TRANSCRIPT

Citi Fourth Quarter 2020 Earnings Review

Friday, January 15, 2021

On February 26, 2021, Citi announced that, as a result of new information Citi received subsequent to December 31, 2020, it adjusted downward its fourth quarter 2020 financial results, from those previously reported on January 15, 2021, due to a $390 million increase in operating expenses ($323 million after-tax) recorded within Institutional Clients Group, resulting from operational losses related to certain legal matters. The financial impact of this adjustment lowered Citi's fourth quarter 2020 net income from $4.6 billion to $4.3 billion and earnings per diluted share from $2.08 to $1.92. The financial impact of this adjustment is **not** reflected in this fourth quarter 2020 earnings review transcript, dated January 15, 2021. For additional information, including Citi's fourth quarter and full year 2020 results of operations including this adjustment, see Citi's Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission on February 26, 2021.

Host
Elizabeth Lynn, Head of Investor Relations

Speakers
Michael Corbat, Citi Chief Executive Officer
Jane Fraser, Citi Incoming Chief Executive Officer
Mark Mason, Citi Chief Financial Officer

PRESENTATION

OPERATOR: Hello, and welcome to Citi's Fourth Quarter 2020 Earnings Review with the Chief Executive Officer, Mike Corbat; incoming Chief Executive Officer, Jane Fraser; and Chief Financial Officer, Mark Mason. Today's call will be hosted by Elizabeth Lynn, Head of Citi Investor Relations.

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

Ms. Lynn, you may begin.

ELIZABETH LYNN: Thank you, operator. Good morning and thank you all for joining us. Before we get started, I'd like to remind you that today's presentation which is available for download on our website, Citigroup.com, may contain forward-looking statements which are based on management's current expectations and are subject to uncertainty and changes in circumstances. Actual results, capital and other financial conditions may differ materially from these statements due to a variety of factors including the precautionary statements referenced in our discussion today and those included in our SEC filings including, without limitation, the Risk Factors section of our 2019 Form 10-K.

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

MIKE CORBAT: Thank you, Liz, and good morning, everyone. Given this is my last earnings call with you, we're going to do things a little bit differently today. After I'm done speaking, I'll turn it over to Mark. And before we open up to Q&A, Jane will make some comments on the transformation she's been leading and how she sees our strategy evolving. So with that, let's go ahead and get started.

We had a strong finish to a tumultuous year with net income of $4.6 billion and earnings per share of $2.08 in the fourth quarter. We ended 2020 with over $11 billion in net income, despite the doubling of credit reserves as a result of the pandemic and the impact of CECL. Overall, we increased our ACL by $10 billion over the course of the year.

As a sign of the strength and durability of our diversified franchise, our revenues were flat to 2019, despite the massive economic impacts of COVID-19 globally. Our deposits were up nearly 20% as we supported our clients throughout the year and we see significant franchise value in the growth that we're seeing in the deposit base.

Turning to the fourth quarter, our Institutional Clients Group performed well as they have throughout the year, highlighted by our Markets businesses, which saw revenues up 14% from the fourth quarter of 2019. Banking saw a 7% revenue decline as Investment Banking activity slowed and low rates continued to impact Treasury and Trade Solutions, although the Private Bank was a standout, with a 6% increase. Our Consumer Banking revenues continued to be impacted by the pandemic, although we did see deposit growth in every region.

In the U.S., our Retail business did benefit from exceptionally high mortgage refinancing as homeowners saw opportunities in this ultra-low-rate environment. And we saw continued momentum in digital deposits. In Mexico, lower loan volumes pressured our revenues. In Asia, card spending was down again, but we continued to see strong performance in wealth management.

We remain very well capitalized with robust liquidity to serve our clients. Our Common Equity Tier 1 ratio increased to 11.8%, well above our regulatory minimum of 10%. Our tangible book value per share increased to $73.83, up 5% from a year ago, and we welcomed the Federal Reserve's decision regarding share repurchases as we have excess capital we can return to shareholders, and we plan to resume buybacks during the current quarter.

Given my upcoming retirement from Citi at the end of February, I recently looked through some of the challenges we faced when I became CEO. And while there's always more work to do, I'm very proud of what the firm has accomplished. We're in a fundamentally different place than we were in October of 2012. We've streamlined our Consumer business and embraced the shift to digital, so we could serve our clients the way they want to be served. We've reestablished Citi as a go-to bank for our Institutional Clients throughout our global network. No matter what part of the world you're in, our bankers have a seat at the table during the most significant transactions.

We've optimized our capital base, working through our legacy assets and reducing our DTA by more than half, generating $7 billion of regulatory capital in the process. We dramatically increased the return of our capital to our shareholders. We went from a $0.01 dividend to returning over $85 billion in capital since 2013 and we've reduced our share count by 30%.

Before the pandemic, we had significantly improved the quality and consistency of our earnings, our return on assets and return on our equity. As a result of the pandemic, while the financial results this year aren't what I would have wanted them to be for my last year as CEO, in many ways I couldn't be prouder. All the work we did to strengthen our firm helped us get through this extraordinary year and I'm proud of the fact that we've shown we can go through a crisis and emerge even stronger, unlike the events of more than a decade ago.

Just for context, let's compare 2012 to 2020. In 2020, the year of a pandemic, we had nearly $4 billion more in net income, a 12 basis point higher return on assets and 180 basis points higher return on tangible common equity than we had in 2012. That shows you just how far Citi has come.

And we also showed what our firm is about by serving our customers, our clients, and our communities. We were the first bank to launch an accommodation program for consumers when the pandemic hit. We stood up a small business program for lending in just a matter of weeks. We donated its profits to COVID relief efforts, part of $100 million in such grants we made throughout the year. And in the aftermath of the murder of George Floyd, we announced $1 billion in strategic actions to help close the racial wealth gap and increase economic mobility in the United States.

As I said, there's always more to do, but I feel really good about the firm as Jane prepares to take over. She's thrown herself into the transformation we've launched to strengthen our risk and control environment and ensure that the firm operates with excellence in every area. I know she'll do everything she can to maximize returns and move Citi forward for the benefit of all of our stakeholders.

With that, Mark is going to go through the presentation.

MARK MASON: Thank you, Mike, and good morning, everyone. Starting on slide 3.

Citigroup reported fourth quarter net income of $4.6 billion. Revenues declined 10% from the prior year. While trading remained strong, this was more than offset by the combined impact of lower interest rates and lower levels of consumer activity. Expenses were up 2% year-over-year, reflecting continued investment in our transformation, including infrastructure supporting our risk and control environment, along with higher repositioning costs as we look to adjust capacity in targeted areas.

Credit performance remained strong with credit losses of $1.5 billion, down sequentially as well as year-over-year, and cost of credit was roughly neutral for the quarter as these losses were offset by an ACL release of $1.5 billion, driven primarily by an improvement in our base macro scenario. EPS was $2.08 and RoTCE was 11.4%. In constant dollars, end of period loans declined 4% year-over-year, reflecting lower spending activity in Consumer as well as higher repayments across Institutional and Consumer. Deposits grew 19%, reflecting consistent client engagement, with corporate clients building liquidity along with higher savings rates and reduced spending in Consumer.

Turning to full-year results, in 2020, we delivered solid performance despite the crisis, with net income of over $11 billion even as we increased reserves by roughly $10 billion. We ended the year with strong capital liquidity and grew tangible book value throughout the year. On the top line, while the pandemic had a significant impact, we held full-year revenues flat to 2019, with the decline in net interest revenues fully offset by higher non-interest revenues. Expenses increased 2%, in line with guidance as we invested in our transformation.

