, be there for our employees and the communities that we serve. And I think that's going to bode well as we come out of this. And so, we feel good about that as well.

RICHARD RAMSDEN: So, maybe we can follow up on credit performance in the key geographies and products that you have and look at, I think, I've asked this to every bank so far, which is this is the first real-world stress test that we've gone through. So, this is the first opportunity since 2008 to really reflect on some of the changes that are being made. Where would you say that you're outperforming your expectations from a credit perspective, and where do you see the most uncertainty around ultimate losses in your portfolio today?

MARK MASON: Yeah, sure. And I'll kind of start with the same way I started the last question, which is, as I sit here today, I feel better about it than I would have back in October. We continue to see a very stable performance from a credit point of view. And the short of it, I think, and I'll take you through a little bit of it, but we're probably more likely to see releases when I think about reserves than we are to see builds, just the way things have been trending.

So, think about it. The capital markets are open for many companies, and many companies have accessed them to shore up their liquidity positions. The consumer has been incredibly resilient and saving rates continue to be high. We see, on the Consumer side, purchase sales activity improving. We're seeing continued strong payment rates. We don't see any particular signs of delinquencies picking up. In fact, we're likely to see for Citi in the fourth quarter loss rates that are lower than the third quarter, and that's a bit better than the outlook I've talked about before. And on the Corporate side, similar trends. So, similarly, we're seeing modest level of downgrades. And in fact, we're seeing some upgrades through the quarter, and expect to see similar performance in terms of modest level of losses.

And so, when I put that all together, we're likely to see credit performance – as I mentioned, we're more likely to see releases playing through than reserve builds as we think about the fourth quarter and beyond. The reality is that I think a stimulus is important. The prospect of a stimulus in 2021, I think that's important for certain parts of the economy. And we're likely to see losses on the consumer side. Losses in general start to pick up in 2021 and peak, call it, in the back half of 2021 as it relates to the consumer part of the portfolio.

RICHARD RAMSDEN: So, I know there's a lot of moving pieces, but can you talk a little bit about your base case for some of the key growth drivers next year around loan growth across both your consumer and your corporate franchises. And I think it'll be really useful to talk about that in the context of what you just mentioned, which is we could have a much more V-shaped economic recovery next year because of the vaccine. So, if that does happen, how quickly does that translate to a pick-up, both in terms of balance sheet demand and then ultimately revenue growth?

MARK MASON: Yeah. Sure. So, look, I think that in terms of our base case, our base case, as I mentioned earlier, is we think we're likely to see a rebound in GDP. We think that we're likely to see improvement in unemployment, although that recovery is likely to take a bit longer. As I think about that, we're likely to have loan volumes pick up only more towards the back half of 2021. And I think the drivers there will be increases in consumer spending off of a low base this year, obviously, increases in corporate spending. And as I think about our cards portfolio, for example, consumer pick-up, if you will, to some of the promotional credit card offerings that we're likely to put back on as we get some more normal levels of marketing activity around that portfolio.

In terms of the recovery more broadly, I think we worry about a K-shaped recovery. We worry about the idea that there'll be some consumers that rebound more rapidly, some corporates that rebound more rapidly. There'll be others, small businesses, medium-sized businesses and other consumers that suffer
from a bit of dislocation. And we'll have to manage through that. And that's what we worry a little bit about a K-shaped recovery. But as I sit here today, we feel good about that base case scenario where GDP is rebounding, and employment is starting to pick up, albeit at a slower pace.

RICHARD RAMSDEN: Great. Just briefly, if you look at China, where I think 90% of people now are back at work, how quickly have you seen things like T&E spending picking up in that market? And do you think that that could be indicative of what could happen, say, in the US, if things start to recover much faster?

MARK MASON: Yeah. Look, I mean, we are seeing in China and in other parts of Asia some signs of rebounding. Broadly in Asia, we see Wealth in our investment-type businesses starting to pick up. Our insurance activity starting to pick up. And so, we do think that the prospect of a vaccine rolling – coming into the market, the prospect of the stimulus coming into play, and this broken GDP could in fact be cause for a more rapid rebound. But it's hard to tell. And we, in terms of expenses, the increase in expenses like T&E, have been moderate. And so, we'll see how it plays out. But by and large, we think that things should be more favorable next year.

