TRANSCRIPT

Citi First Quarter 2021 Earnings Review

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Host
Elizabeth Lynn, Head of Investor Relations

Speakers
Jane Fraser, Citi Chief Executive Officer
Mark Mason, Citi Chief Financial Officer

PRESENTATION

OPERATOR: Hello and welcome to Citi's first quarter 2021 earnings review with the 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 Factor section of our 2020 Form 10-K.

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

JANE FRASER: Thank you Liz and good morning to everyone. I am delighted to join you for my first earnings call as the Citi CEO. Mark and I have a lot to cover today, so let's get cracking. Earlier today, we announced our earnings for the first quarter, as well as the initial strategic actions we're taking in our Global Consumer Bank, to focus on our competitive advantages and to improve our returns to our shareholders. I'll start with some observations therefore on the first quarter, and then I'll update you on the ongoing work on our strategy.

It's been a much better-than-expected start of the year, and we are optimistic about the recovery ahead of us and we're positioning the bank for a period of sustained growth. For the quarter, we reported earnings of $3.62 per share on net income of $7.9 billion. This was a record quarter in net income, driven by good performance in our Institutional business and a release of $3.9 billion from our allowance for credit losses, as a result of the improving economic outlook.

In the Institutional Clients Group, our market businesses benefited yet again from an active environment. We saw solid performance in fixed income after a very strong first quarter last year and a record quarter in equities. We also had a record quarter in Investment Banking, reflecting high levels of activity in equity underwriting. Treasury and Trade Solutions, which is the backbone of our global network, grew deposits even though revenues continued to be impacted by low interest rates.

Global Consumer Banking revenues were down quarter-over-quarter as a result of the pandemic. However, we clearly see a recovery taking root in Asia, as well as the US, and that was reflected in our ACL release. And I'd note, this is the healthiest we have seen the consumer emerge from a crisis in recent history, driven in large part by the US government stimulus package.

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Now, while loan demand was down, we did see strong growth in wealth management and in digital engagement, both of which are central to the consumer franchise we are building. And our capital levels remained strong and stable, allowing us to respond to the needs of our clients and to return capital to our shareholders. At 11.7%, our Common Equity Tier 1 ratio was unchanged from the fourth quarter. And we resumed the repurchase of common stock, which we voluntarily paused at the onset of the pandemic. Our tangible book value increased to $75.50, up 5% from a year ago.

Now, turning to our strategy. When we spoke in January, I had pointed to four principles, which we're using to guide the refresh of our strategy. First, we said, we will be clinical in assessing which businesses we can retain or secure leading market positions in. Next, we're going to be focused by directing resources to high-returning businesses and away from the others. Third, we're going to be connected, so we ensure our businesses fit well together and that they generate synergies. And last, we're going to be simpler to better serve our clients, fulfill our obligations to our regulators and unlock value for our shareholders.

We also committed to take the strategic decisions needed to best position Citi to win and to close the gap in returns with our competitors. And we committed to share these decisions with you as we make them and that's what we're doing again today.

Now, I spoke in January about our new focus on wealth. We believe we're very well-positioned to capture strong growth and attractive returns in this business, particularly in Asia and the US. Today, wealth at Citi represents roughly $6.6 billion in revenues, with three-quarters of $1 trillion of client assets. And there's many synergies with our Markets, BCMA and Commercial Banking franchises across our global network.

Yesterday, we announced the management team for Citi Global Wealth and the work and investments are well underway on the business strategy and growth plans. And today, we announced our decision to focus our consumer banking franchise in Asia and EMEA solely on four wealth centers, namely Singapore, Hong Kong, UAE and London. This positions us to capture the full spectrum of the wealth opportunity through these important hubs, where we can serve onshore and offshore clients.

And in Asia, this will allow us to continue operating our leading consumer businesses in Singapore and Hong Kong, which are both scaled and very high-returning. We will therefore pursue exit of our consumer businesses in the remaining 13 markets in Asia and EMEA.

Now while these are excellent franchises, we don't have the scale we need to compete and we've decided we simply aren't the best owners of them over the long-term. So, consistent with the principles we outlined for the strategy refresh, we believe our capital, our investment dollars and other resources, are better redeployed against higher returning opportunities elsewhere.

What does this mean? This means that Global Consumer Banking will consist of two scale franchises in the US and Mexico and these four hubs serving 100 million customers in total.

Let me be very clear on one very important point. Citi will continue to invest behind and serve our institutional clients in these 13 markets. We have a high-returning and leading institutional franchise in Asia, and it is an absolutely central part of our success going forward. And we see important opportunities to invest and gain share with our institutional clients region-wide.

Indeed, I saw from my own experience in Latin America, how the institutional businesses in each market really benefited from the increased focus once we had exited our subscale consumer franchises and simplified the operating model in the region. I fully expect the same will be true in Asia.

And in the meantime, the comprehensive work on our strategy refresh continues, we will continue to share the decisions we make with you as we work to close the gap in returns with our peers.

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In parallel, we are of course hard at work on our transformation. We're making our next submission to the OCC this quarter, and it's a massive body of work. We continue to work closely with our regulators to meet their expectations and we expect to submit our complete plan to both regulators no later than the third quarter. We've identified the end state, performed the gap analyses and are currently working through the detailed resourcing and program plans and interdependencies, and we've begun execution on several fronts.

The investments required go hand-in-hand with our strategy work. So, for example, when we talk about simplification, we're pursuing it through changes to our operating model, but also by removing manual processes and controls. And make no mistake about it, we want to achieve nothing less than a fundamental transformation by delivering excellence in our risk and control environment, in our operations and in our service to clients. So, I am excited about the road ahead. And I have no doubt that these investments and others that we're going to make in talent and technology are going to help us modernize the bank and position Citi to win.

And finally, I want to update you on some of the commitments we're making in terms of ESG. Now, we've prided ourselves in being a leader in many dimensions of ESG over the years. I see it as embedded in what we offer to our clients and the communities we serve around the world. And as you may know, on my first day as CEO in the beginning of March, I committed that Citi would reach net-zero greenhouse gas emissions by 2050, and we will deliver our plan on how we will do so within the next 12 months.

Critical to helping our clients transition to a low-carbon economy is the support we provide them through our environmental finance activities. So to that end, we're going to extend our current environmental finance target from $250 billion by 2025 to $500 billion by 2030. And in addition, we finance other activities in support of the UN's Sustainable Development Goals outside of environmental finance. And these include our important investments in affordable housing, in healthcare and workforce development. We are committing an additional $500 billion to these activities by 2030, making our total sustainable development goal commitment $1 trillion by 2030.

And with that, I am going to turn over to Mark and then we will both be delighted to take your questions. Mark?

MARK MASON: Thank you, Jane, and good morning, everyone. Let me briefly review the results for the quarter and then I'll go into more detail on the strategic refresh and specific actions we announced earlier today. Overall, we had a stronger-than-expected start to the year, driven by a constructive capital markets backdrop, as well as a benefit from the cost of credit for the quarter.

For the quarter, Citigroup reported net income of $7.9 billion. Revenues declined 7% from the prior year. While we saw continued strength in Investment Banking and a solid markets performance, it was more than offset by the impact of lower interest rates, along with lower card loans in Consumer and the absence of the prior year mark-to-market gains on loan hedges.

