



HOST

John McDonald, Autonomous Research Analyst

SPEAKER

Jane Fraser, Citi Chief Executive Officer

QUESTION AND ANSWER

JOHN MCDONALD: Great. Good morning. And thank you everyone for joining us. We're very happy to have Citigroup joining us next. And we are very excited to have Jane Fraser, who is the CEO of Citigroup. Jane, thank you for joining us today. Jane, can you hear me okay?

JANE FRASER: I can hear you perfectly, John.

JOHN MCDONALD: Excellent. Well, thank you so much for joining us. We're very happy to have you. And you've been CEO for a few months now, but that of course has followed a 17-year career at Citi. So I thought I'd start off by asking you, what's been different now as CEO? Has anything surprised you, now that you're looking at the company from the CEO vantage point?

JANE FRASER: I think one of the great joys of when you come into these roles is your ability to take a step back and really reflect on the company, the industry. It's the time to go and listen to investors, go and listen to our clients as well, and I think in many respects, for me, it's been an affirmation of some of the areas that are our key strengths. We've got a lot of assets, we've got a lot of opportunities that we'll be talking about, particularly our globality, the platforms we have.

And so, it's that unique opportunity, I think, to really think about how to position an organization for the future at a fascinating time in the industry and the world, because there's so many dynamics that are changing, and the joy of being a bank with clients is that we get to hear different perspectives from different CEOs around as well. So, I am shamelessly stealing the best ideas that I hear from others and claiming them as my own, John.

And looking at a strategy refresh, looking at what are the different ways you want to transform the bank from culture to sort of the soup-to-nuts around our operations and organization in a much more digital environment, and the strategy refresh. So, it's not so much about things that are new – discovering new things, but it is really making the most of those first few months in the job to sort of set a context for the future.

JOHN MCDONALD: Sure. And we'll dig into each of these, I'm sure, later, but just a high level, what would you say are some of the most unique aspects of Citi that an investor may not appreciate from the outside? And I ask that thinking about potential positive aspects, as well as the challenges of a big organization?

JANE FRASER: Yeah, absolutely. Well, I always think your clients tell you the good, the bad and the ugly, and I think our clients tell us that we are unique in the global advantages that we provide and the competitive advantages we provide our clients because of our footprint in operating on the ground in 96 countries, and the connectivity between them. The people that we have on the ground in those countries we have – many of them, we've been in for a century. So you really are – you are local as well as global.

We've got leading positions in a number of critical businesses for them, transaction services and our Treasury & Trade Solutions is really the crown jewel, but so is our Fixed Income and FICC businesses. Our cards, we're the number one cards company in the world and a lot of those different businesses now are able to provide critical services, connectivity and ultimately, competitive advantage, for any company,

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mid-market or global, that is operating across different geographies. So, that, I see is unique. I think we are also quite unique in our Asian connectivity, we have there. So, wealth, an aspirational brand in many of the emerging markets.

And in terms of challenges, I think there's some areas where I'm excited about growth opportunities, where we haven't really filled out to full potential wealth. We mentioned the commercial bank, which I'm sure we'll talk about, is fascinating in today's world. We have 30 commercial banks around the world, and that business is really exploding with new born-digital players, as well as more and more companies that are looking at going into different geographies.

And then in terms of challenge in our US retail business, I would say is the one that we'll talk about as to how in this world – which is beginning to move more from a physical to digital architecture. How do we get scale in that? I would say that's the area that we're focused on coming up with new opportunities and getting the scale for the world that we operate in. So, pretty interesting things. I have to say, I like the hand we've been dealt with, and there's quite a bit to do and doing it with urgency.

JOHN MCDONALD: Great. Well, before we dive into some of those strategic issues, maybe we can talk a little bit about the macro. You've got a unique vantage point. As the CEO of such a global institution, what are your thoughts on the global economic backdrop as we look ahead to the balance of 2021 and into next year?