RICHARD RAMSDEN: Okay. So, before we get into some of the strategic initiatives, let's just take a step back and talk a little bit about the current environment, and the overall outlook for the fourth quarter. What stands out to you? What do you think we should be aware of in terms of the current quarter?

MARK MASON: Yeah. Look, I say, Richard, when I look back on the prior three quarters, we've had very good performance. Our revenue was up 3% year-to-date. Our expenses were basically flat year-to-date. And when you think about some of the factors that have played through, obviously, on the Consumer side of the business, we've had the impact of rates and lower levels of activity. And that is certainly what we're seeing through the fourth quarter on the Consumer side, although we are seeing some sequential improvement in terms of purchase-sale activity, and the like. But we'll continue to see that year-over-year pressure from rates, and from the lower levels of activity.

On the ICG side of the business, the institutional side of the business, there, too, our accrual businesses will continue to feel that pressure from rates and activity. When I look at our Markets business, we've had very strong markets performance through the three quarters year-to-date. And I would – in the fourth quarter, we're seeing continued very good performance in our trading business. So, our trading businesses, fixed income and equities are likely to be up in the mid-teens, so, continued strong activity there.

On the investment banking side, on the heels of a very strong quarter in the fourth quarter last year in 2019, we're likely to see revenues in investment banking down in the low-double digits year-over-year. But that said, we continue to have strong equity underwriting activity, and continue to have a very strong pipeline, and continue to take share there.

So, if you bring it all together on a full-year revenue basis, we expect revenues to be roughly flattish year-over-year. And when I look at our expenses, our expenses are likely to be up, call it, 2%, which I think is consistent with the last outlook that I gave back in October. And credit in the quarter is likely to be better, a bit better than I expected with improved loss rates or NCLs, and like I said, more likely to see releases than reserve builds.

RICHARD RAMSDEN: Okay. That's very helpful. So, maybe we can talk briefly about some of the guidance that you've given on 2021, and if that's changed. And I think you previously mentioned net interest revenue stabilizing this quarter on a sequential basis. Is that still your expectation? And is there any preliminary expectations that you have for NIR for 2021 at this stage?

MARK MASON: Sure. So, the short answer is yes. That is still my expectation as we play into the fourth quarter. I've said that we expected NIR to start to stabilize, and that's in fact what we're seeing. And if you
think about the full year, we would have had net interest revenues down year-over-year, offset by noninterest revenues, getting us to that roughly flattish number.

As I think about 2021, we're likely to see in the first half of the year that continued stabilization, so, similar levels to that of the fourth quarter in the first half of the year. In the back half of the year, again tied to kind of the base case that I described, GDP improvement, levels of employment improving, we're likely to see loan volumes start to pick up, and improvement in the net interest revenue in the back half of the year. And so, you put that all together for 2021, we're likely to see net interest revenues that are down, but not down as much as what we've seen in 2020.

RICHARD RAMSDEN: Okay. That's helpful. So, maybe we can talk briefly about the consent order because I know it's an area of great focus. And look, I do appreciate that conversations with regulators are confidential, and as a result, you can't talk freely and publicly about everything. But look, I think you're a few months in now since you've had the consent order. So, relative to when you last spoke in October, how has your assessment of the scope of the work evolved? How are you thinking about the timetable? And how has your thought process around the costs involved in remediation evolved over the last few months?

MARK MASON: Sure. Richard, you're right. We've kind of been at this for a little bit now. And aside from the update I provided back in October, we've also had our Chief Administrative Officer speak and provide a lot more detail on how we've been standing up the management structure to support this effort. And kind of rather than go through all of the details around that, let me make a couple of points that I think are important and particularly relevant. One is that we very much view this as a transformation. And it's more than just kind of remediating the issues that have been identified. It's really about how we invest in improving the operations across the franchise.