Expenses were up 4% year-over-year, reflecting continued investments in our transformation, including infrastructure supporting our risk and control environment, as well as other strategic investments, partially offset by efficiency savings.

Credit performance remained strong with net credit losses of $1.7 billion, more than offset by an ACL release of $3.9 billion, driven primarily by an improvement in our macroeconomic outlook, as well as lower loan balances. EPS was $3.62 and RoTCE was just over 20%.

In constant dollars, end-of-period loans declined 10% year-over-year, reflecting lower spending activity in consumer as well as higher repayments across Institutional and Consumer. Deposits grew 7%, reflecting consistent client engagement with both corporate and consumer clients continuing to hold higher levels of liquidity.

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Before I go into more detail on each business, on slide 4, I'd like to cover the strategic refresh that Jane discussed earlier. Last quarter, we spoke about the significant opportunity wealth represents for Citi going forward and announced the formation of Citi Global Wealth in order to better connect assets and capabilities across the consumer and institutional franchises, and to transform the way we serve clients across the wealth spectrum. We've continued the build-out our Citi Global Wealth this quarter and have provided some details on the scope of the business on the slide, with additional information on key drivers in the appendix.

Citi Global Wealth represented roughly $6.6 billion in allocated annual revenues. And it delivered 15% growth in investment revenues last year, driven by higher client activity and growth in client investment assets. As we continue to integrate the component businesses into a single wealth platform, we will finalize how best to implement this strategy from an organizational standpoint over the coming quarters and update you accordingly.

Turning next to the actions we announced today. Given our strategic focus on Global Wealth Management, we announced the decision to focus our Global Consumer Banking presence in Asia and EMEA on four wealth centers. As Jane mentioned, this strategic shift will allow us to simplify our operating model, while directing investments and resources to the businesses where we have competitive advantages and the scale necessary to drive higher returns over the long run.

Let me describe the 13 markets where we will pursue an exit, shown on the slide, with added details in the appendix. Last year, these businesses contributed roughly $4 billion of revenues. And while historically profitable, like other consumer businesses, the impact of CECL weighed on full year results given the pandemic, with cost of credit nearly doubling in these markets year-over-year. Total assets were $82 billion as of the end of 2020 and the businesses are supported by roughly $7 billion of allocated TCE. We have a good track record of reducing expenses in similar situations.

However, as noted on the slide, we are including fully allocated expenses to these markets, which could differ somewhat from the ultimate expense reductions. We will continue to manage these markets as part of the GCB franchise, but we already have relevant actions well underway. We plan to share more information with you as we make progress against these and other actions as part of our ongoing strategy refresh.

Finally, I want to emphasize a point that Jane made earlier. We will continue to serve ICG clients, including our commercial banking clients, in all these markets. And more broadly, this strategic shift will allow us to focus more investments on ICG in Asia.

Turning now to each business, slide 5 shows the results for the Institutional Clients Group. We delivered a solid performance in the quarter, driven by strong execution in the constructive operating environment. For the quarter, ICG delivered EBIT of $7.7 billion, up 65% from last year. Revenues decreased 2%, reflecting the absence of mark-to-market gains on loan hedges seen last year. Excluding this, revenues were up 5%, with 9% growth in Banking and 2% growth in Markets and Securities Services.

Expenses increased 8%, reflecting investments in infrastructure and controls, along with other strategic investments, higher compensation cost and volume driven growth. Credit costs were down considerably, given a $1.9 billion ACL release. The release this quarter primarily reflected improvements in the outlook for global GDP, as well as modest improvements in portfolio credit quality. As of quarter end, our overall funded reserve ratio was 1.1%, including 3.6% on the non-investment grade portion. Total net credit losses were $186 million, and ICG delivered a 25.7% return on allocated capital.

Slide 6 shows revenues for the Institutional Clients Group in more detail. Product revenues were up 5%, driven by record revenues in both equity underwriting and equity trading. Looking at these strong results across our overarching equities franchise, we feel good about the strategic investments we've been making, which enabled us to leverage our full-service model to better monetize the current market.

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On the Banking side, revenues increased 9%. Treasury and Trade Solutions revenues were down 10% in constant dollars, as good client engagement and solid growth in deposits were more than offset by the impact of lower interest rates and lower commercial cards revenues. Despite these headwinds, we continue to see strength in our underlying business drivers, including 14% growth in average deposits in constant dollars this quarter. And over the past year, we've seen significant increases in digital adoption and penetration, as well as 7% growth in cross-border flows and 6% growth in clearing volumes.

Investment Banking experienced its best quarter ever with revenues up 46%, driven by equity underwriting given our leading position in the SPAC market. Private Bank revenues grew 8%, also its best quarter ever, driven by higher lending volumes and managed investments revenues. Corporate Lending revenues were also up 8%, reflecting the absence of prior year marks, partially offset by lower volumes.

Total Markets and Securities Services revenues increased 2% from last year. Fixed Income revenues decreased 5%, reflecting a strong performance in rates and currencies last year. However, spread products revenues were up from the prior year as clients searched for yield in this low rate environment, with steady demand across flow and structured products. Equities revenues were up 26% versus last year, driven by cash equities, derivatives and prime finance, reflecting solid client activity and favorable market conditions.

And finally, in Securities Services, revenues were up 1% on a reported basis and roughly flat in constant dollars. Here, we saw a good growth in fee revenues with both new and existing clients, driven by growth in deposits, assets under custody and settlement volumes, offset by lower spreads.

Turning now to the results for Global Consumer Banking in constant dollars on slide 7. While we are still seeing the impact of the pandemic and high payment rates on revenues, consumer spending continues to improve and credit remains healthy, pointing to a recovery as we move through the year.

For the quarter, GCB delivered EBIT of $2.8 billion, up significantly from last year, primarily driven by improved credit costs. Revenues declined 15% as lower card balances and lower interest rates across all three regions were partially offset by continued strong deposit growth and momentum in wealth management. Expenses decreased 1% as efficiency savings and lower volume-related costs were partially offset by investments.

Credit costs decreased significantly, driven by an ACL reserve release in all three regions and lower net credit losses. The release this quarter primarily reflected lower volumes, as well as improvements in the macro outlook. And GCB delivered a 25% return on allocated capital.

Slide 8 shows the results for North America Consumer in more detail. First quarter revenues were down 15% from last year, primarily driven by lower cards revenues. Branded Cards revenues were down 11%, reflecting a 15% decline in average loans, as clients are using the liquidity from stimulus and other relief programs to pay down debt.

Retail Services revenues were down 26%, reflecting higher partner payments as well as lower average loans. Net interest revenues were down 18% as average loans declined by 13% on higher payment rates. Higher partner payments drove the remainder of the revenue decline versus last year, reflecting the impact of lower forecasted losses and therefore, higher income sharing.

Looking more broadly on our cards businesses, we're continuing to see a recovery in sales activity. In Branded Cards, total purchase sales were unchanged year-over-year, but essential spend was up 12%, and we are starting to see the recovery in areas like travel and dining.

And in Retail Services, purchase sales grew 4%. So purchase sales are improving slightly faster than our prior expectations and with the vaccine rollout, this should support a further recovery in discretionary spend. The bigger impact on loans is from the high payment rates. This is creating revenue pressure, but it's also

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benefiting our delinquency and loss trends. So the good news is that we're seeing the recovery in spend, which should continue and our credit portfolio is proving to be quite resilient.