JANE FRASER: Yeah, well I have to say I am rather glad to be American as we look at the US and we look at China as being the two big drivers and engines, and in the US in particular, it will be the consumer that will be a major driver. We'll see recovery of certain sectors, think of restaurants, think of the entertainment sectors, travel, as that comes back as a driver. Obviously, the stimulus is very important and we hope that the president's plans on infrastructure and the like, will provide another driver of long-term growth and sustainability for the longer run, I think will be important. Jury out on that one it's too early to tell. So, that will be important.

China will also obviously still be very important. At the moment, it's interesting we're seeing the consumer being more of a driver and domestic demand there than actually the corporate sector and the export side, which, initially, was a big driver of their recovery. I think a few concerns on overheating there. And then in Europe, we're starting to see obviously lag to the US, delayed but not derailed growth and recovery there, which is pleasing. Germany, we're very focused on China, as you'd expect, and export areas there.

But we were in the middle of some big dislocations. I mean, the pandemic was the mother of dislocations and it happened so fast. The recovery from it, and normalization, is going to take some time and we see that. We're seeing it obviously in supply chains. You are seeing that both in the recovery on supply chains in some areas, but I'd also say we're seeing a strategic shift from supply chains being just in time into just in case. We're seeing more of the east-west go more north-south. So, there's a number of longer-term changes that will take a couple of years to work through as well there.

And employment is the big one, and we see this really around the world. I see it too in our consumers, there's still a conservatism in behaviors and I think, you know, people are waiting to see. Some of that can be health-related. Consumers have a high savings rate. We all hope that we'll see them out lending or borrowing some more from us in the second half of the year. I'm optimistic on that. But on the employment side, I think there's confidence from people that they'll find a job and at the moment, they're not in that much of a hurry to do so. And so, you know, what actually happens in the labor markets is going to be quite an important driver and something we'll need to keep an eye on. So, an asynchronous picture.

EM doing a bit better than we thought. Frankly, the world growing faster than we thought it would, but some things to keep an eye on. And then will inflation be transitory? There's many reasons the peaks that



we'll see at the moment will be, but what's the longer-term trend and, that I think everyone will be keenly watching, and again, we think the jury's out too soon to be able to make the call on that one, but we'll certainly be watching it.

JOHN MCDONALD: Sure. That's really helpful. So let's talk a little bit about strategy. The work that your team is doing, you've called it a strategy refresh, but help us understand what that really means. Is the strategy you're developing going to be an incremental change or a real step function?

JANE FRASER: Yeah, so, the piece that we've done is, we've recognized that there's a lot of parts of all of the industries. I see it with our clients. There isn't a CEO I don't speak to who isn't seeing their industry transforming at the moment in many different ways, from their customer behaviors to the actual structure of the competitive nature. So, I think, anyway, this would be an important time to be taking a look and saying, okay, for the next five years, where are we seeing value flowing into, where are we seeing value flowing out of, how are we positioned within that competitively, and what are the opportunities to be successful.

The goal for us is, clearly, we have a gap with our peers on returns, and so, in some ways we've got a North Star which is not just we want to win, but we're also mindful that we've got to deliver the financial outcomes that our investors are expecting from us. So, the plan has to deliver both elements. And so, with the first piece of the strategy review we're doing, I'd characterize as being dispassionate in that clinical assessment.

The next piece as we're looking out is therefore also where do we focus so that we win? We have a big benefit of being unique in the sense of – our client base and our core client base are companies and institutions and investors and wealthy individuals who need to – who are operating in different markets around the world, and we help them grow in them. We help them manage that and succeed, and we provide access to them. And so – it's hard as a bank to say what's really unique about you. It's very easy at Citi on that.

So, it means that we can have quite as – we can have a focus around what are the different platforms and businesses we have that those clients need, how do we make them world-class and how do we make sure that the key points of connectivity are there so that the clients are able to use multiple platforms and that they have synergies between them. And that's where we're focusing on, what I call the business strategy elements, over each of those areas, how do we make sure that they really are world-class and they're fitting the needs of the clients in a very digital age.

And then we're making sure that, you know, as part of that, we are making our bank simpler. There's types of scales of volumes. We move \$4 trillion of volume a day. I mean, the number is mind-boggling. It's only going to get bigger. And in that, you have to have an infrastructure which is simpler. So, a fair amount of what we're looking at, in our strategy, is not just the what, but also the how. And this is where our transformation comes together.