And that includes everything from data and getting the quality of the data that we need sooner and a more efficient way. That includes enhancing our risk and controls in our enterprise risk control framework. It includes improving the way we think about compliance. It includes all of those things, including the digitization of a lot of our operations. And so, it is a transformation. It is an investment. And I think that's important, it's a point that I continue to highlight because as an investment, we do expect a payback on it. We do expect to have a more efficient organization on the other side of this. And we do expect that we will not only have the improvements in the way we run our operations, but be in a better position to compete with other players and in a better position to serve our clients to offer and introduce new and innovative solutions to our clients. And so, those are some of the benefits that we expect to get from these investments.

And I'd highlight that, in my view, we have some credibility in being able to make investments and yield the returns that we expect. We did a lot of that coming out of Investor Day. We've seen that in digital capabilities that we've rolled out and the enhancements that have come from that. And we've seen that in the product that's come as a byproduct of those types of investments. And so, we're going to use that same discipline as we roll out these investments, right.

And the final point I'd make is you've heard me mention $1 billion or so that we've spent in 2020. That's on the heels of spend that we were making certainly in 2019 because we're not just starting this, but we are redoubling our efforts. And as we put together the plan for 2021, and albeit this transformation is a multiyear strategy, but as we put together that plan for 2021 and it's not yet complete, I would say that we're likely to have expenses that are up a couple percent in 2021 tied to the transformation investments that we're talking about. So, an important effort. Management team fully committed to it. I think we're making good headway in terms of scoping out the plans that we intend to execute against. And we'll continue to update you and the rest of the market as this progresses.
RICHARD RAMSDEN: So, Mark, just as a follow-up, as you make these investments around dealing with the issues around the consent order, does this result in you deprioritizing other investments that you're making in the franchise, or are you doing both of them concurrently?

MARK MASON: Yeah. Look, we have to do both. I think that when I think about what's important, this transformation is a strategic imperative. And many of the investments that I think are required to maintain our competitive advantages where we have them, for example, our TTS franchise, I think we've got to keep doing as well. The good thing about the transformation spend, Richard, when I think about it is that in many ways it's related to those other strategic objectives. It's an enabler of being able to execute against our strategy. You heard me when I talk about those transformation efforts when I gave examples of some of those were related to how we actually serve the client, how we actually bring solutions to bear for the client, how we actually analyze data that's available to us in order to help us do and offer more effective or relevant products for those customers. And so, I actually think the two are related. But to answer your question specifically, I think they both are required as well.

RICHARD RAMSDEN: Okay. So, obviously, resolving consent order front and center, clearly, the most important strategic objective that you've got. Outside of that, what are the two or three most important things that you think that Citigroup needs to focus on over the next few years? And obviously, you're going through a CEO transition at the moment. So, do you think that those priorities could evolve as Jane Fraser takes on the CEO role next year?

MARK MASON: That's a good question. I think you got a couple of factors going on, right. So, you've got the idea that we're in a crisis, right. You've got the – and I mentioned that because there're a couple of learnings from this crisis, not the least of which is the acceleration of acceptance around digital capabilities, right. And so – but most crises I think come with an opportunity for companies, and almost a requirement for companies to take a hard look at their strategy, at their business model, at their investments, et cetera, et cetera. And so, that's one factor that I think comes into play here.

The other factor as you mentioned is that we have a new CEO that takes over in February. So, she's not even in the role yet. But I think the combination of those two things certainly do position us where we will take a hard look at our strategy. And we're going to give Jane time, obviously, to get into the role. But I would imagine that, and she said that that will be a priority and focus for her.

And rather than get into the two or three things that are likely to come out of that, why don't I mention a couple of principles that I think will be important, and likely to be factored in as we as a team under Jane's leadership work through that. And what they'd be is – one, I think is simplification. So, I think you're – I think we are – if you think about the transformation underway, a big part of what have come out of that I think will be simplification in our operations. As we look at our strategy, I think we'll look at it through a lens of how do we simplify the business model and what we do.