We are now focused on loan and revenue recovery through driving spend activity, re-entering the market for new account acquisitions and investing in lending capabilities and new value propositions.

Turning to Retail Banking, revenues were down 8% year-over-year, reflecting pressure from lower deposit spreads. That said, we are continuing to see good momentum as we grow and deepen Retail Bank relationships, as well as improve the quality and stickiness of these relationships. Average deposits were up 22%, including 30% growth in checking and AUMs were up 32%.

We're also continuing to broaden our digital capabilities to extend from deposits to wealth management to mortgage lending. As Jane mentioned, we're committed to the franchise and all of this gives us confidence in our ability to scale our US Retail Bank with a digitally-led, client-centric approach supported by light physical expansion in new markets over time.

On slide 9, we show the results for International Consumer Banking in constant dollars. In Asia, revenues declined 12% year-over-year in the first quarter. We continue to see good momentum in wealth management, as investment revenues grew 22% with a 14% increase in Citigold clients and 13% growth in net new money. And the numbers are meaningfully higher if you look specifically at the four global wealth hubs.

Average deposit growth remained strong at 13%, albeit at lower deposit spreads. Card revenues remained under pressure year-over-year with purchase sales down 5% and average loans down 13%, given a continued significant impact on travel in the region. However, we are seeing some signs of a recovery with the pickup in new card acquisitions and purchase sales year-over-year in the month of March.

Turning to Latin America, total consumer revenues declined 16% year-over-year. Similar to other regions, we saw good growth in deposits and assets under management in Mexico this quarter, with average balances up 9% and AUMs up 17%. 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. In the US, both NCL and delinquency rates remained favorable, driven by the significant amount of customer liquidity due to stimulus and other relief programs. Given the delinquency trends we're seeing today, we do not expect credit deterioration in the US portfolio in 2021. And so, peak losses may not occur until late 2022, depending on whether or not the stimulus results in a permanent benefit.

By contrast, in both Mexico and Asia, we saw a peak in credit losses in the first quarter of 2021. This was expected, driven by the impact of customer accounts rolling off relief programs. The impact was pronounced in Mexico, with a peak NCL rate of over 10%, as we saw most customers roll off the relief programs at the end of the third quarter of last year. Excluding those accounts that participated in relief programs, our credit trends in both Mexico and Asia remain stable. And you can see improvement this quarter in delinquency rates.

Slide 11 shows the results for Corporate/Other. Revenues were roughly flat in dollar terms, as the impact of lower rates was offset by the absence of marks versus the prior year, as well as some episodic gains this quarter. Expenses were down 1%, as investments in infrastructure, risk and controls were roughly offset by the allocation of certain costs to the businesses. This change had no impact to EBT at the Citi level and given it was immaterial, we have not reflected the change retrospectively.

Credit costs declined year-over-year, driven by a release this quarter compared to a build in the prior year. Finally, the pre-tax loss was $231 million this quarter. Looking ahead, we would expect the quarterly pre-

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tax loss in the range of $500 million for the remainder of 2021, although with some variation quarter-to-quarter.

Slide 12 shows our net interest revenue and margin trends. In constant dollars, total net interest revenue of $10.2 billion this quarter declined $1.4 billion year-over-year, reflecting the impact of lower rates and lower loan balances, as well as the impact of one fewer day versus last year, partially offset by slightly higher trading-related NIR.

Sequentially, net interest revenue continued to stabilize and excluding the impact of two fewer days in the quarter, was roughly flat to the fourth quarter. And net interest margin declined five basis points, reflecting lower net interest revenues, partially offset by Treasury actions and balance sheet optimization.

Turning to non-interest revenues. In the first quarter, non-NIR declined slightly to just over $9 billion, predominantly driven by the mark-to-market on loan hedges, offsetting strong Investment Banking revenues.

On slide 13, we show our key capital metrics, which, as Jane mentioned, remained strong and stable again this quarter, allowing us to support clients and return capital to shareholders. Our CET1 capital ratio remained 11.7% as net income was roughly offset by buybacks and dividends, along with the impact of OCI and an increase in risk-weighted assets.

During the quarter, Citi returned a total of $2.7 billion to common shareholders in the form of $1.1 billion in dividends and share repurchases of $1.6 billion. Our supplementary leverage ratio was 7%, and our tangible book value per share grew by 5% to $75.50, driven by net income.

Before we move to Q&A, let me spend a few minutes on our outlook for 2021. First, our full year top line outlook has improved since last quarter. At that time, coming off the performance of 2020, we had expected industry wallets to return closer to the 2019 levels this year. Given the strong start to the year, as well as the increasingly positive signs of a recovery ahead, we now believe wallets will be somewhat higher relative to 2019.

Meanwhile, our outlook for net interest revenues is unchanged and we continue to expect a decline in net interest revenues of somewhere between $1 billion to $2 billion, with stabilization continuing into the second quarter and an improvement in the back half. Taken together, this suggests revenues down in the mid-single-digit range, better than our prior guidance for a mid-to-high single-digit range decline.

Second, on the expense side, we continue to expect full year expenses to increase in the range of 2% to 3%, mostly driven by investments related to our transformation agenda. In addition, we could also see some episodic impact this year related to the market exits we are pursuing. And as I mentioned earlier, we will be very transparent about the impact of these actions on our financials.

Finally, on cost of credit, we continue to have an overall favorable outlook with regard to credit performance. And depending on the macroeconomic outlook, we could see further reserve releases, although given the size of the reserve release this quarter, we would not expect to see the same magnitude of ACL release going forward.

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

QUESTION AND ANSWER

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

JOHN MCDONALD: Thank you. Jane, I wanted to ask you a bit of a strategic question. Just for some more color on this idea that the investments you're making in the risk and controls will also help advance your

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goal of modernizing Citi's technology for the benefit of customers. Could you elaborate on that a little bit and maybe give us some examples of where you've seen technology gaps, as you've done, your listening tour across the company?

JANE FRASER: Hey, thank you very much, John. So, it's fascinating at the moment. I had a chance to go and talk to the CEOs of banks and our clients all around the world and all of us talk about the same thing, which is, there's a major transformation that's going on, a digital transformation in the industry. And so, as we look at the consent order and the transformation, the transformation we're going through is much broader than just the consent orders, although they're obviously a very critical component of it.

And so, as we look at the investments we're making, I look at the ones that we're making in our infrastructure, in our data as very much linked into a strategic need, as well as what's being required and ask of us from the consent orders.

So, I gave you one of the examples just earlier. But data would be an obvious example of this, where investment that we make in the quality of our data will have a big impact for our shareholders in terms of driving revenues and improving our client experience, in making faster decision making on risk or on business decisions, as well as making sure that the data that we do have is properly governed from a safety and soundness perspective. So, many of the investments we've got at the moment are really the strategy and transformation work coming together, as it is for many banks.

JOHN MCDONALD: Okay. And then, a quick follow-up on that for Mark. Mark, how should investors think about the multi-year cost of this transformation? Obviously, you've given us some sense of what's embedded to get to your expense guidance for this year of up 2% to 3%. But is this something that does get spread out over multiple years? It doesn't sound like an easy or a quick project.

MARK MASON: Yeah. Thanks, John. As Jane has referenced, it is. And I've referenced in the past it is a multi-year effort and we've been working very diligently on identifying the gaps that we have and identifying the root causes. And as Jane has mentioned, we're working very aggressively on constructing the plans to move towards more comprehensive execution.