So, it's a refresh in the sense of it's looking at an industry and a world where there's a lot of things changing. It's making sure that we're positioning our businesses and making the calls as to which ones are going to be the valuable ones and which ones are not. And so, we'll get out of them or really shrink them. And then focusing – picking the spots and then playing to win, all with the goal of getting the returns up.

So, it's – you know, it's really interesting. It's a fascinating piece of work. There's no silver bullets on anything, John. This is going to take us some time to execute and we're making sure that we're being very thoughtful about where we play that has most value, and ultimately, drive success for clients and investors.



JOHN MCDONALD: And I'm sure the pacing of change and how quickly you can do things is a tough one. You've got a lot of good ideas you want to act on, you want to do everything right away, but how do you pace it so that, execution wise, you do things the right way? You also don't want to end up with too much excess capital, if you get out of some things and can't deploy it right away. So how is that pacing managed?

JANE FRASER: Yeah, it's a great question. I think the when question is a lot of it. There are certain areas that you look out and go, okay, these are areas that are very easy, that we can immediately begin building and strengthening. We'll talk about wealth as an example of that. We've had other decisions where we've taken them fast around exiting 13 countries, which is a sizable presence in retail banking, as we look longer-run. So, you can take certain decisions pretty swiftly and get on with executing them fast.

There are others where, I know will probably take a little bit more time in the actual execution of them, and that will be a function, both of – really of what can you do well and what are the most critical areas to focus on transaction services? You'll hear me talk about in a little bit in commercial banking. These are very exciting growth prospects. I'm more focused on what we can be and will be, rather than what we're not, but we're also going to be very disciplined about freeing up capital and freeing up resources, and then, putting that to work in other areas. And that will make the task easier, which is why we're getting a move on with some of the divestiture work that we're doing in Asia right now, because it will provide the capacity.

So, we're not going to take on so much that we can't get it done. I think sometimes it's very tempting to spread the peanut butter. I'm not a big believer in that. I think what we know, we'll do the most important pieces step-by-step first, and this will be – and this will be multi-year. I don't think any CEO right now, in any industry, would tell you that the strategy won't continuously evolve over the next four or five years, as data changes, as digitization changes, as behaviors change. So, I am not overly concerned that you can't do everything at once because you'd have to do things differently further down the road anyway.

But yeah, we'll be – I think the main takeaway there, we're going to be disciplined about the execution, so we do things well rather than just rush a lot of things and actually not get the results.

JOHN MCDONALD: Great. That makes sense. And I know that you obviously have a successful consulting background in a highly strategic way...

JANE FRASER: Many years ago.

JOHN MCDONALD: ...thinking about companies, but you have a strategic mind, of course, and – but you've also talked about Citi needing to aspire to operational excellence. So, how are you balancing this focus on strategy versus moving the company on that journey towards operational excellence?

JANE FRASER: Yeah, I mean, I think a lot of my experience at Citi has been a lot on the operational side, both regulatory and then the core operations in Mortgages, Private Bank and other areas has been down in the dirty, as it were. And I think that really will be a lot of the transformation work. It's how you deliver outcomes of good growth and better returns, a lot of the how you do things. The strategy is lovely, but it's really around the operating capabilities. And I think, a huge amount of what we want to do in the firm is about how we can operate better.

Call the spade a spade, we had a massive unforced error at Revlon, where it showed examples of manual processes and manual controls. We need to automate those. We need to look end-to-end at a number of different parts of the bank and make sure that we're reengineering and embedding risk and controls, embedding new data and technologies in and simplifying the bank in the process. So, I would say that it's important we have the strategy right up front, but a huge amount of that strategy is going to



be the how we operate, and the investments that we continue to make in that, as we've obviously been making many – for many years as has everybody.