Results also included COVID-19 related expenses and a civil money penalty in the third quarter, offset by lower discretionary spending and continued efficiency savings. Full year EPS also includes a $0.16 impact related to revising the previously determined accounting for third-party collection fees, reversing the benefit to net income with a corresponding increase to opening retained earnings – so capital-neutral as of year-end.

On slide 4, we provide additional detail on reserving action. As a reminder, these reserves include our estimate of lifetime credit losses tied to a specific base scenario as well as a management adjustment for economic uncertainty, which provides for the possibility for a more adverse outcome. Our reserve release this quarter primarily reflects our improving macroeconomic outlook, although I would note, we did add to our management adjustment for economic uncertainty as the pace and shape of the recovery is still evolving. Overall, looking at the reserves we hold today, we believe that we are well-positioned with nearly $28 billion in reserves, which represents an allowance for credit losses of roughly 4% on funded loans.

Turning now to each business. Slide 5 shows the results for the Institutional Clients Group. For the quarter, ICG delivered EBT of $4.8 billion, up 30% from last year. Operating margin declined 5% on lower revenues and a 2% increase in expenses, primarily reflecting investments in infrastructure and controls, while credit costs were down considerably given a $1.3 billion ACL release. The release this quarter primarily reflected improvements in the outlook for global GDP as well as fewer downgrades in the portfolio. As of quarter-end, our overall funded reserve ratio was 1.4%, including 4.4% on the non-investment grade portion. Total net credit losses were $210 million.

Looking at full-year results, the ICG businesses performed well this year with 13% revenue growth, positive operating leverage and operating margin growth of 24%. But given the ACL build this year, ICG EBIT declined 6%. And for the full year, ICG delivered a 13.8% return on allocated capital.

Slide 6 shows revenues for the Institutional Clients Group in more detail. Revenues decreased 1% in the fourth quarter, as strong trading performance was offset by lower revenues in TTS, Investment Banking and Corporate Lending. On the Banking side, revenues declined 7%. Treasury and Trade Solutions revenues were down 8% as reported and 6% in constant dollars, as strong client engagement and solid growth in deposits were more than offset by the impact of lower interest rates and lower commercial cards revenues. Average deposits were up 22% in constant dollars and we had solid growth in our underlying drivers despite the significant macro slowdowns with increased digital adoption, cross-border transaction volumes growing over 10% and a record quarter in clearing.

Investment Banking revenues were down 5% from last year as solid growth in equity underwriting was more than offset by lower revenues in M&A and debt underwriting. Private Bank revenues grew 6%, driven by capital markets strength as well as improved managed investments revenues and higher lending.

Corporate Lending revenues were down 25%, driven by lower spreads, higher hedging costs and lower average volumes. Total Markets & Securities Services revenues increased 13% from last year. Fixed Income revenues grew 7% as higher revenues across spread products and commodities were partially offset by lower revenues in rates and currencies, although I would note that we saw solid performance in FX and global rates and good client engagement across the entire business. Equity revenues were up 57% versus last year, driven by strong performance in cash equities, derivatives and client finance, reflecting higher client volumes and more favorable market conditions.

And finally, in Securities Services, revenues were unchanged on a reported basis, but up 2% in constant dollars, as higher volumes from new and existing clients with growth in deposits, settlement volumes and assets under custody were partially offset by lower spreads.

For full year 2020, revenues increased 13%, driven by the significant strength in Markets this year, along with solid contribution from Investment Banking and the Private Bank. Throughout the year, we continued to see strong client engagement across all of our Institutional businesses, as we actively helped our clients navigate through this uncertain environment, given our global platform, our progress in creating new digital solutions and our full-service model, which allows us to capture natural linkages that exist across the franchise. And given the momentum we've seen this year in key drivers, including digital adoption, deposit growth and client engagement, we're even better positioned to ensure additional share gains in 2021 as these clients more fully recognize the benefits of using Citi as their platform of choice.

Turning now to the results for Global Consumer Banking in constant dollars on slide 7. GCB delivered EBIT of $1.7 billion. Revenues declined 13% as continued strong deposit growth and momentum in Wealth Management were more than offset by lower card volume and lower interest rates across all regions. That said, we did see signs of stabilization sequentially this quarter.

Expenses increased 4% across both North America and International Consumer, driven mostly by higher repositioning. Excluding repositioning costs, total GCB expenses were flat as COVID-related costs were largely offset by efficiency savings. Credit costs decreased 45% as lower volumes and improved delinquencies led to lower net credit losses, coupled with an ACL reserve release in all three regions. And looking at full year results, GCB delivered EBIT of $1.1 billion, down significantly from last year, reflecting the impact of the pandemic and higher reserve build under CECL.

Slide 8 shows the results for North America Consumer in more detail. Total fourth quarter revenues were down 11% from last year, but we did see positive momentum in our drivers this quarter. And on a sequential basis, revenues grew 3%. Branded Cards revenues were down 13%, reflecting lower purchase sales and lower average loans. Purchase sales grew 9% sequentially on both seasonal activity as well as a continued recovery in consumer spending, but were still down year-over-year. At the same time, we're seeing an increase in payment rates as consumers remain liquid and we have not yet seen stress in their overall ability to pay. So while purchase activity has improved, our clients are also paying down more quickly, resulting in continued pressure on our loan balances.

Retail Services revenues were down 16% year-over-year, reflecting lower average loans as well as higher partner fees. Net interest revenues were down 12% as average loans declined by 11% on lower purchase sales activities and higher payment rates. Similar to Branded Cards, purchase sales grew 18% sequentially, but remained down year-over-year. Higher partner payments drove the remainder of the revenue decline versus last year, reflecting the impact of lower losses in 2020 and therefore higher income share.

Retail Banking revenues were down 1% year-over-year, as strong deposit growth and higher mortgage revenues were more than offset by lower deposit spreads. Average deposits were up 21%, including 29% growth in checking. We saw continued momentum in digital deposit sales, with digital deposits increasing $2 billion quarter-over-quarter. And we saw continued underlying growth in our Wealth Management drivers with 18% year-over- year growth in Citigold clients and 11% growth in assets under management.

Overall, we feel good about our client engagement as we exit the year, with spend activity continuing to recover, underlying strength in Wealth Management drivers and significant deposit growth, giving us the opportunity to grow and deepen these relationships going forward as we continue to invest in our products and digital capabilities.

On slide 9, we show results for International Consumer Banking in constant dollars. In Asia, revenues declined 16% year-over-year in the fourth quarter. We continued to see good momentum in Wealth Management as investment revenue grew 16%, with a 7% increase in Citigold clients and 13% growth in net new money. And average deposit growth remained strong at 14%, albeit at lower deposit spreads. Card revenues remained under pressure year-over-year, with purchase sales down 13% given a continued significant impact on travel in the region. However, we did see sequential improvement in purchase sales this quarter, in line with our expectations.

Turning to Latin America, total revenues declined 16% year-over-year. Similar to other regions, we saw good growth in deposits in Mexico this quarter, with average balances up 13% and purchase sales improved sequentially. However, deposit spreads remained under pressure and lending volumes continued to decline given the macro environment.