But those plans have to come together and we're still working through that. And as you've mentioned, I've been very clear, as we develop the information as to what we can expect in the way of headwinds, that 2% to 3% this year, $1 billion in the prior year. And as we bring those plans together, I'll continue to share openly what our best estimates are, for how the expenses continue to evolve.

What I would say, John, is that and say this a lot, I guess, these are investments. As Jane mentioned, there are benefits that we expect from them. The data was a great example as to how we leverage that with our clients, but also how getting that quality data in and not having to rework it and reconcile it, et cetera, et cetera, saves us on the operating cost as well. And I highlight that because, as we make more investments, we will undoubtedly continue to seek out productivity opportunities that move to offset those.

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

GLENN SCHORR: Hi. Thanks very much. I guess a simple one that's probably not so simple to answer is, there's not a huge revenue or earnings impacts from divesting the 13 markets, but there is a lot of, like resources and bandwidth freed up. I guess my question is, what do you do with the capital? Just conceptual, meaning everyone has been looking to you for a huge capital return story, which you are. But putting the consent order aside, how do you think about using that capital offensively to augment the businesses that you're doubling down on?

MARK MASON: Sure. Look, I think, this is one of the reasons why it's so important that we're doing a refresh that Jane has described. It allows us to be very clearly focused on the parts of the franchise where we think we have a significant competitive advantage. And as Jane has mentioned, those are going to be

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the parts of the franchise where we allocate more resources, both in the way of expense dollars and investments, but also in the way of capital allocation so that we can capture the growth that we see with client opportunities there.

And after that, after kind of ensuring that we're capturing those opportunities that deliver returns that are consistent with our objective of narrowing the gap to peers, then we want to, obviously, return excess capital to shareholders as we've been doing. So that's the way we think about it.

First, let's lead with what is the strategy. Second, let's make sure that strategy is rooted in growth opportunities and commensurate returns that make sense for us. Let's allocate capital there to take advantage of that. And then what's left, let's return it to shareholders.

JANE FRASER: Yes. And I would just jump in on this one as well. I've been on a great listening tour with our investors and hearing their perspectives. And I'm very clear around our priorities, which is closing the return gap with our peers, making sure that we put a strategy in place that has the investment profile as well as the different actions to do so. And as Mark said, this is our number one priority.

GLENN SCHORR: I appreciate that. I'd love to follow-up on just one piece. So, on that front, wealth is definitely something that fits a high-return profile. You mentioned you're doubling down, I'd love to discuss, as a combined entity, what metrics do you think we'll be looking at to determine its success? What are the important linkages with the other businesses that can be maximized better? What systems and product platforms you need to add, to get to these higher aspirations? Thanks.

JANE FRASER: I'd better be careful because I could talk for hours on this one. I think, we're incredibly well-positioned in wealth. Mark gave you some of the visibility into the size and scale of the business today. When I look at it, we've got a phenomenal brand name, an aspirational one in the wealth space, particularly in Asia, but around the world. We have our commercial bank, which operates in 30 different geographies around the world and is where a lot of the wealth is being created. So, we have relationships and are helping with the actual wealth generation and source of wealth from many of our clients as well as, obviously, in ICG.

We've got a top-tier institutional platform and capability. And we've got our presence very well-established in these major wealth hubs around the world. So, I do feel we're incredibly well-positioned when we can bring these different assets and capabilities into a single platform. So, the investments that we've already begun making is putting a single wealth platform organization in place.

We made the announcement yesterday around the leadership, you'd have seen that. We've started investing in growing our relationship managers and FAs around the world and really bringing together the best of the firm. And I expect, as we work on the technology plan, we'll have some different tech stack lined up against that too. So, Jim O'Donnell, putting the plans together right now, but we see this as a tremendous opportunity and you'll be able to measure us and hold us to account for this in terms of the returns that we generate, the growth in the fee income and continuing to steadily capture share in the years ahead.

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

ERIKA NAJARIAN: Hi. Good morning.

MARK MASON: Good morning.

ERIKA NAJARIAN: Yes, just a follow-up on Glenn's question. So Jane, you mentioned in your prepared remarks that you were now refocusing on consumer businesses where you have scale, and that's the US and Mexico. And I guess, we're wondering, I'm sure you're still in the middle of your strategic review, what is your vision for the Citi consumer franchise in the US? And as we move past a world where hopefully your

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multiple is more reflective of your ROE potential and you're past the consent order, would you entertain inorganic opportunities for market share growth in the United States?

JANE FRASER: Erika, great question and certainly what I have heard loud and clear from many of our investors as well as we've been talking with them. Look, the US is our home market, we have to get it right. It's a great franchise in terms of brand, the client base that we have around the country. We certainly see upside potential in wealth, as we've been talking about. We have a large cards business where the pandemic has accelerated the cross-sell of our broader banking proposition. And I think, the broader theme of digitization, we have very high-quality clients in and out of footprints. And they've been very digitally engaged and that's only increased. Some 50% of the new accounts this quarter in the retail bank were acquired digitally and about 75% of our clients, for example, are digitally engaged already. And we have tremendous partnerships.

So I think we've got terrific assets and building blocks. But as you said, the work is going on right now on the strategy refresh. And we're looking forward to coming back to you in reasonably short order when we've done the work and have the plan on what actions we will take. We're looking longer run. And for now, partnerships are going to be very important, but we'd love to do inorganic moves if they make sense for our shareholders and for us further down the line. But at the moment, we'll focus on partnerships.

ERIKA NAJARIAN: Thank you for that. And my second question is with Mark. Is this probably partially – how you've laid out guidance probably partially answers this question. But investors seem to believe that there could be upside to revenue for banks, whether it's continued expansion of the wallets in your ICG business or in more traditional NIR sources. And I'm wondering – it's a two part question. One, if we get better revenue from here, could you still achieve the 2% to 3% expense target? And as a follow-up, on the expenses that would be carved out from those exits, we heard from one of your peers that if you exclude overhead or expenses allocated to businesses exited, we would see a sort of a net expense saves of about 75% to 80% of identified expenses. And I'm wondering if that's the right ratio to think about those 13 markets that you're exiting?

MARK MASON: Sure. Thank you. So, the first thing, just in terms of revenue, I did speak to this in the guidance. And what I referenced was, I talked about in the last quarter, the normalization of the markets' wallets and what we're seeing just at the on start of this year and the strong start that Jane referenced is that, while I do expect there'll be some normalization, I would expect at this point that the market wallets will be above the 2019 levels. And so, we do think that that presents some upside. I talked about the – and that's what kind of feeds in part the down mid-single-digit guidance that I gave for total revenues.

You're right with the steepening of the curve. That does present some opportunities, we've got dry powder to put liquidity to work and we've done some of that but we have more dry powder to do that. With that said, as I mentioned earlier, we are seeing higher payment rates from the consumer business that offsets some of that potential upside. And I did describe the NIR in the way of a range, down $1 billion to $2 billion. And so that range gives you some sense for the ability or the opportunity, if we were to capture more of that upside.

In terms of the expenses, two things. One, you mentioned relative to revenues. And the answer is that if wallets continue to perform even stronger or the recovery is even more significant on the lending side or consumer side or ICG side for that matter, then that will come with higher expenses, transaction expenses, compensation expenses. But I think, everyone would agree that that would be good cholesterol. And so, we'll see how that plays out.