And that philosophy of continuous improvement in an agile organization – I talk about excellence a lot, because everyone throws up best-in-class, state-of-the-art, and all this and it's like oh god, yawn, but I think excellent is something an organization can relate to. Everyone can relate to excellence over being mediocre or good enough, all those other components. In today's world, I know I'm really driving for excellence in risk and controls, in operations, in clients' service. At the end of the day, that's what will deliver the results.

JOHN MCDONALD: That's helpful. So before we dive into some of the businesses, let me just ask for a little bit of strategic view. I don't know if it's too early to ask this, but if we're looking at Citi's business mix and revenue contribution, say, five years from now, any sense today of how that might look different than it looks today?

JANE FRASER: Yeah. I'll certainly be able to give you a better answer in a few months' time when we've completed all the strategy work and rounded out more on the financial dimensions of it, but as I look at it, I think one of the pieces we're trying not to think conventionally, as we think five years out, because I strongly suspect, you know, some of the industry, the separation of consumer and institutional is already blurring in payment spaces and other areas. I suspect that will blur even more.

So, some of the divides will be a little different in mix in that respect, just because the structure of the industry will evolve. The other component, I certainly would like to see more fee income and revenue in. I'd like to see some more strength in our US deposit, retail deposit base as well in that mix, some diversification in the earnings, we'd like to see from that dimension. But, I would ask you, in a few months' time, ask me the question again and we'll talk about it, but the most important piece is that we want to achieve our return goals in all of this. So, you'll see a heavier weighting growing towards the high returning and growth engines within the business, while still making the most of the other businesses in which we have a leading position.

JOHN MCDONALD: Makes sense. Well, let's talk about some of the businesses. You've mentioned TTS a few times already. That seems like a great business, perhaps gets overlooked at times by investors. How are you thinking about TTS – or TTS relative to the refresh and remind us what are some of the unique advantages in that business?

JANE FRASER: I mean, it – the thing is just extraordinary. I have to say, I think it's my – it really is one of my favorite businesses. Having run Latin America, I saw companies can't operate without us - multinationals on the ground. So, it really becomes this network we have in cash management, in foreign exchange, in trade, in lending. The data that gives and the services that you're able to provide clients – and I'll give you some real examples of it.

When you then operate that in 96 countries on the ground, with people on the ground, as well as the partnerships we have, the rails, the connectivity between them, you know, most of the multinationals I certainly found in Latin America, they didn't have a choice really, but to do business with us, because no one else is able to provide that combination of the rails, the data, the mixture of different businesses, and connecting the supply networks and their own organizations everywhere, and I hear it from this. No, and I've spoken to about 100 of our CEO clients who – the multinationals or investors, and they always say, you know, they smile – don't tell the investment bankers, but they'll say, look it's wonderful that you want to do the strategic advisory work. By far, the most strategic capability that you provide is what you do in helping our operations work around the world.

So, if I give you a couple of examples, Alibaba, they are a monstrously large organization now, and they needed a global digital receivables recognition tool. Yeah, this is the largest global e-commerce player



there, and they want to improve transparency, certainty and risk management of what they do in their marketplace, as they connect globally, buyers and suppliers – we're their partner for that. We're the leader in TTS digitally around the world. It is unmatched compared to the competition of what we have on the ground and how we bring this together. We have the platform and capabilities to cope with that scale.

Sanofi, they want to bring their free cash flow down, significantly improve it, get an improvement in what they're doing, get their costs down, their efficiency, and drive this forward. Our ability, we're the best-in-class treasury performance capability in place for them. So it's not – it's something a local bank can't do and the other global players just don't have the capability, and we're then able to really help them be their thought partner to run an integrated global firm.

Stripe, in their treasury, when they're looking at what they do as they start going much more global, we're their partners to do it, the same way that Google, we're their partner on this. So, that is something that is an extraordinary asset. It's not just managing cash, it's not just managing FX and trade. It's all of this together and enabling our clients to have competitive advantage to drive their efficiency, to manage their risks more effectively.