Slide 10 provides additional detail on Global Consumer credit trends. Credit loss rates generally trended downward this quarter, given high levels of liquidity in the US, lower spending and the benefits of relief programs. However, in Asia, credit loss rates increased, mostly driven by those accounts that exited relief programs, in line with our expectations. The year-over-year rise in delinquencies outside the US is concentrated in accounts rolling off relief programs and reflects more modest levels of stimulus in these regions relative to the US. Given these trends, we continue to expect peak losses to occur in Asia and Mexico during the first half of 2021 and should begin to recover thereafter.

Meanwhile, in the US, while we do expect losses to begin to rise in 2021, given today's delinquency trends and the expected impact of recent stimulus, we now expect peak loss rates to be pushed out to the first half of 2022. Whether continuing to push out these losses is simply a matter of timing or if it will ultimately result in lower aggregate losses remains to be seen and it's something we are watching closely.

Slide 11 shows the results for Corporate/Other. Revenues declined significantly from last year, reflecting the impact of lower rates, the wind-down of legacy assets and the absence of episodic gains. Expenses were roughly flat as the wind-down of legacy assets offset investments in infrastructure, risk management and control, and the pre-tax loss was $690 million this quarter, roughly in line with our prior outlook.

Slide 12 shows our net interest revenues and margin trends. In constant dollars, total net interest revenue of $10.5 billion this quarter declined $1.3 billion year-over-year, reflecting the impact of lower rates and lower loan balances, partially offset by higher trading-related NIR. Sequentially, net interest revenue continued to stabilize and excluding Markets was roughly flat to the third quarter. And net interest margin declined 3 basis points reflecting lower net interest revenue and balance sheet expansion due to strong deposit growth. Turning to non-interest revenues, in the fourth quarter, non-NIR declined 6% to just over $6 billion, given lower levels of consumer activity year-over-year.

Turning to full year results, revenues were flat, with the decline in net interest revenues fully offset by higher non-interest revenues, driven by continued strong performance in Markets throughout the year, as well as strength in Investment Banking.

On slide 13, we show our key capital metrics. Our CET1 capital ratio increased to 11.8% or 180 basis points above our regulatory minimum. Our Supplementary Leverage Ratio was 7%. And our tangible book value per share grew by 5% to $73.83, driven by net income.

Before I hand it back to Mike, let me spend a few minutes on our outlook for 2021. On the top line, we saw an extraordinary year in Markets performance in 2020 and would expect some degree of normalization this year. And subject to how that plays out, we could see revenues down in the mid-to-high single-digit range this year, largely driven by Markets. This outlook assumes industry wallets more similar to 2019 levels. And for net interest revenues specifically, it assumes continued stabilization in the first half of the year, with an improvement in the back half, tied to our base case, which assumes loan growth by this point in the recovery, on a full-year basis, a decline in net interest revenues of somewhere between $1 billion to $2 billion versus 2020.

On the expense side, we expect full-year expenses to increase in the range of 2% to 3%, mostly driven by investments related to our transformation agenda. Our cost of credit should be meaningfully lower than 2020 and we expect a tax rate of roughly 21% for the year. So pulling this together, we expect operating margin pressure this year, but given lower credit costs, we should still see significant improvement in profitability relative to 2020. And finally, as Mike mentioned earlier, we look forward to repurchasing shares through the balance of 2021, subject to Board approval, starting this quarter.

To wrap up, as I look at how we performed in 2020, we demonstrated the significant earnings power and resilience of the franchise. We sit here today with a strong capital and liquidity position. Overall client engagement remains strong. We grew book value every quarter and we remain focused on supporting colleagues, customers, clients and communities, all of which give me a great deal of confidence as we move into 2021.

With that, let me hand it back to Mike.

MIKE CORBAT: Thank you, Mark. Now I'd like to turn it over to Jane so you can hear from her for a few minutes.

JANE FRASER: Thank you, Mike, and good morning to everyone. I want to thank Mike for his support and for working so closely with me during this transition. It was important for him to ensure Citi has a seamless CEO transition and has obviously been tremendously helpful to me as I prepare to step into the role at the end of February. I am extremely excited by the opportunities ahead for our firm and I am equally determined to address the deficiencies in our risk and control environment that have been raised by our regulators.

We've embarked on a transformation program that will clearly benefit our clients and investors as well as meeting the regulators' expectations of one of the world's most globally significant financial institutions. And of course, we still have to get through this pandemic. While we hope the end is in sight, this virus has surprised us and taught us the folly of best laid plans, so we will remain vigilant and adaptable.

My two major priorities, as I transition with Mike, are our transformation efforts and refreshing our strategy so we ultimately achieve three things: best position Citi to win; to improve our returns significantly; and to address the issues raised by our regulators. While it's early days, our work on these priorities is well underway.

So, on the transformation. We're taking the time to step back, to tackle the root cause issues, to define our target end-state and develop the detailed plans to get us there. We put in place specific work streams against risk and controls, data and compliance, but we also have workstreams on creating a culture of excellence and accountability and on strengthening our critical business processes. Each stream is led by a member of the executive management team. Together, we are accountable for simplifying and modernizing the bank.

In February, we will deliver our gap analysis to the target state and in May, the detailed implementation plan. This effort will take time and it will require significant investment in technology and talent. You have my commitment that we will invest your capital wisely and that you, our clients and our regulators, will all see and benefit from the results. At the end of the day, we want to achieve a state of excellence in our risk and controls, in our operations and in our service to clients.

Switching tacks to strategy. I have the benefit of having worked in a number of businesses and regions in Citi over the last 16 years. Nonetheless, this transition is giving me valuable time to step back and to take a dispassionate look at our strategy and businesses. You wouldn't expect me to come out with specifics at this rather early stage, but I can talk about how we are looking at this.

We have a wonderful franchise, first-class capabilities and a terrific brand name. We are the world's most global bank with a network no one can match. And this means we are uniquely able to help clients grow and succeed globally. Our capital and balance sheet are strong. We have a deep talent bench around the world. So while we have work to do, this is a pretty good hand to play.

A few principles will guide how we refresh the strategy. We're taking a clinical look at our strategic positioning, assessing which businesses can attain leading market positions in a much more digitized world. Similarly, I believe in the value of focus and directing our investments and resources to the businesses that will drive stronger growth and improve returns over the long run.

I also believe in ensuring the businesses we're in fit well together, so collectively they are competitively advantaged and generate synergies. And finally, like any true Scot, I believe there is value to unlock by simplifying the firm. As you know, on Wednesday, we announced that we will integrate Consumer Wealth Management and our Private Bank into one business line. It's a growth opportunity I'm particularly excited about in Asia as well as the US. Earlier in the week, we also announced the new head of our TTS franchise and our US Consumer leadership and I look forward to sharing new opportunities and moves with you as we go.

I want to end as I began, by thanking Mike. He has spent his 38-year career at Citi. No one has been more dedicated. He always put Citi first. And he took over at a very difficult time. He had to make tough calls, steering the company through the post-crisis restructuring. He made Citi a simpler, smaller, safer and far stronger institution, returning it to growth, closing the gap with our peers and returning a significant amount of capital to our shareholders, just as he promised he would.

His steady leadership this year helped us through this very difficult period for all of us. But this last year showed how the work he led has strengthened our firm as we supported our people, clients and communities through this pandemic. He leaves us with a tremendous foundation and I am committed to building on his success. We are very grateful to him and proud of him, and all of us at Citi wish him the very best in the next chapter.