Obviously, I did mention episodic costs associated with the exits. What I'd say about that is – and your point around allocations, both Jane and I have deep experience at this. I have experience from Citi Holdings and both being part of that team and ultimately running Citi Holdings, Jane has run Latin America, both of those parts of the franchise historically have exited countries and we have both been keenly focused on ensuring that we get as much of the stranded cost associated with exits out of the organization in the past.

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And you can rest assure that that would be the same type of focus we put to these exits. So that's kind of the view there. I don't have a ratio that I'd want to share at this point. But please know that that will be a focal point for us in order to ensure that we get the most value out of this decision.

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

MATT O'CONNOR: Good morning. I know this is a tough question to answer, but as we think about the timing of the consent orders, should we think about the ones that came out in October of last year as essentially restarting the clock? Or since some of them were going on for several years and the Fed and OCC acknowledged that you've made progress, maybe don't think about it as a resetting the clock?

And the reason I'm asking is, if we look at other consent orders in the industry, it tends to take several years, three, four, five years. And it's a little bit trickier with you guys, because again, it's not like you're starting from scratch. But I was wondering if there's anything you could comment with respect to the timing and how I frame that?

MARK MASON: Yes, sure. Why don't I start and then, Jane, you may have some thoughts on it as well. What I'd say is, look, this is – the consent order was clear in its way of directives in areas that we need to focus. As Jane has described, we're looking at this, frankly, a little bit broader. We're looking at this as a transformation and it will take – it is a multi-year effort that is underway here.

Yes, there are some things that you heard us reference that we had started even before the order. There were a number of remediation efforts that were underway in some of the areas that are referenced in the order. We're leveraging the work that we had started already. But candidly, what's different about this transformation versus a remediation is that we're looking at this end-to-end as opposed to a very narrow or silo or tactical approach to an issue that's identified.

And in order to do that, you do have to pause for a second, take a step back and look at things on the front-end of a process where things come into our systems and understand how you can improve those processes, the technology that support them, the governance around that.

I highlight that because your question is a tough question. There's some of it that we will keep accelerating, but we want to make sure that we do that in a broader context, so that we get it right. And that's what's really important to us. Jane, anything you want to add to that?

JANE FRASER: I think, you said it very well, Mark. Remediation is tactical, transformation is more strategic and much more fundamental. And that's what we're doing, we take a soup to nuts approach. We're looking at the target state we want to get to, making sure that we've got real excellence in what we do. And that is the focus. So, we're looking forward, rather than looking backwards.

MATT O'CONNOR: And then just a follow-up there, like isn't it a reality that you need to kind of fix the regulatory issues so that you can accomplish some of the things that you want in the transformation, right? Because I think your ability to do deals, ability to open branches, there is just a lot of restrictions. So, I think, it's good to hear about like the long-term vision, but you kind of need to get the house in order first, right, before you can accomplish some of those things? Or can you do both at the same time?

JANE FRASER: You can – you absolutely do both at the same time. And that's what we're very focused on. That's to say, the transformation and the – the work on the transformation, the strategy, in many ways go hand-in- hand and are getting us to the same goal, which is make sure we're excellent for our investors, for our clients, as well as for our regulators and the safety and soundness agenda.

So, the two go very much hand-in-hand. Risk and controls are clearly important, particularly in a digital world. And we need them to be at a very high standard to operate as one of the world's most significant

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financial institutions. That's the intention, as is the intention to make sure our operations are the same. So, one and the same goal here.

MARK MASON: To your point, Jane, exiting these 13 countries that simplifies the organization, right? Creating Citi Global Wealth and bringing what was the Private Bank and our wealth organization and consumer together, allows for us to come up with an investment platform, a unified investment platform that simplifies the organization, makes it easier to have controls in place around those processes. So, Jane is exactly right, the strategy is aligned with the transformation that's underway in many ways.

MATT O'CONNOR: Okay. Thank you very much.

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

MARK MASON: Good morning.

SAUL MARTINEZ: Good morning. I've a bit of a hodgepodge of questions related to your strategic refresh. So, first, you gave a lot of color on the financial metrics of the 13 exit markets, but do you also happen to have what the reserves are on the balance sheet that could be released over time in those countries?

Second, time horizon. I know you indicated, Mark, that you'll give us more detail as it presents itself, but just any sort of guidance on the time horizon? Are we looking at quarters or is this going to play out over a number of years? Just any guideposts.

And then, I guess thirdly, I'll just finish up. Maybe more importantly, Banamex, any – how are you thinking about Banamex in the context of your strategy refresh? I mean, it certainly is not a subscale business, but Mexico does have some macro challenges as you guys have highlighted and a government that has very heterodox views, policy views, on a whole host of things. So, just any thoughts on how you're thinking about Banamex right now?

MARK MASON: Jane, you want to start? And then I can piggyback on that.

JANE FRASER: Yes. So, in terms of – why don't we go start off with timing and...

MARK MASON: Yeah. Yeah, and then I'll take the reserve.

JANE FRASER: Yeah, I can chuck the reserve one over to you, Mark. So, in terms of timing, look, we're already getting going and there's no dillydallying here. What we're looking at doing is we've begun the work. The actions are underway in several markets. We'll look to complete the exits in a timely fashion and we expect to be out in some markets this quarter.

Equally, this is – we're going to be thoughtful about who the buyers are and how we do this and the value that we create for shareholders in the process. So, while there is urgency on action, we're going to make sure that this is a good move for our shareholders and act appropriately. And the timing is going to be driven by regulatory approvals in different geographies. So, as Mark said, as we know more, we'll update you on the process, but we've been very transparent about what we're intending to do.

And then in terms of Mexico, look, Mexico is a scaled franchise. When I compare Mexico to our Asian consumer franchises, they really benefit from their scale. The returns are good. And there's a lot of upside potential there. The investments in digitization have really paid off. So, while the country is going through a very challenging time at the moment, there's a lot to like in the franchise over the longer term. And I know, we'll give you a better sense of the strategy there as we carry on the strategy refresh work, but a lot to like. Mark, do you want to cover the reserve? Yeah.

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MARK MASON: Yeah. So, let me just – I guess, I'll make a couple of comments and I don't think I'm going to get into a specific reserve number, so apologies for that. But what I will say is as you see what we shared on the page that it's roughly breakeven in 2020, and we all recognize in 2020 there were significant reserves established in light of the pandemic. What I'd say is, if we look at 2019, which would have been a more normalized year, the EBIT associated with the 13 markets would have been a little bit under $1 billion or so. And so, it gives you some sense for how the build in reserves, at least to some extent, has impacted what the financials are that we've shared here. And again, as we go through these transactions, we'll be appropriately transparent with the impact that we see from them.

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

MIKE MAYO: Hi, Jane.

JANE FRASER: Hi, Mike.

MIKE MAYO: About – what are you, 45 days in the job and you announced the asset disposition, so I guess you're not wasting any time. As you think about these asset dispositions or future dispositions, how do you – what lens do you use? Because you can consider returns, you can consider growth, you can consider synergies with the rest of the firm, you could potentially consider regulatory benefits as it relates to consent order. Do you get credit for simplifying, less systems to resolve? Or what other measures do you use? I note that the – it looks like the exit of the 13 consumer markets, those were capital hogs. So, I can't imagine the returns were very good, but there's a lot of parameters you can look at. What lens do you use?