So think of this as a services business, not just as sort of a commercial bank, corporate banking capability. And the growth there is tremendous. And we're now seeing it around the world with this huge wave of new companies that are emerging, so these born digital players in Asia, the average age from birth to IPO right now is six years. The first time issuance was 70% of the Asian investment banking wallet last year, so these are companies that are growing up very fast. So our commercial bank with all the capabilities on the ground already can take a company that suddenly is born locally and starts expanding globally, we start helping them go global well before they're thinking IPO, well before they're thinking about the other things and they see us as their critical partner.

So there's a lot of growth in here and there's further downstream impacts from the commercial bank transaction services. So I think, as you can tell, this will be I think – this is really going to be the driver I think of the valuations of Citi going forward, just given the dynamics in the world and the competitive position that the business has. It's very hard to unseat this and we keep investing hard to make sure that that remains the case.

JOHN MCDONALD: And what are you doing to scale it more than, perhaps, Citi has in the past, Jane? I think we have heard about TTS and its unique advantages in the past. I think investors are kind of saying, hey, it'd be great if this is a bigger part of the overall franchise itself but we need to see more of it.

JANE FRASER: Yes. And you certainly will see a lot more of it and us talking more about it going forward in the plans, so as we develop the services that are linked into it and help everyone understand the dynamics of how the economics work. But we'll be investing – the transformation program is definitely looking at how do we go not just from presence in a number of geographies, but our infrastructure platform is one that creates scale from that footprint.

And I think that's where the game changes are happening from the technological side now and the end-to-end automation that you can do and that we have been doing systematically over the last few years. That's what provides the scale globally not just the presence globally. And that's where the game changer occurs and that's really where the investment goes. And as we move to 5G and what that does to payments, as we look at our wholesale and retail chains collapsing, now we're making sure that we're going to be in the position to be the platform for the future for that.

JOHN MCDONALD: Great. Well, TTS is a great example of a business that's humming well and I think just needs more investment and to scale up as you mentioned. On the flip side, your US consumer returns and scale have been an issue for over a decade. How do you plan to address the US consumer business in your refresh?



JANE FRASER: Yeah. So I think part of the piece of the recognition for the investors of – as we look at the divestitures in Asia, that will also enable us to have focus – more focus in the home market, also some of the resources, both talent and financial to bring to bear in the US. I personally saw the benefit of that when we exited the Latin America markets and then put the focus on to Mexico. And we went from sort of a teenager returns to high 20% returns in Mexico with further to go from that.

And I think that's what we're looking at doing in the US. Again, we'll have a lot more details about this going forward. I do see we will look at some growth in our footprint in the states. So I don't believe the branches are dead yet. So you'll certainly see us having a branch footprint that remains, but we are definitely seeing a lot more dynamism on the digital front there we have a number of different partnerships. So I see that as being an embedded finance model as some of the – as the consumer – parts of the consumer business unbundle off the old architecture and rebundle around new digital architectures, some of which might be a travel architecture with our partner American or a retail partnership and a home partnership like with Home Depot, where they don't just look at this as being cards. They look at what's a full banking proposition we can apply there.

So using our strength in cards and our relationships that we have both with partners and embedded in ecosystems already and with the customers, we'll look at how do we make that a deposit and a proposition not just a card and a consumer lending proposition, not just a card proposition, et cetera. So this growth to – growth to be done there, but we will certainly have more details around it. We recognize we want to be larger both to tackle funding, as well as to get to greater scale in the US, and there isn't a silver bullet. If anyone has one, please we'd be delighted to hear about it.

So this will take time, but we had good progresses last year on digital acquisition and sticky digital. Not just let me pay you some more money and then you'll give it to me, but the sticky in our account openings that we've had will be important. And I'm not in the mode of window dressing up, I want customer relationships, not just a product relationship. And that's what we will do but yep, you're absolutely right. It's a big focus at the moment.

JOHN MCDONALD: And it seems it's fair to assume that your solutions in the near term at least will be organic ones that M&A at a time when you're doing a transformation, addressing regulatory issues, M&A isn't really in the toolkit at this point, but maybe longer term could be on the US consumer?

JANE FRASER: Exactly. We have to address the regulatory concerns and the consent order around our infrastructure. I think that these weren't customer harm, these weren't around ill-gotten gains or fraud or those ones which I think are tougher issues. This is around the infrastructure that frankly we would need to do anyway. And we are very focused around.