Mike, would you like to say something to close?

MIKE CORBAT: Thank you, Jane. I appreciate your comments, and I know the firm is going to be in great hands. Jane, Mark and I are now happy to answer your questions.

QUESTION AND ANSWER

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

GLENN SCHORR: Hi. Thanks very much, and thank you, Mike. Jane, I think it's great that you came on, so I can't resist asking you one. So, I agree with you focusing on strong business positioning on its own and then making sure businesses fit well together. You came for part of your tenure from Latin American Consumer side and Global Consumer. I'd love to get your perspective and thoughts on the question that's come up over the years of how much does Global Consumer "fit well together"? Are they individual business on their own? How much can they leverage going forward to be a true Global Consumer platform? Thanks so much.

JANE FRASER: Thanks, Glenn, for your question. So we are just beginning the work on the strategy and as I say, we're taking it a step back and Mark and I are working on a dispassionate view of all of the businesses and looking at what are the leading franchises we want to invest behind, what are the others that we want to grow to win. And as we do that work, we will let you know what's the direction we're going to be taking. As we have done already in the announcements this week on Wealth and on the new leadership in TTS. But I would say let us do the work and then we'll let you know how everything fits together and if there are pieces that end up not being part of the core, we'll let you know, but let us do the work first.

GLENN SCHORR: Okay, that's cool. Maybe I'll follow up with a more nitty-gritty one. On the card side, I think part of the plans the last couple years has been converting card customers into digital banking clients. I noticed in the appendix that there's been growth in customers, but there hasn't been a tremendous amount of growth lately in active digital and mobile customers, I would say the last five quarters. So I'm curious if that – what you're doing to attack that opportunity and if that fits into the going forward plan.

JANE FRASER: Yes. So in terms of the digital customers, it's a different picture in different parts of the world. So we saw tremendous growth in Mexico. That starts with a much lower digital base and so with COVID, we saw a pretty rapid acceleration across the industry, and we're a major leader in that. When we look at the States, we already have an extremely active card customer base on the digital front, and so we weren't expecting to see the same levels of pick-up. I'd say the other piece as well is customer acquisition across the board is lower because of COVID and you typically do tend to see that the new customers, when they come onboard anyone's platform, they tend to have a higher digital adoption rate. So I think we're pretty optimistic that as and when we see the recovery, that we'll also see growth in that digital adoption in the US going forward.

MARK MASON: Hey, Jane. The only thing I'd add to that is that we have been seeing greater e-statement penetration or e-statement usage, I should say, and e-payment usage. Our e-statement usage and payment usage is up some 15%. And so as you would imagine, through this crisis, people have been actively engaged with our digital capabilities and that's in part a byproduct of the investments that we've been making in digital technology, and so we feel good about that.

OPERATOR: Your next question is from the line of John McDonald with Autonomous Research.

JOHN MCDONALD: Hi. Good morning. Mark, was wondering if you could unpack some of the drivers of your 2021 expense outlook between investment spend, maybe the transformation spend and where you're saving money?

MARK MASON: Sure. So, look, as I've said in the outlook there, we see expenses being up about 2% to 3%. Most of that is likely to be driven by the transformation spend as we get our arms around what that cost is going to be. You know already we've spent $1 billion this year. That's in our run rate already.

But there is a broader investment strategy that we're working towards and we're doing that in the context of – we'll obviously do that in the context of how the strategy Jane spoke to evolves and so continued investment in digital capabilities, both on the Consumer side, as you heard me mention, but also on the ICG side, particularly in our TTS platform where we've seen good benefits from the investments already made there. But as you know, that's an area where innovation in technology is what's required to maintain a competitive advantage there.

We just announced the Wealth Management business, if you will, bringing together Wealth in the Consumer and in the Private Bank. And that I would imagine would be – not I would imagine, that will be an area of investment for us as we grow fee revenues, as Jane has pointed to, as an important objective of ours. We'll also see growth in advertising and marketing. So in that outlook I talked about net interest revenue stabilizing, but picking up in the back half of the year with growth in loans, and that growth in loans is going to be a byproduct of us starting to put money to work again back in advertising and marketing, which was down materially this year as we managed through this crisis.

So those are a couple of areas that we would look to invest in in the context of that 2% to 3%. But again, a lot of it is going to be towards this transformation and it is an investment, which I continue to remind folks of, and that is to say that we expect to and will focus on ensuring that we get a payback on that in the coming years, and so hopefully that gives you a good sense, John.

JOHN MCDONALD: No, that's helpful. And just to follow up on the net interest income outlook you mentioned, I think you said it could be down $1 billion to $2 billion on a year-over-year basis. What are the swing factors that would bring into the low end of that versus the high end of that? Thanks.

MARK MASON: Yeah. So again, the net interest revenue could be down and that's in part because you got to look at the pace of the recovery that we're forecasting and so how loan volumes trend will be an important factor there. Obviously, the GDP forecast that we have factors into that and then obviously the rate curve and how that evolves will be another important factor that comes into play.

That said, I would add that we have seen on the cards side, you heard me mention this in my prepared remarks, we saw good sequential momentum across purchase sale activity. Some of that's seasonal, but some of that just really good activity with our customers, and we're looking for that to continue.

Obviously, there's been a stimulus that's been announced already. There are certain talks of a significant stimulus or additional stimulus to come. And hopefully that kind of bridges us to a place where it fuels some of the GDP growth that we're seeing in our forecast.

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

ERIKA NAJARIAN: Hi. Good morning. My first question is for Jane. Like Glenn, I can't resist. I think investors are very excited to hear about your strategic plans because the constructive criticism that I get on Citi is that I think that investors are onboard with your current plans on remediation and recovery, but I think they continue to wonder whether you have a lot of breadth, but not as much depth in terms of market share and businesses. And it's a long-winded way to ask this question, I'm sorry. Your peers seem to be settling on a mid-teens RoTCE or a little bit higher on a normalized level. And as you think about the wonderful franchise that you already have and the opportunities that you have to improve upon it, do you think that Citi can get to that level eventually, whenever that normalized period arrives?

JANE FRASER: It's a great question. It's one we've been spending a lot of time working on and talking through, as Mark and I look at what is the right configuration of businesses, how do we, as I've said in the principles we're laying out for how we're looking at the Citi of the future, particularly in a digital environment. The world is changing quite quickly on that front.

So once we finished doing the work, we'll be laying out what are the different metrics and milestones to measure us both in terms of progress and in terms of the desired outcomes. I've been – I'm talking to a number of our key investors which have been great, very helpful conversations over the last few weeks and getting input from them around what sorts of outcomes are desirable. And they're very much part of the mix as we look at – doing this work on the strategy and on the transformation. As Mark said, the two go hand in hand going forward. So we look forward to getting back to you with that picture when we're ready. And Mark I know has been key in all of this, so let me pass the mic to him.

MARK MASON: Yeah, thanks, Jane. Look, in your prepared remarks, you rightfully focus on strategies that are geared towards identifying growth opportunities and improving our returns and narrowing the gap to peers and I think that type of strategic focus along with the investments that we're making, both transformation and growth-oriented investments, will certainly put us on that path.

I think the normalization of GDP and the credit environment is going to be helpful as well. And then as many people know, we've got a deferred tax asset and some legacy assets that we'll continue to work down over time and I think those – the combination of those things starting with the strategy and a plan to continue to return capital and return on capital put us in the right path to getting to those improved levels of returns, not to mention the prospect of increasing rates over time or in a normal part of the cycle.