JANE FRASER: So, interesting question, Mike. And frankly, I look at it in terms of what we want to be, not what we don't, because what you don't want to be kind of falls out of it pretty easily. So, the main consideration we have is, how do we close the return gap with our peers and make sure that the businesses we're in that can win. And I said, we'd be very disciplined about going back to those principles I laid out at the very beginning and we talked about back in January. We've been using this consistently in the strategy refresh work.

So, the first thing we're looking at is, is this sector or is this client segment or is this business, and does it have attractive dynamics as we look out over the medium and long-term? And importantly, within those dynamics, can we win? Does this make – can we be well-positioned in this? And I think, we're certainly seeing in the world of financial services today that scale is obviously a very important consideration. So, the corollary of that is if you don't have scale, that's usually a disadvantage.

We look at it in terms of connectivity. I think, it's very important that we have synergies across our major platforms and our client segments. And you'll hear us talking about that a lot more going forward and what are some of the metrics that we look at to demonstrate that we're really capturing those synergies.

We look at fees and returns. So therefore, if it's capital, is it generating returns? Are we getting the growth? We're deficient on the fee revenues relative to what Mark and I would like to be. So that becomes a consideration.

And then does it really fit with the strategic identity that we have for Citi and we're working on as part of the refresh? If it's yes, then this is a candidate for investment and laying out what the strategy is. If it's not, it's the opposite. And dispositions, we're always going to take into consideration timing. As I said in the last question, there's no fire sales here. We are going to be thoughtful on how we ensure we generate value for shareholders on the exit, at the potential value of partnerships with the potential buyers, et cetera, and how best can we monetize and generate value as we do this.

So, in many ways, it's a little bit of all of the above on your list, but we start in the opposite place, if you know what I mean. What are we going to be? And then, focus on making sure that we generate the greatest value from that. And the other decisions kind of fall out of it pretty quickly. And I think, you can see that

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being demonstrated in the decisions we made on both why wealth and the hubs that we're investing in, in Asia and EMEA, but then equally, the other decisions on the remaining 13 markets on consumer being the exit.

MIKE MAYO: And then one follow-up. It is early, but do you have a sense of what sort of return you'd ultimately like to achieve? And ultimately, what is the identity that you would like to have for Citigroup? Who is Citigroup? What's your elevator, summary, elevator pitch.

JANE FRASER: Citigroup is fabulous, Mike. Then again, when I go back to, what have our investors been talking to me about, as we've been going around and listening to them. They want us to have – they want us to close the gap of returns with our peers. I think, Mark's given some indication. I mean, as we see a more normal – when we see a normalized rate environment, we get the strategy there, a mid-teen range seems reasonable, but I would certainly add and let us do the work, because I want to make sure that we have a very thoughtful strategy and we've got clarity around it.

And when you ask us about what is Citi going to be, we'll be back to you with again, a lot more precision and clarity around it. But I think, you can see from some of the moves that we've got, we really want to be excellent. And that's not just in terms of how we serve our clients, many of whom are very – have global needs and there's a lot of consistency around that. But also, I would say what Citi is, I want the word excellent to be one that is used about us in our operations, in our culture, in our accountability and in what we do. And so that's the word you'll hear from me a lot and that's the standard I'm holding myself and the firm to.

OPERATOR: Your next question is from the line of Steven Chubak with Wolfe Research.

STEVEN CHUBAK: Hi. Good morning.

MARK MASON: Morning.

STEVEN CHUBAK: So, wanted to start off with a question, just looking at the strategic actions that you guys had taken, if I think back to 2014, right, and what was outlined then, Jane, was actually pretty similar in terms of the profitability profile of the businesses that you are exiting, the capital benefits that were ultimately going to be reaped. And it was at least difficult to see some of those benefits, if I look at how the profitability profile has changed. So, I guess from your point of view, having been at the firm when that was undertaken, what lessons did you learn from that process? And are there any differences in the approach that you might take this go-around to potentially drive maybe more conspicuous or clear benefits to the bottom line?

JANE FRASER: So, sorry, just in terms – I just want to make sure I'm understanding the question you're asking in terms of the benefits of digitization?

STEVEN CHUBAK: Not only in digitization, just if I think back to the exits, there were strategic actions that you had pursued in 2014, exiting a handful of markets, to try to optimize that global consumer footprint. And it was very similar in terms of the disclosure around the exit markets were barely profitable. There were capital benefits that were going to be reaped. But ultimately, we didn't see those benefits at least translate into bottom line impacts. And curious, if you could just speak to some of the learnings from that experience and what approach you might take a bit differently.

JANE FRASER: Okay. Yeah. When I look at the – in LatAm, the benefits we got were pretty tremendous. So, I think, first of all, we were able to very much focus on our strengths in our institutional franchise. And we were able to make sure that we had truly world-class talent. We invested in our technology and platforms. We were very focused on that client base of the multinationals we serve there, in particular, in the investor base engaged in Latin America. And we drove the returns up from teenagers to mid-20s in a

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pretty short period of time. We rose up the rankings in the banking side and really solidified our leadership on the institutional front.

I'd also say we simplified the management structure as well in the region and gained quite a lot of benefits from simplification that hit the bottom line as well. So, I'd say, my experience has been one in which there's real benefit from focus. You get better at the businesses that you're in. You get strong talent and you're able to bring more focused talent. That's what's different. And you get – you're able to really get the linkages across the different businesses and hone in on them.

Mark, I don't think – don't know if you've got anything else to add, because you and I were both in these journeys together.

MARK MASON: Yeah. Jane, I think, you captured it well. The only thing I'd emphasize in terms of kind of the what's different now as we go at this is – or the last couple of points you made, which is that keen focus on making sure that we've got the right talent in the right places as we go through this strategy refresh and ensuring that the org structure supports that. Again, I go back to the wealth example and the resetting of that org structure. You can point to the idea of moving commercial into ICG to ensure that you got that focus against that strategy and you can really capture the linkages across the firm.

And then, the last piece is the focused investment. We're moving away from kind of a spreading of the investments and really wanting to focus them on where we think the biggest growth opportunities are and where the highest returns are. But I think, you captured it all, Jane.

STEVEN CHUBAK: No, that's great color. Thank you both for those insights. And just for my follow-up, I wanted to ask about the TTS business. It's a really strong franchise and like the underlying balance growth historically has been quite strong and relatively, steady-Eddie. In more recent quarters, there's been some pressure. It feels like a lot of that's actually NII or rate-related. But I was hoping to give some perspective on what are some of the underlying trends that you're seeing in that business? What's your outlook at least from here and now that most of the rate pressures at least should be fully absorbed or reflected in the run rate?

MARK MASON: Yeah, sure, why don't I start? And then, Jane, you can add on as you'd like in terms of some of the client perspective. But look, the revenues, you're right, we're down about 10% year-over-year on an ex-FX basis. And you hit it right on the head, I mean, the low rate environment that we've been in, is a very big driver in what we've seen in the aggregate TTS revenues.

Now, we have seen higher deposit volumes and that obviously plays through with that impact. What I would say, in terms of your broader question, what we look at is, one, the engagement that we have with clients. And we have very meaningful, significant engagement with clients throughout the entire crisis that we've been managing through and that engagement kind of plays through. And the increase in number of accounts, digital accounts that we've opened for them, really kind of reinforcing some of the investments that we've been making in onboarding and in enhancing our digital capability. That engagement plays through in the clearing activity and cross-border transactions that we've seen, which are both up 6% and 7% over the past 12 months, so good solid underlying drivers.