That said, there's a lot to be done from partnerships. So as we've been building and looking at building out our digital wealth platform, we don't own an asset manager. This will be an important part of the US strategy. We're able to work with other asset – with our asset management partners to put things together. So while there isn't inorganic moves, per se, right now, we're definitely not trying to do this alone. We want to get the best-in-class and the best-in-the-world out there, partner with that and put that as part of our propositions going forward, which is different from what we've done in the past.

JOHN MCDONALD: So when you announced the consumer exit in Asia, you also announced that you want to focus on four wealth hubs and you also announced a new global wealth organization and started to provide some incremental exposure. So you're redeploying. And maybe just remind folks that the rationale behind the exits and the redeployment of that capital.

JANE FRASER: Yeah, yeah. Well, I'll start with what we're going to be because that was where we started, which is when we looked at it, wealth is one of the – is an area where there is tremendous growth



– it's an unstoppable trend. There aren't that many of them in the world. This is one, Asia and the US in particular. And when we look at Asia, we're already a top three wealth manager in Asia, but we had it separated between our consumer business where we're serving the affluent at the bottom end with a remarkable franchise particularly in Hong Kong and Singapore, very aspirational brands there.

And then, we have the private bank tied into our institutional business, serving the ultra-high net worth. And we had a gap in the middle. This thing's an elevator. The same as we talked about the elevator from the commercial bank, the corporate, you've got the elevator of the affluent going up to the ultra-high net worth, people growing up through. So the first thing is fill in that gap in the middle, so that we're serving the clients all the way through the wealth spectrum.

Second piece is the commercial bank. We already have relationships in these 30 commercial banks around the world with the source of wealth generation and then wealth generator. And it's where Citi got its emerging market presence in the first place was doing this. So we're back to history, making sure that the wealth business and the commercial bank as well as the institutional business are very tied together around the owner and the executives who have been a source of wealth creation. That is unique.

The UBSs don't have that, the Credit Suisses don't have that, the JPMorgans don't have that, the local banks don't have that across the different geographies. We have a top two institutional capital markets franchise and they don't have my own asset manager. So I'm not trying to push my own products at the clients to maximize manufacturing revenue. I'm just trying to serve the clients well from the advice and distribution.

So I think we're uniquely positioned. We've got great talent. We've got the capabilities. It's really about putting the right tech stack together, integrating the organization, filling out the pieces we don't have and really having the category, killing wealth proposition. There's no reason we shouldn't – we're focusing first on making sure the platforms there and the different pieces. And we've begun building out the advisors. I do look at a model in wealth that is where our shareholders have more of the bargaining power than talent. It's a business where a lot of money is given out in the compensation models.

If you have a superb value proposition, an incredible platform, you're able to give more of that money back to the shareholders as you divide the pie up. So that was where we could see – want to see super returns in that business as well, is the 20s to well above that RoTCE.

So why out of 13 geographies, because they're good return businesses today. They don't have – we don't have the scale. They're going to take up a lot of investment to really get them to the digital areas, to get them to scale that is required around the control infrastructures and the like. So it came to the point where they're fabulous. The talent in them is extraordinary, but we're not going to be the best owner for it going forward.

So I would rather monetize that now and then use that capital to either return to shareholders or to return into the businesses where we see very high growth and upside potential and redeploy it that way. We haven't decided the mix yet, because we haven't done the deals although we're well down the path. We're in the markets already, the CIMs are out. And that will be one that we'll talk about what we do a little bit further down when the strategy work is done. I am mindful our stock price is round about book value, so stock buybacks are attractive. Mark and I keep that in the back of our minds always.

JOHN MCDONALD: Sure. And on that topic, you do want to do some buybacks, you want to have a dividend that's attractive and you are going to free up incremental capital, you don't want to repurchase all of that. I assume you want to dedicate some of that to these building – business building initiatives as well. So you've got to balance it all together.