The second bucket that I would categorize is, I mentioned it earlier, how do we protect our competitive advantages. So, you look across our business, there're a number of businesses that we're in, where we have a number one or number two position or we've been gaining share over multiple years. Again, think of our TTS franchise there, what we do with those multinational clients, think about the importance of innovative products and solutions, think about the importance of digital, how do we protect those competitive advantages that we have today.

I think the third bucket would be linkages. There're some real linkages, I think, across the franchise that we have that we can take advantage of, whether that's doing more TTS products and solutions in our commercial bank or with our commercial banking clients, or identifying opportunities with the partners that we have on the Consumer side with our ICG business, or growing Wealth. And so, I think there's some real linkages that will be another important principle.
And the fourth category would be how do we ensure we're improving our return on capital and return of capital. And so, rather than point to the two or three things, although Jane has mentioned a number of them herself, including what we do with our Wealth Management strategy, including what we do with the drivers, or I should say changing our mix and more fee revenues, including what we do with those linkages. Rather than kind of get into those details, we'll give Jane some time to figure that out. But I think you'll find that those principles are important as we work through them.

**RICHARD RAMSDEN:** Okay. That's very helpful. I know, again, lots of things are moving. But last year, you generated pretty close to a 12% return on tangible common equity. If you look at the business as it currently stands, and if you assume some sort of normalization, both in terms of credit, in terms of GDP growth, do you think there's a realistic path back to those types of returns assuming that interest rate structures don't change from here? And in your mind, what would it take you to get back there?

**MARK MASON:** Yeah. The short answer, Richard, is yes, I do. We have, as you point out, have been on a path pre-crisis of consistent improved returns year after year coming out of the last Investor Day. And I think we’ve seen the investments that we’ve made over that period of time pay off, and frankly position us well to manage through this crisis thus far. And I do believe that we will be back on and get back on a track towards improved returns.

I think it will be a byproduct of some of the things that I've mentioned already, whether it be benefits from the investments we're making in transformation or the benefits from the other strategic-type priorities that we have across those strong positions that we have within our franchise. But I think all of those things will help us kind of get back on that path, as we see the credit environment improve, as we see the overall economy and GDP and the likes start to pick up. And so, I do feel as though – the answer is yes, I do feel like we will be back on that path. And I think we're committed to doing the right things in the way of those types of investments, and looking at our strategy.

**RICHARD RAMSDEN:** So, the stock has rebounded, but you still do trade at a significant discount to book value. So, can you talk a little bit about what you think is driving that, and maybe talk around some of the parameters that you think might lead to a higher multiple and a higher valuation over time? And when you look at market expectations in terms of the RoTCE for Citigroup and think about what you can generate, where do you think the biggest disconnect is?

**MARK MASON:** Sure. Look, I think a couple things come to mind. So, one is we talked about it a little bit here, which is I think there is a question around this consent order, there's a question around the investment that'll be required as it relates to that. And hopefully, I've given a little bit of a sense for how we're thinking about that. One, it is an investment. Two, I've at least – I dimensioned a bit as to what we think the cost could be, albeit we're still planning in 2021 a couple of percentage points of growth in expenses tied to that. So, hopefully, that kind of boxes that at least preliminarily as we think about that concern that's out there.

I think there's a question around whether this becomes a distraction for management. I think the answer to that is what I said earlier, which is in many ways this is an enabler of the other strategic priorities that we have. And candidly, we would be doing these things, I would say, regardless of the consent order that these are that important to the safety and soundness, but also the competitiveness of our franchise that these are investments that we want to be making around this transformation.

The third area is many people probably still think of the Citi of old as opposed to the new Citi. And what I mean by this, and you heard me kind of say it before is that we came into this crisis in a very different position than we went into the last one. That is true for the entire industry, but is also true for us. Strong capital position, strong liquidity position are really part of the solution, part of the dialogue on how we stabilize markets, how we facilitate access to liquidity for our corporate clients, how we think about relief programs for our consumer clients, very, very different position, allowing for us to be part of that solution.
On top of that, we're sitting with $29 billion of credit reserves. Almost 4% of our funded loan portfolio, significant reserves to manage through the remaining uncertainty, I would say, that is out there. And so, when I look at that and I think about Citi of new, so to speak, I think we're very well-positioned to manage through this. And I think it's on the other side that I'm hoping and expecting a greater appreciation for what our firm is really worth. And so, I hope that the other side gives that opportunity for all to see the real value of the firm.