While we do see pressure on commercial card activity, fee revenues ex-commercial card activity, has been good. And frankly, as we see the economy recovering, we look at some of the GDP forecast and that starts to play out, we would expect to see the business activity turn in a way that starts to play through the top line. What we see again, very, very strong continued engagement with our clients and with how they're evolving their own strategies. And the last example I'd mention is, many of our clients with the acceleration of digitization are focused on business-to-consumer activity. And that's an important area of growth. And we're part of that dialogue. We're part of creating that solution as it relates to their business model or business models.

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Jane, I don't know if there's anything you want to add to that.

JANE FRASER: Yeah. You're going to hear quite a lot more about our TTS business and the services platform it represents for so many of our clients around the world. The client – in my discussion with clients over the last few months, they love our TTS platform. But more than that they depend upon it. It is strategic for them and the different services, the data it represents, the other dimensions of it. And so, the growth that we're going to see from this is next year, is I think, it's going to be very material. You'll hear us also talk more about the commercial bank going forward as well, because the mid-market clients and the born digital clients are ones who use our TTS platform and the capabilities and services around it to also themselves start growing internationally and it becomes a core part of them.

So, this is – we've got more to grow with our existing clients. We've got a lot of new clients that are coming on board this. And this is going to be an exciting part of the story going forward. And the underlying opportunities here, separate to the rates environment.

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

KEN USDIN: Thanks. Hi. Good morning. Jane, Mark, I was wondering if I could ask you just about global recovery and pacing. As you look through the supplement, you see different growth rates when you look – whether you look at loans, cards or deposits at different paces and as the currency translation impacts as well, of course. But just, how would you help us understand as you look forward to revenue stabilization over time, just how do you see the global customer base recovering in terms of pacing US, non-US? And if you can juxtapose that to an extent in the wholesale side, that will be great as well? Thank you.

JANE FRASER: Yeah, I'll kick-off a little bit more on the macro side, Mark will jump in on some of the other important dimensions for ourselves. Look, it's asynchronous growth out there, is what we're seeing. I think that you're seeing the US and China certainly leading the recovery with Asia. Europe is delayed, but certainly not derailed and parts of the emerging markets are struggling.

So, you do see a different picture in different parts of the world. And as I think, you heard from me at the beginning of the call, we're pretty optimistic about the US in particular. Over the next few years, there's a lot of unspent savings out there with consumers, huge amount of liquidity in the market. Corporate balance sheets are broadly healthy. And then, you've also got a lot of dynamism from digitization that's changing consumer behaviors and driving investment.

So, overall, it's certainly a very improved outlook around the world, but it is an asynchronous one. And we're seeing, as Mark had talked about, strong pipelines, a lot of client engagement, a lot of client activity. But Mark, why don't I turn to you on how you're seeing some of this translate?

MARK MASON: Yes. Let me make a – I guess, I'll make a couple of comments. One, we are seeing continued pressure on our consumer business, right? So, we talked about loan volumes being down, particularly in Branded Cards almost 15% or 15%, Retail Services average loans down 13%. What I would say is, we are seeing signs of the recovery. And while those loans are down, payment rates remain high that helps from a cost of credit point of view. And purchase sales are starting to show some good signs. So, Branded Cards purchase sales were flat year-over- year.

The Retail Services purchase sales were up 4% year-over-year. And the outlook is positive in terms of, kind of GDP and unemployment. And so, the stimulus that's out there still has to play out in North America. But we are optimistic that consumer spending trends look like they're going to go favorable. And that will undoubtedly help the forecast that I spoke to, which is recovery in NIR and some loan activity towards the back half of the year.

On the Corporate ICG side, similarly, we're certainly seeing good signs as it relates to the markets activity, we've talked about that and that's continued since last year. But when I think about even ICG loans, we've

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seen loan activity in the Private Bank. We've seen loan activity in parts of markets and so those are good. And loan activity as relates to trade, which are all good signs of the recovery that we're all marching towards.

KEN USDIN: Yeah. And one follow-up on card, Mark. You had mentioned in your prepared remarks about how we knew that we would get the bounce in card losses. But you mentioned generically that card losses would still remain pretty low. Any way of helping us kind of understand just how you expect card losses to traject overall?

MARK MASON: Yeah. Let me mention a couple of things on that. So one is – let's take it in pieces. So Latin America, on the chart, on slide 10, big jump in the quarter, almost 11% of NCLs. But again that is a byproduct of customers coming off of the relief program in the third quarter. And as we look at the delinquency buckets, we're not seeing meaningful signs of increases in those buckets. And that gives us comfort in the case of Latin America that we've reached the peak there.

Similarly for other regions. There are no signs in the delinquency bucket to suggest that we're going to see big increases in our NCLs. And in fact, in North America, what you heard me say is that we likely would not see that until late in 2022.

And so, it's the payment rates that we're seeing. It's the low-activity as it relates to the delinquency buckets. It's obviously the impact of stimulus playing through all of that that give us some comfort at this stage that we're not likely to see a pop in NCL certainly in 2021?

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

BRIAN KLEINHANZL: Hey. Good morning. So, I have two questions. Maybe first on the corporate lending, balances there were down 30% year-on-year. I'm just trying to get a sense of how much of that is driven by client demand versus overall risk appetite? Maybe it's – just trying to see if you get more risk appetite that those loan balances could come back sooner.

MARK MASON: Yeah. I mean, look, as you know, we're managing through this crisis. But if you look back to early last year, in the second quarter last year, this was about ensuring that clients had an appropriate level of liquidity. And that has continued to happen, as you see in our deposit growth, as you've heard others mention, as you seen monetary action there. Our corporate clients, have lots of liquidity by and large. And they have a -- many of the clients we serve have the option of how they want to access the market for that liquidity.

And you saw that in some of the ECM, DCM activity through the balance of last year and even some of it continuing. So, long-winded way of saying, it is – this is a client-driven business. This is about client demand. And so, it's not a question of risk appetite. Risk appetite is always important, we operate inside of our risk appetite framework, always. But the dynamic that you're seeing here is about client demand.

BRIAN KLEINHANZL: And second question on cards. I heard your desire to grow new card accounts, can you maybe just go into a little bit deeper on the strategy behind that? Is it more going back to promotional balances and opening up that buck again? Or how you're going to grow those new credit accounts? Thanks.

MARK MASON: Yeah. Again, the card dynamic here is about ensuring that we get the timing right as it relates to market reentry, right? And so, obviously coming into this, we wanted to be very thoughtful about how we managed our risk, and we tightened risk criteria in order to ensure that we would manage responsibly through this pandemic.

And now as we sit here and see all the signs of recovery that you've heard us mention, it's about a responsible reopening, right? And ensuring that we're targeting the customers that we want longer term, the existing customers that we're opening line availability to them where that makes sense, in the case of our Retail Services that we are pursuing new account acquisitions, both there as well as in Branded Cards.

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So, it's about that reentry strategy and consistent with the target market customer that you've heard us describe before, which tends to be of a higher quality.