ERIKA NAJARIAN: Thank you for that. And my follow-up question is for you, Mark. It seems as if the stimulus plan so far and potentially the additional stimulus could build a bridge that's strong enough and long enough to perhaps not delay losses, but lower actual cycle losses in Card. How should we think about the stimulus related to how that could impact spending and loan volume trends as we trace that back to that NII guide?

MARK MASON: Look, I mean, when we think about our reserve levels and the activity there, we certainly did factor in the impact of stimulus. I think what's important to point to is the stimulus thus far has resulted in high payment rates and a consistent kind of ability to pay for the consumer. And that's been good. And it showed up not only in our payment rates, but it also shows up in the lower level of delinquencies that we've seen and obviously the lower level of losses that we've seen. There certainly is a need for additional stimulus and I think the good thing about that is it should continue to support the payment rates that we've seen and if it is significant enough can ultimately drive greater consumption and support improved GDP, improved unemployment.

Our current forecast, as you heard me mention earlier, assumes that that loan momentum picks up towards the end of or the – I'm sorry, the back half of 2021. If we see that take hold sooner, we could see higher levels of volume and loan growth and obviously that would be beneficial to our NIR forecast. So stimulus is good in that regard. It also will – as it takes hold, there will likely be some early pressure on lending volumes because people tend – are using it as a liquidity tool and to pay down. But over time, I think it will be beneficial.

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

MIKE MAYO: Hi. One simple question and one hard question. Mark, you get the simple one. When can Citigroup start repurchasing shares and how much do you think you can repurchase in the first quarter? And I don't think you were allowed to purchase yet this quarter, but did you?

MARK MASON: Sure. So as you know, the Fed guidance allowed for us to reinstate buybacks. There was a cap on the first quarter that's based on the trailing four-quarter average of income for us; that would equate to about $1.8 billion or so in buybacks in the first quarter. And so subject to board approval, we will approve some level of buybacks in Q1. We have not started those buybacks as of yet.

MIKE MAYO: All right. And then the hard question is for Jane, is who does Citi want to be in 2030, when we step back 5 or 10 years from now and have a picture of Citi? And the reason I ask that is you mentioned Citi being global, but despite this global status, Citi's fallen short of expectations in each of the past five decades. You can go back to Walter Wriston, you can go back to the 80s, you can go back to Sandy Weill and John Reed, the financial supermarket. You can go back to the financial crisis. And even with the retrenching and de-risking and I agree the chance of bankruptcy is far less, the return on capital has fallen short of the cost of capital for the last decade.

So you'll be the seventh CEO at Citigroup when you take over. Why will it be different this time? What can you do differently, whether it's business mix or customer mix or geographic mix? Because from my perspective and I – it's great, you're going to take a clinical look, a dispassionate look. I'm extremely passionate about the underperformance of Citi over almost any timeframe over the last 50 years. And so I'm just trying to figure out what you can do, given your 16 years at Citi, your experience at McKinsey, to actually finally change Citi to generate sustainable returns above the cost of capital. So once again, what's Citi's endgame? Thank you.

JANE FRASER: Well. Thank you, Mike. So I think the endgame, and you asked a question if terms of what do we look like in 2030, it's pretty simple, really. As you said, we're a global bank. We want to be the leading global bank. We're very well positioned from that from our businesses. That means top tier franchises in their respective competitive sets with a strategy that has been well understood by the markets over that timeframe. We want to be best-in-class in serving our clients and our customers, certainly in safety and soundness. And I'd add in, we want to be seen as playing a positive role in society as I think that's a very important part of mix these days.

But all of that is with a purpose of generating the desired returns for our investors. So to be fair, while we have made demonstrable progress over the last 10 years since the crisis, equally know that there is a gap to close with our peers. You can hold me accountable for doing so along with the management team. We're a team on a mission, to get this done. And we will get this done.

OPERATOR: Your next question is from the line of Jim Mitchell with Seaport Global Securities.

JIM MITCHELL: Hey. Good morning.

MARK MASON: Good morning.

JIM MITCHELL: Not to beat a dead horse, maybe just one quick follow-up, if there's any help you can give us. I think one of the biggest concerns on investors is they can't see the path to the kind of peer level returns. Do you think of it, as you look at it, without giving away specifics on strategy and things like that, is it really an efficiency issue? Is it a capital issue because of the DTAs? How do you think about where you are today and what's driving the gap?

JANE FRASER: So these are all the questions that Mark and I are sitting down and looking at our different businesses and saying how do we make sure, as I said in the opening remarks, we're looking at how do we drive our resource allocation and how do we drive our investments into businesses that will be important growth drivers for the franchise and high-returning areas for the firm going forward.

We've come out with one already that we think's an important one on that dimension in Wealth, where we've got many different parts of the puzzle that we think will enable us to be highly successful in this domain, bringing the different pieces of the firm together to drive this forward and is clearly going to be one of several areas that we see helping us improve our returns. And as Mike said, that's not the only piece. There are other elements, as I said in the different principles. We see value from simplification and that's in terms of obviously the operating efficiencies and the like that we will get from that as well as potentially business mix. And we want to drive the businesses to make sure that they're really fitting well together so that they are achieving the synergies as well as the competitive and collective comparative advantage.

So it's going to be a combination of pieces, but as I say, we're doing this work. We'll let you know as we go of what the decisions we make along the way and look forward to sharing them with you, frankly, with the intent that we have both a leading global firm as well as an organization that's delivering the desired results to our investors. Mark, anything to add, my friend?

MARK MASON: Yeah, I think you said it well. But I want to repeat one thing you said which is that we're going to get this done, right, and it is a combination. We'll continue to refine the strategy here. We've got some very strong businesses with competitive advantages that we want to continue to shore up. We're going to make investments in the franchise because that's what it's going to take in order to continue to drive improved returns.

Yes, there are some drags. I mentioned that earlier. They certainly do weigh on the returns between the DTA and legacy assets. But we also have excess capital as we sit here with the CET1 ratio of an 11.80% versus 11.50% target that we have. And so we're going to continue work all of those things in combination. And I believe those are the things – we believe those are the things that are going to get us back to continued improved levels of returns that we saw coming into this crisis.

JIM MITCHELL: Okay. Fair enough. And maybe just speaking to one of those businesses where you see growth, you've been investing. Can you talk to the underlying, obviously with pressure on interest rates, it's hard to see it, the underlying growth in TTS, how you feel about the business as we've seen competition, whether it's in treasury services or payments, wholesale payments, it seems like it's a competitive environment. How do you think about that business and growth from here?

MARK MASON: Yes. Sure. I'll take that. So first of all, we feel very good about the TTS business that we have. We think of it as part of our services business inside of the ICG services, would include TTS and Security Services. As you know, we have a very unique position within this part of our franchise. And you're right, the headline numbers are affected by interest rates, but we feel very good about the underlying momentum in the business and we think that's evidenced by a couple of key drivers.

You're aware we're in 95 countries; that gives our clients the ability to transact in over 140 currencies. And we do that on a global platform. We have 600,000 users on that platform, which is up about 9% from last year. And within that, the mobile users are up about 95%. We're continuing to grow accounts with our clients and we now have the ability to open accounts digitally in 50 countries. In 2020, we opened over 14,000 accounts digitally, representing more than a 200% increase. And growing accounts deepens our relationship with clients and allows us to penetrate new activity centers, that allows us to capture more flows across our platform and ultimately that delivers more revenue. And so this digital activity drives revenue for us in the future and it also is a more efficient way for us to do business with clients.