RICHARD RAMSDEN: Okay. So, we've got a few minutes left. So, there's a few audience questions here, and there's a few here on capital, so let's start with those. I mean, you have a lot of excess capital. I think on our calculations, I think it's $20 billion of excess capital. When you think about next year, can you talk about your priorities around capital returns, both buybacks and dividends, how likely do you think it is that you will be able to buy back stock? How will you prioritize capital returns next year between dividends and buybacks? And linked to that, I think you've talked about an 11.5% CET1 target. Is that still the appropriate capital requirement for Citigroup having gone through this year and seeing the expansion in the balance sheet that you've seen?

MARK MASON: Yeah. So, there's a lot there. I guess, I'd start by saying that I welcome the opportunity for us to be considering buybacks, to do buybacks, right. In many ways, particularly given where we're trading to your earlier question, I welcome the opportunity to do buybacks. I think the reality is that we're still in a crisis. We obviously want to continue to be there for our clients. Equally important, regulators haven't reinstated the ability to do buybacks. And there are number of factors that I think have to play through or that I would expect to have to play through. And I don't want to call the win that's going to happen. I think we've got to kind of play it forward in terms of getting out or with the recovery.

With that said, as you mentioned, we're in a very strong capital position. And whenever there's a reinstatement of the ability to consider buybacks, I think you're going to find us there with our peers having a hard look at that, particularly given where we're trading. In terms of the CET1 target, I do think 11.5% is still the right target for us at this stage for some of the reasons that I've mentioned already. So, we obviously are again in a crisis. There're a couple of moving variables that are still out there. While we did have the CCAR submission, and our stress capital buffer came in at below the 2.5%, but we have topped up 2 to 2.5% because of resubmission, as you know, that's been made. And we expect to hear the results of that, and how the regulators intend to use that. And that will obviously inform that ratio.

And then, there's GSIB, right. So, we've played through the year. We've seen increased levels of liquidity in the market. We certainly have seen growth in deposits. And we, along with others, have seen that impact our GSIB score. So, there're enough puts and takes between the crisis and some of that uncertainty that I continue to feel good about the 11.5%, and we'll see how that evolves over time.

RICHARD RAMSDEN: Okay. And then, there's a clarification question here, which I do think is quite important, which is when you think about the expenses for next year, what sort of trading environment do you envisage when you think about the absolute growth in expenses next year, just given how strong the trading environment has been this year? What's kind of embedded in the assumption when you're thinking about overall expense inflation for Citigroup next year?

MARK MASON: Yeah. Look, I mean, we're thinking – it's hard to call when normalization happens. We've had an extraordinary year. Obviously, the wallets have grown significantly as well. We've grown shares, and we feel very good about that. We're seeing a strong fourth quarter. We're seeing some, I would say, some normalization happened, but still a very strong fourth quarter. When I think about our 2021 assumptions, we expect to see some continued normalization around our trading activity through 2021. And ultimately, I would imagine it back to, I don't know, pre-COVID crisis levels, hard to call exactly when that happens given many of the other factors that are out there. But we do expect some normalization through 2021 on the trading side.
RICHARD RAMSDEN: Okay.

RICHARD RAMSDEN: With that, we are sadly out of time. But, Mark, it's been a true pleasure. And hopefully, next year, we get to see you again, and you get to wander down the street to our offices, and we get to see you in person. But thank you very, very much for joining us today.

MARK MASON: Thank you, Richard. It's been great. And I do hope that we get to see each other face to face next year. And until then, I wish you happy holidays.

RICHARD RAMSDEN: Yeah. You too. Thank you.

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