JANE FRASER: Yes. Exactly. We don't have the answers for all of it yet, because we're in the midst of doing the detailed work of it. And that will take us some more months. But, yes, I would have – we want to make sure that we've got a competitive return of capital to our shareholders. We want to make sure that we're able to invest. And that's, I think, where we're taking these tougher decisions, so that we're – in terms of the actual portfolio mix, so that we're – we're not going to hold on to things. We're not going to keep capital invested in areas that don't have the returns and aren't going to make a difference at the end of the day. I'd rather focus everything on where – what will be needle moving for our investors and for our clients and be laser-focused on that and get rid of hobbies or get rid of the areas that are subscale.

JOHN MCDONALD: So just on the regulatory front, I appreciate there's not too much you can share publicly, but is there any update you could provide on the consent order and the transformation plan that relates to it in terms of where you are in the process and when you might have more clarity on timing and impact?

JANE FRASER: Yeah, there's a few different pieces. I think we've been bringing in some really great talent into the firm. We've got – and I think our talent as well who have in organizations that either are sophisticated like us or that may be further ahead on some of the operational dimensions. If I look at our technology team, we've – I guess a fair amount right now is making sure we have the right leadership, the right management team, not just my table, actually, the really – the most important one is the layer or two below. Don't tell my team.

And that's where now we've just brought in a new Head of our Wholesale Credit Risk from BoA. We've brought in from JPMorgan our Data Head. We've brought in from JPMorgan as well our COO for Finance. We've been systematic going out, brought in a really strong controls head to bring some fresh perspectives because I think it's a marriage of people who know Citi but also people who've been in other firms and can look at this and say, okay, this is what excellent looks like and how do we make sure that we get there clinically.

So I'd say where we are is what we've got a large amount of change that we've been putting through in our talent. That's also is the same in the business. We have a new Commercial Bank Head coming in from Barclays. We've got a new transaction – our TTS Head who's coming from the custody side with a strong operations and technology background. Our new Wealth Head who we brought over from running our investor franchis.

So I would say, one key component of any transformation is the team and the talent and bringing fresh perspectives and also really skilled subject matter experts who either know the firm well or others. So I'm really pleased with the progress we're making there and where deep in – the mixture of the strategy and the transformation comes together and really the how as we talked about at the beginning, how are we looking at the soup to nuts, real modernization for this very digital age of our operating platform.

What are the most critical processes, how do we simplify the tech stack around them, how do we embed risk and controls, so they are automated into them. And there is no point just automate – you've got to simplify and then automate. Otherwise, you don't really get the benefits. So we're going through a lot of that work and the target states and then what's the timing, what's the execution and where that works.

So it's deep in that mode at the moment and beginning execution. We're starting as well. It's not as if you just do the planning and then the execution all comes later on, so there are a number of different areas that we've been working on risk and controls in particular to start making progress the way our regulators want, but equally the way frankly the shareholders and clients want too. There's very much a concentric circles there that I think all of the stakeholders recognize, which is beneficial.

JOHN MCDONALD: And make you a better company in longer term for sure?



JANE FRASER: Absolutely. I just – when you asked me, Jane, what do you want Citi to be known as? From all of this, what's the outcome of this, excellent in client service, excellent in operations, excellent in risk and controls that then delivers the desired returns to our shareholders, that's really what we're aiming for.

JOHN MCDONALD: Yeah. And on that front, I will ask these questions that we get and you get all the time I'm sure, which is you have a goal of getting to the peer returns, which is pretty much a mid-teens return on tangible equity.

JANE FRASER: In a normalized rate environment, we all like every bank I'm sure has been up here, we always put that important caveat in. Yes.

JOHN MCDONALD: Sure. And Citi, in fairness, has articulated closing that gap in the past. So anything different now about the intensity of your commitment or a clearer path to achievement now?

JANE FRASER: Look, we were well down that path. We were at 12% RoTCE in 2019 and then the pandemic, et cetera, happened. So let's call the spade a spade as well. Yes, we haven't closed the gap, but we'd make good progress on that. And I think Mike and the team had – it was certainly a very, very different bank from the one that came out of the crisis for sure. What are we doing differently? I think we're looking at – I am looking at the cultural dimensions of driving more urgency and driving more accountability in.