We're also seeing good transaction volumes across different payment types with these clients. We've had very good clearing performance and cross-border flows through the year and so those things give us a lot of insight into what the momentum will look like coming out of this crisis. And that's not to mention additional opportunities with new clients. As you know, we've moved our Commercial business squarely into the ICG. There's more upside for our TTS platform with the Commercial client base. And so we feel very good about where we are. We're not taking our position for granted. We're going to continue to invest in this platform and we're looking forward to capturing the growth and supporting our clients as they come out of this crisis.

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

MATT O'CONNOR: Hi. I want to follow up on expenses. So the guidance implies about $44 billion this year and as you alluded to a lot of investments in that. As we think out, it's a little hypothetical because there might be changes to the strategy and simplification that can impact the expense base. But as we think out beyond this year, should we view that as kind of a bloated expense base that some of these investments are running at higher than normal levels and you can bring them down? Or is this more of kind of a normal run rate and then the efficiency will really come from growing revenue?

MARK MASON: Yeah, let me make a couple quick comments. One, as I mentioned and as you repeated, we will see expense growth here. Jane mentioned we're in the midst of making progress against our transformation. And we'll need to submit a plan in May and get that plan approved and continue to invest to get that executed against. And that will inform the thinking around some of the outer years. But to answer your question around a bloated expense base, I would say no. It's not a bloated expense base at all. These are investments as you heard me mention repeatedly and there is going to be a return on the investment. The return will come in both revenue and a more efficient operating platform.

We've got a history now. We've got some credibility now with having demonstrated productivity across our platform, whether that's through automating processes or reducing data centers or low cost location strategies. Since our Investor Day, we've continued to improve our productivity. And that's what you should expect. That's what we're expecting of ourselves and will deliver on kind of coming out of these investments that we need to make. And so, no, not a bloated expense base.

With that said, so put that aside, we are going to continue to invest in the business. And so if there are opportunities that present themselves, either as a byproduct of the strategy refresh that Jane has mentioned or otherwise, we intend to take advantage of making those investments because that is the only way we get to those improved returns that we're targeting and focused on. So hopefully that answers your question.

MATT O'CONNOR: That is helpful. And then just separately, as we think about the strategic review, I think there's been some speculation in terms of which businesses, if any, you might exit and I'm not going to name them, but some of them are pretty high return businesses if you just look at them on a standalone basis; some aren't. But how do you think conceptually about as you potentially exit or sell a certain business, there might be a gap between you're giving up some earnings before you can deploy them in things like digital and TTS and Wealth in terms of the payback, right because there could be – you lose some earnings initially and you might have bloated capital and again some investments take time to play out. So is that something that you're mindful of?

JANE FRASER: Yes. What we're looking at the moment is much more around what do we want to be going forward and where we are in the work is looking at how – what are the different businesses, how do they best fit together. Digitization is changing quite a few things as Mark was referring to. It's providing a lot of new opportunities, but also some important investments for growth as well as for returns. And if it ends up that there are businesses we look at it that we don't think that fit well into the mix, then I think we've got good skills in terms of thinking about how we divest of those in a way that makes sense. But that's honestly not where we are at the moment. We're focused on what we're going to be. So as I say, wait for it to get the work done and then we can come back to you with the plans of what we're looking at and what that path looks like. I think it's too early to speculate right now.

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

BETSY GRASECK: Hi. Good afternoon.

MARK MASON: Hi, Betsy.

BETSY GRASECK: Two questions. One on the improving profitability that we've been talking about here. I know we've been talking a lot about it from the expense side and from the revenue growth side, but I'm also wondering about the funding cost side. And given the fact that you have a great brand in the US, you have a really good mobile app and we have a relatively low interest rate environment, why not put up a high-cost savings product and reduce your wholesale cost of funds by switching from wholesale to a high-cost savings product which at this rate you can actually – you should be able to pick up some ROA on that?

MARK MASON: Yeah, look, we have seen very good deposit growth and some of that is a byproduct of our high-yield savings accounts. But we've also seen strong checking account growth this quarter, and we've seen the growth in our digital deposits as well. And so you're right, there's a funding cost advantage to that. We've seen that play out in the liquidity that's in the market. We intend to continue to grow as it relates to increasing those deposits. And we've been smart about how we've been managing our liquidity, keeping some liquidity obviously there for lending needs as they may evolve for our customers and clients, but also paying down wholesale debt. We did that through the year and also investing. We've made some investments through the year. I think we've invested as much as another $78 billion or so, up 21% for the year.

And so we've been thoughtfully managing the liquidity that we've seen through the course of this year. We'll continue to do that and we'll continue to grow deposits on the Consumer side because you're right, it is a lower cost funding alternative and we'll do that as it makes a lot of sense.

BETSY GRASECK: The other question for you, Mark, is just on how you're thinking about credit. I know you mentioned that credit costs will be lower in 2021 versus 2020. I think we all agree with that. Trying to understand how much flex there is there. Maybe one question there is on the reserve analysis and what kind of level of unemployment you're looking for and you're reserving today at year-end 2021? And is there some room for that reserve relief to be potentially larger as we go through the year? And then maybe I know you talked about how stimulus could help net charge-offs peak, so it's hard to give an estimate on that, but maybe give us a sense as to how you're thinking about the trajectory for credit costs year on year? Thanks.

MARK MASON: Sure. So, I guess a couple of pieces there. So one, as you know, Betsy, when we model this, we look at kind of the macroeconomic variables that we have at any point in time. And so you look at kind of page 4, we laid out the variables that we've used this quarter and you can see that both for US unemployment as well as for US real GDP, we've seen improvement since the third quarter forecast that we ran. And I'd tell you even as you look at this, there's been further improvement even off of the fourth quarter 2020 forecast that's here. And so those are important factors in the assumptions and what we're able to model in the way of reserve levels. And as we see that improve or improve further, we would expect that that would be – that would play out in the way of even lower reserves.

I think the other important factor is the stimulus and how that – and the additional stimulus that is out there and how that ultimately evolves and what that means and whether that drives consumer consumption and whether that drives even further levels of improved unemployment, will be important factors that come into play here. And then I guess the final piece I'd mention is that we continue to hold management adjustment for economic uncertainty. And as we see these variables continue to improve, that's going to impact how we think about severity and probability associated with that downside scenario.

So all of those factors come into play as to how we think about the reserve levels that we carry. While we still feel good about the $28 billion roughly that we have in the way of balances, we feel very good about the direction that these economic variables appear to be moving.

In terms of losses, again, it's been interesting the way this has played out, and so really what we're all trying to figure out is whether the lower delinquencies and lower level of losses that we've seen thus far is a delay or is it a deflation of losses, right, and that only time will tell. As we sit here today and as you heard me say in my prepared remarks, we think it's a bit of a delay in that we would expect to see losses peak in 2022 now, particularly for US Consumer, but again, with another stimulus right around the corner, that in fact could be further delayed and, ultimately, we would hope that it would just go away and be deflated and come down.

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

KEN USDIN: Thanks. Hey. Good morning. A follow-up question, Mark, on the fee side. Understanding that we'll see this tough comp year-over-year, just wondering if you can separate when you expect normalization for some of the areas back to 2019-ish. I know that's a moving target given the environment. But just if you think about separating out Trading and Investment Banking, can you just think – talk to us about the visibility stuff that you see a little bit more easier? How you see that trajecting, notably Investment Banking, TTS, et cetera?