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

CHRIS KOTOWSKI: Yeah. Good morning and thank you. My question is, on the exit markets and in particular on the markets in the Pacific Rim, are there operational linkages between the operations in all those countries that would make those companies better to sell as a unit to one of the pan-national companies? Or is it very modular and could be pulled apart in each country, sold to the highest bidder?

And then, secondly, I was wondering also, do the Citi-Branded Cards go with these dispositions, or do you maintain that separately and continues to try to solicit and grow the card biz?

JANE FRASER: Hey, there, Chris. So, in terms of the exit markets, I'd say, it's probably a tad early to speculate on the buyers. These are fabulous franchises and we've got really tremendous talent, tremendous capabilities there in the individual markets. And so, we expect to get a lot of interest. But as to who and what, I'm certainly not going to speculate yet.

When you ask about operational linkages, I mean, this is something as Mark said, he and I have gone through quite a few divestitures in different geographies. And we are well-skilled and have to make sure that we can separate out the consumer franchises and then invest in the capabilities for the ICG businesses. It's not been a problem in any of the divestitures that we've done, which were many. I think, it was about 11 or 12 across Latin America and others before. So, our teams are good at this, it's not going to be an issue. And in fact, it will enable us as we said, to target our investments more into the institutional platforms and wealth in the hubs, as we talked about.

And then in terms of Branded Cards, do Branded Cards go as part of the sale? Yes, it's the very simple answer to that one. Transaction services, of course, remains an important part of the franchises in these 13 geographies. And so, our capabilities in commercial cards and our capabilities and payments, et cetera, for the TTS side of the business remain intact and will be invested in.

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

GERARD CASSIDY: Good morning Jane, good morning Mark.

MARK MASON: Good morning.

JANE FRASER: Good morning.

GERARD CASSIDY: Mark, can you share with us – many of us are trying to take a look at what your bank and your peers will look like when we get back to some sort of normality, when beyond the pandemic. And one of the areas of focus is loan loss reserves, since as you and your peers said, you built them up dramatically. Now, you're drawing them down, of course.

Can you share with us, I think, if I recall back on day one, January 2020, when the new CECL rules came into place, your loan loss reserve to loans was about 2.6%. And I think today, it's about 3.3%. Can you give us some color of, directionally do you think you could get there? I know there's a lot of moving parts in change of mix of loans and different economic outlooks, but the economy looks a heck a lot better in the next 12 months than it did pre-pandemic and when you guys all did the day-one reserves. And that was, of course, we didn't know the pandemic was coming back then, of course.

MARK MASON: Yeah. Yeah. It's a really tough question to answer, because there's so many moving pieces that come into play here. So, while we sit at 3.3% as you pointed out, the macro environment continues to improve, this is based on an outlook. And as those economic variables change, whether it be

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US unemployment or GDP, but also as our balances change. So, as we continue to reenter the market, as I kind of suggested in my other response, we're going to start growing balances and we're going to start – and that's going to impact the mix of balances that we have.

And so, all of those factors, on top of, in our case, how the probability and severity of a downside continues to morph, become important considerations in not only answering your question, but also how we think about future reserve releases. And so, I'm not trying to dodge your question at all, but it is a question that will be a kind of a byproduct of how we get to some sense of normalcy and how the portfolio continues to evolve.

GERARD CASSIDY: Got it. No, I completely understood. And then Jane, I may have missed this, but I – obviously, since the excitement in your voice about the new refresh on the strategy, how long – if you have to sit back, is this a three, five-year project? Any idea of the – how long it will take to get Citi to the place where you wanted to go to?

JANE FRASER: That's an interesting question. I mean, what we're looking at as we do the strategy refresh work is looking with a long-term perspective for the firm. I don't think it takes us a long time to complete the strategy refresh work. And we'll be looking forward to sharing that with everybody as we go along, as we said. And we get on with execution, as soon as it makes sense. So, I don't honestly know as a former consultant, as to whether you're ever done with strategy. This world is highly dynamic. It's a fascinating world. I think, part of the excitement is I'm excited about the franchise. I'm excited about the prospects of the firm. I'm also realistic, we've got quite a bit of work to do. And we're very – Mark and I are very clear on what our priorities are.

So, I don't think it's going to take us very long to come back to everybody with a clearer view of where we're going. I'm looking forward to doing so and more than anything, looking forward to getting with it. And I don't think we're ever done.

MARK MASON: I can assure you, Gerard, that Jane is moving all of us with a sense of urgency. And that's the right focus that we should have on the strategy refresh. But Jane, you're absolutely right, strategy doesn't just stop, right? So, well said.

OPERATOR: Your final question is from the line of Vivek Juneja with JPMorgan.

VIVEK JUNEJA: Hi, Jane. Hi, Mark. Thanks for taking my question.

JANE FRASER: Hi, Vivek.

VIVEK JUNEJA: Jane, I wanted to get a sense from you. So you've gone through these exits as you've talked about in Latin America and now you're doing in the consumer bank and that you've announced for Asia now. What do you see as the differences in your consumer franchise in Asia versus Latin America? And pointedly, the investment sales, what is that as a percentage of revenue, for instance, in your Asia consumer bank versus Latin market? That's a little second – detail on that. And will those revenues also go away?

So, two different questions, one a little higher level, but tied to it is this whole investment sales and what do you see that. And implications for your – because what I'm trying to get is a sense of implications for your private banking revenues, which I guess are different than this investment sales revenue that shows up in the consumer bank.

JANE FRASER: Yeah. And I think, the differences between our Asia consumer franchises and Latin America, Latin America, let's be clear, is our franchise in Citibanamex only today. And that's a single geography with about 20% market share and is a full offering to the consumer, as opposed to our franchises in Asia that were a bit smaller. They're excellent franchises. As you know, they've got a good brand name.

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They've got terrific card franchises and an affluent client base, but they haven't had the same scale that we have in Mexico. So, I do view them as rather different.

And in terms of what are the – I guess the question you're asking is, what's the ramification of the divestitures for our wealth business in Asia? If you look at the individual Asian markets, the domestic capital markets are not that well-developed and so the offshore markets in Hong Kong and Singapore and indeed in the Middle East and in the states and in London and the like, become very important markets for the onshore wealth opportunity is usually massively dwarfed by the offshore wealth opportunity. And that's where we feel we're best placed to focus our attention and resources.

What I would also say though is, one of the advantages for Citi is we're not just a investment sales proposition, that we also do have the deposit franchise, the card franchise, we have the capital market platform for sure.

We've got the ability to offer our clients tremendous managed investments. The content that we're able to offer, thanks to our ICG franchise it's really best-in-class. I know it's quite extraordinary in the asset allocation advice. So this is really the capabilities we can provide. The client is very well diversified from lending, banking, as well as the investment and the managed investment capital market revenues that you see.

So, I don't just think of this as investment sales. This is something that we're able to offer that's much more broad in those wealth center hubs and the offshore is far greater than the onshore opportunity in those 13 markets. And you'll get more guidance on this as we go forward, as Mark said as – as Jim fleshes out the strategy and the plan that we got. So, you can expect to get some more details.

OPERATOR: There are no further questions. I will turn the call back over to management for any closing remarks.

ELIZABETH LYNN: Thank you all for joining today. Please feel free to reach out to Investor Relations if you've any follow-up questions. Thank you again and have a nice day.

OPERATOR: This concludes the first quarter 2021 earnings call. Thank you for your participation. You may now disconnect.

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