So sending some of the messages about things we're not going to be doing fast and early and not hanging about on those decisions is – trying to set a tone Mark and Paco and Anand of the management team doing likewise. So I think there's an urgency, accountability, we have had a bit of a siloed organization and we're now moving to look much more holistically across. So putting much more people in charge and then empowering them to really look across the firm rather than just down their individual areas.

And Karen Peetz who we brought in out of retirement from – she'd been at BNY Mellon as President. She'd been on the Wells board and had brought a lot of experience to bear for us. She's there with a very clinical view too – fully empowered to drive the transformation forward. So it's more holistic, there's more urgency, there's more accountability. And it's – all of us as a leadership team looking at transforming the whole bank rather than just a more that task focus of, okay, we need to address these MRAs or we need to solve AML. No, I want to make us a modern bank fit for the digital age and the speed that's required to – that you have to operate and scale, you have to operate with that and that's differently designed and that's what we're doing.

JOHN MCDONALD: Well, I think that makes sense as a multi-year plan. You've been very particular about articulating that roadmap. I did want to give you a chance if you wanted to share anything about the current environment updates or if you wanted to do that at another time, but I want to give you a chance if there was anything about the current environment you wanted to discuss?

JANE FRASER: I mean, not so much. Mark, my CFO, would tell me off instantaneously if I give any particular guidance around things appropriately, he'll be doing so later in the quarter. But look, I think the main piece, I say, we're well-positioned on the recovery and to benefit from it. The volatility in the markets is not necessarily a bad thing as a bank. And we are very adept at managing it. I think the last decade has shown that in particular. And it will take a bit of time for that loan growth to recover, but we're already starting to see some encouraging signs. Just so far – the payment rates and other things are just beginning to shift a little. It's early. So I think we're not expecting this thing to recover. Well, we are expecting recovery. We aren't going to see normal for a bit, but I like the way that the bank is positioned for that.



I want to play the long game though, John. We're not going to just try and play off a couple of quarters and then miss the opportunity or mess up the opportunity to really make sure that we're positioning the bank for our long-term owners. And I'm always very mindful, I've never loved renting, I prefer owning things. I certainly – I feel an obligation to our long-term owners to make sure that we really do get the performance out of the bank and we will put the time, the effort and the thought into doing that. It won't happen overnight. But we're really on a mission and just determined that this bank is going to be excellent at what we do and deliver the results that it should be. And that will take us a bit, that's what I'm most focused on. And we'll make sure that operationally it's doing what it needs to in the meantime.

JOHN MCDONALD: Yeah. And maybe we'll split the difference between a near-term update and a multi-year timeframe. And hopefully, Jane, we'll have you here a year from now, you'll have been over a year in the job as CEO. How should we define success? And what world marks should investors look at to find your success in, say, a year from now?

JANE FRASER: Well, I think if I had to choose one word, I'd say good progress that we've made, so that we'll have made, you'll have the strategy. There's no big reveal here. We'll keep evolving it like the market investors understand it. And I'm sure there'll be a point where we really at the end pull this all together. So that would be one element that will have that much more fleshed out and the details around it. That will be well down the path on the transformation work that we're doing in terms of the planning well underway. Again, multiyear, but it's multi-year transformation for every bank that we're all doing at the moment.

The people can see that we're making progress in terms of the financial results. So it will be progress on a number of fronts. And we'll give the outcomes that we're after and we'll give some of the key metrics, so that you can see what are the key points of connectivity, how are we doing in terms of areas that we're growing like the commercial bank and the wealth business, what are the critical metrics for TTS though muddied a bit with the rate environment, what's actually going on to capture that scale that we talked about and building on our leadership positions.

So we'll have the milestones and it will be some progress against those metrics and milestones as we unveil them. So in a year's time, good progress. I think more confidence, we're a relatively new management team around the table, and confidence that we're getting the job done.

JOHN MCDONALD: Great. Well, we really appreciate the strategic update. We wish you well and we hope to have you back and give us some more updates next year.

JANE FRASER: Thank you so much. Thank you.

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