MARK MASON: Yes. So again, we see – we continue to have good dialogue on the Investment Banking side with our clients. Obviously, we've seen very strong performance as it relates to the SPAC space and equity capital markets and that will continue to play out just when you think about the nature of those deals. And so that will continue to play out into 2021. But the dialogue's been very good and that's both in Investment Banking, but also just broadly with the corporate clients, as corporate clients are trying to figure out what coming out of this crisis means for their own business models and how they think about their digital capabilities and needs and how they think about their supply chains and how that might be shifting and those types of dialogues they're having both internally, but also with us.

And so we're part of that conversation and being part of that creates opportunities on the TTS side, on the Investment Banking side and potentially even as it relates to the Corporate Lending activity which we hope to pick up in the back half of the year as well. And so very strong and continued corporate dialogue and I think that's going to contribute ultimately to driving some of that fee revenue that you mentioned.

In terms of the Markets piece, again, we've had an extraordinary year. The industry has seen a great deal of wallet growth in Markets and that's got to normalize at some point, obviously, and we are forecasting that it does. But I'll tell you in the early days of January, we've continued to see robust activity. And it is early days in the quarter, but we have seen that, and so we'll have to see how that plays out over the balance of the quarter and going into the balance of 2021.

KEN USDIN: Understood. And I'll follow up on rates. It's always a little harder to dig out how much rates benefits you guys, just given the global nature of all the yield curves that you guys face, but is there a way you can help us or just remind us how sensitive or not the company is to just if the long end were to move here in the US and how much contribution that might be able to add?

MARK MASON: Yeah. Look, we tend to be more sensitive to the short end of the curve, but we disclosed some IRE information in our Qs. And in fairness, that's kind of tough to compare relative to peers, so we show what 100 basis point increase would be on the long end and – but the reality is that we would see, with curves steepening, we would see some upside as we would think about investing out on the curve and as it would also impact the pressure we've been seeing from MBS repayments and the like. And so we're more sensitive to the short, but with a steepening, we think we would see some benefit.

OPERATOR: Your next question is from the line of Chris Kotowski with Oppenheimer.

CHRIS KOTOWSKI: Yeah. Good morning. Thank you. I'm looking at page 10 of your handout on the Global Consumer trends. I'm trying to understand that. And I guess I have two questions, one narrow, one broader. And the narrow question is just looking at Latin America, the losses are down and the delinquencies are significantly up. Is that an accounting thing? A forbearance thing? Or is that a real underlying economic thing? And does it have to do with COVID? Or does it have to do with other economic variables?

MARK MASON: Look, what we're seeing there is as people come off of the relief programs that have been in place, we're seeing delinquencies pick up as was expected and so that's what's playing out in the increase that we see in the fourth quarter and ultimately that will play out in the NCLs. But again, that is along the lines of what we were expecting in Latin America.

CHRIS KOTOWSKI: Okay. And the decline then presumably is the flipside of that, the forbearance?

MARK MASON: That's right.

CHRIS KOTOWSKI: Right. Okay. And then I guess just looking at the picture more broadly, I mean I guess if you look at infection rates of COVID, North America is high, Asia is low and Latin America is somewhere in between. Normally I think all of us, like 9 or 10 months ago would have thought that the economic disruption and the loss rates would somehow mirror that and it doesn't seem to be in any way, shape or form that I can tell. And I'm wondering if you can account for that and how are we to gauge kind of the disruption that COVID is causing and I guess particularly in your kind of global businesses?

MIKE CORBAT: Mark, I was going to say, Chris, I would say that we've got to look at what I would describe as the unevenness, right, the unevenness, the way that we went into this in terms of timing, in terms of position, in terms of health response, in terms of economic response. You look at the demographics and clearly in – at the different layers or different strata, you see different things, headlines in the paper this morning. One out of every five in New York City on rent subsidy are behind in their payments at least two payments. But at the same time, we continue to see pay-downs in terms of credit cards, businesses on different trajectories.

And so again, as I think as we see vaccines roll out on a state-by-state basis, that will cause different outcomes. And then as we see the second round and what President-elect Biden announced last night and ultimately what comes through and how that makes its way into the sector. So from our perspective, not just in the US, but around the globe, we are really taking a very granular approach on a geographic by geographic, client segment by client segment around that and trying to remain very sensitive to each of those. And so I don't think there is a single formula that allows you to look at this and come with the outcome. It's got to be done at a pretty granular level.

OPERATOR: Your next question is from the line of Charles Peabody with Portales (01:11:50).

CHARLES PEADBODY: Yeah. I had a follow-up question on the Markets commentary or Trading businesses and specifically I wanted to focus on your FICC trading businesses. Can you give us a little bit more color as it relates to the fourth quarter where the strength in FICC was and where the weakness was in terms of rates, credit, commodities, currencies? And then as part of that, it's my understanding that you were caught wrong-footed in the Rand. And I was wondering – and I'm assuming that losses there were not material because it's not a deep market, but is there something changing about the environment that's going to make it more difficult in 2021 for positioning or market making or trading because you do talk about normalizing? Was there anything in that Rand experience that you can extrapolate?

MIKE CORBAT: Yeah, first off, Charles, I would say that in the Rand piece that that was more of a research recommendation than an actually firm – a firm positioning play. And so it was our analysts going out with what they believed was a recommendation around that. And so that shouldn't be read as the firm necessarily having that position, independent research came out with that.

On your second piece, I think as you look at FICC trading, for us, if you look at the fourth quarter and the numbers that we've posted, I think you should look in there. I think relative strength in terms of credit and credit spread products, again, as we measure that against our Rates and Currencies business, it's not as large. It's still a meaningful business for us, but not as large. Some of that other people have spoken to as having outsized or quite significant returns in the leveraged lending space. We're not as large in that space. And I think as we look at our Trading revenues, we tend to look at those over not just quarter but longer cycles. And if you look at the Street research today, it's indicating that the Trading wallet for 2020 was up somewhere in the neighborhood of mid-20s. As you look at our Trading revenues for 2020, we're probably up somewhere in the mid-30s.

So again, quarter-to-quarter, less important. But again, for us continuing to take share in there and the underlying mix tends to kind of bounce that around a little bit. But again, I think we feel pretty good about our position and the dialogues where we are.

I think as we think forward, I think it's unlikely to think that we're going to see wallets up to the same degree, certainly in the Trading space that we saw this year. We think seasonality will resume. But as Mark said, as we kind of started and it's early in the new year, we have seen activity remain high. And as I think we see more potential stimulus or governmental programs coming out, the Fed and others continuing to take stances on rates and trajectory and where things go, that could keep trading volumes relatively high. So again, we think we're pretty well positioned and we're in dialogue around those, but we clearly can't escape all of the market dynamics of where the wallets go.

MARK MASON: And, Mike, the only thing I would add is if you look at the numbers, right, FICC is up 34% for the year. Rates and Currencies up 32%. Spread Products up 40%. We've had very strong performance this year, it's hard to be upset with those numbers and so everything you said is exactly right, Mike, and I think the business has been fully engaged with clients and we're going to continue to do that.

CHARLES PEADBODY: Just as a follow up, I recognize it was an unusually strong year, particularly in FICC, which was nice to see. But does that make it – when you look out at 2021, are you looking for FICC to be less robust and equity sort of offset that? Or is there any mix between FICC and equity in your thought process?

MARK MASON: Look, our equities was up – were up 25% this year as well. Right. So the normal – and the wallets were up for equities as well, so we'll see a normalization take place across the board next year at some point.

MIKE CORBAT: And I would also say, Charles, we need to look at the new issue calendar. And clearly the calendar on both the debt and the equity side was strong. We saw the seasonality and we saw clearly debt issuance slow in the fourth quarter. Our recommendation and the uptake around our clients was to go ahead and to build lots of liquidity and to shore up the balance sheet. And so probably less debt financing needs in terms of 2021, but at the same time I've got to say, and I reviewed it last evening, that the equity calendar remains very strong. And again, we'll see what the markets afford, but we've got to be able to have a market that's welcoming to new issues and in particular, the SPAC space which we've excelled in has been strong. And so again, that will also I think then dictate some of the secondary activity as we go forward in the year.

OPERATOR: Your next question is from the line of Gerard Cassidy with RBC.

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

MARK MASON: Gerard.

GERARD CASSIDY: Mark, coming back to share repurchases, obviously there's limitations based on income and you explained it very clearly, for you and also your peers. If those limitations are lifted possibly after this year's stress test and we go back to the more traditional or the regulations that are in place that went into effect October 1 with the Stress Capital Buffer where as long as you pass your CET1 requirement, you're free to do whatever you'd like. That – at the backdrop, would you guys consider an accelerated share repurchase program if you got the green light rather than doing it every quarter like it was done in the past because that's what the regulations required in the past?

MARK MASON: Yeah. We'll need to look at – first of all, the Stress Capital Buffer obviously is an important component to how this all comes together and coming out of the recent resubmission you saw the prospective stress capital buffer go up by 10 basis points. They haven't applied that. We're still subject to the 2.5% stress capital buffer, but that will be a factor that we have to consider in the outer quarters from 2021.

And then post that, there will be another CCAR submission and we'll get results that inform the go-forward there. Every quarter, we'll look at what our projected performance would suggest, including that stress capital buffer, juxtaposed against our target and that that view will allow for us to take the capital actions that we think are appropriate inside of what those results would suggest and so we will take this in quarterly decisions so to speak, ensuring that our outlook supports the capital actions that we want to take. And so that's how we intend to approach it.

GERARD CASSIDY: Very good. And Jane, you pointed out that a lot of work is going to be done about looking at the opportunities to drive growth for Citigroup so that you can narrow the gap between your peers in terms of profitability. And I don't expect you to give us answers obviously on this call. But one of the differences between Citigroup and two of its biggest peers that are more profitable is your US Consumer Banking franchise. And those two peers, one of which announced their numbers today, have ROEs in that business of over 25% whereas when we look at your Global Consumer business, based on your fourth quarter numbers, the ROE was about 15%. Is there an opportunity for depository acquisitions in the United States? Is there an opportunity to grow the Consumer Banking business in the US?

JANE FRASER: We certainly believe there is a strong opportunity and the strategy we have as we put all of the US Consumer business together over the last year or so has been to make sure that we capitalize on that by holding out and deepening our customer relationships in the US and we've had a number of important thrusts digitally and digital acquisition as Mark referred to. So yes, we do see important growth opportunities and our home market is an important one for us. The specifics of that, as we said, more to come.

OPERATOR: Your next question is from the line of Andrew Lim with Société Générale.

ANDREW LIM: Hi. Thanks for taking my questions. For the system as a whole, we've seen excess deposits really accrue quite a lot at banks. I think one of your competitors has noted how this is putting pressure on certain ratios, one of which would be your Supplementary Leverage Ratio. And I think if you took away the temporary exclusion of cash and Treasuries from its denominator of that ratio, things would look quite tight. I just want to see how that pans out for Citi, whether you see that same kind of pressure and how you think about that.

And then if I could ask two short technical questions. I didn't quite catch what you said about LATAM NCLs coming down. What was the reason for that? It just strikes me as a bit surprising that that should be the case. And then just lastly on your risk-weighted assets, they climbed quite a bit this quarter. Doesn't seem to me that it could be entirely credit-driven. Just if you could give a bit more color on that.

MARK MASON: Sure. Let me start with your first question which was on I think the impact of deposits. And so yes, we have seen a significant increase in deposits. That does impact a number of the important metrics. From an SLR point of view, if not for the relief which kind of goes away at the end of the first quarter, we'd have lower SLR by 109 basis points, so the regulatory relief provided 109 basis points of relief there.

It also has had an impact on – and by the way, we are managing to that SLR relief going away at the end of the first quarter, so we're aware of that. We're managing accordingly to that. It's also had an impact on our G-SIB score which has kind of tripped into the next bucket, the 3.5% bucket and the large percentage of that increase that we've seen in the G-SIB score was also driven by deposits.

And so we'll have to manage that as well. Obviously, we have a view that some consideration needs to be given to both of these metrics as the Fed has been clear in terms of their view that there is enough capital in the system and so we're hopeful that as kind of things evolve, that some consideration is given to that. But in the meantime, we're managing the balance sheet and deposits and capital accordingly and with a full knowledge of how the relief might evolve in the case of the SLR.

In terms of your question on credit risk in Latin America, the point that I was making here was that because we've had customers that were part of a relief program, that the NCLs that we've seen have been lower than what they would have been if those customers were not running through the relief program. So you see the NCL, the lower NCL in the quarter. But you also start to see delinquencies pick up and those delinquencies are picking up as people come out of that relief program and start to – or stop paying, I should say, and therefore you see delinquencies tick up. And so shortly, you'll see the NCLs start to pick up as people go beyond the 90 days past due delinquent and go into losses. Hopefully that was clear.

The last question you asked was on advanced RWA growth and we did see RWA increase quarter-over-quarter. The drivers there was – they were a combination of credit risk, market risk and operational risk and inside of that, we saw FX drive some of that increase as well as derivatives and mostly derivative and FX exposure increases, including CVA. So those were the major drivers of the RWA on an advanced basis tick-up that we saw.

OPERATOR: As a reminder, you're limited to one question. Your final question is from the line of Vivek Juneja with JPMorgan.

VIVEK JUNEJA: Hi. Thanks for taking my – good morning. Thank you for taking my question. I just have a quick clarification. I know you've been talking about Wealth Management being a focus and we see the stats that you give us for Asia like investment sales up 58% linked-quarter. But the fee revenue in Asia Consumer is actually down linked quarter by 10%. So is this a really small business in revenues since there's no disclosure, it's hard for us to tell? Or what are the other offsets? Because I hear you talk about it as a material part of Asia, but there's no way to put any context around this.

MARK MASON: Yes, and look, we're going to – we just announced obviously the creation of this Wealth Management business where we'll bring the Private Bank together with the Wealth Management business we have globally on Consumer. So we'll provide more detailed metrics as it relates to that.

But our Asia Wealth Management is a sizable business and we are going to continue or expect us to continue to see growth there. And so stay tuned on kind of more disclosure there and more details around the strategy for how we get after that.

OPERATOR: There are no further questions. Are there any closing remarks?

ELIZABETH LYNN: Thank you all for joining us today. If you have any questions, please feel free to reach out to us in IR. Thank you again and have a nice day.

OPERATOR: This concludes today's earnings call. Thank you for your participation. You may now disconnect.