2022 Barclays Global Financial Services Conference
September 13, 2022

Host
Jason Goldberg, Barclays Equity Research Analyst

Speaker
Mark Mason, Citi Chief Financial Officer

PRESENTATION

JASON GOLDBERG: Great. Next up, very pleased to have Citigroup with us finishing off Day 2 of our conference in this room, we'll kick back off 7:30 tomorrow morning. From the company, Mark Mason, Chief Financial Officer. And just maybe throw up the first ARS question as the rest of the people take their seats. But just what's your current position in the shares of Citi? And Mark, as people answer that, maybe we'll just kick it right off. Clearly, you have a unique macro view given your footprint. Maybe what are you watching most closely at this point? We'll start with that.

MARK MASON: Sure Jason, first of all, thanks for having us. I appreciate the opportunity. And as we were talking, just as we got started, I mean, it's hard to miss the headlines today with CPI and the print there being about 20 basis points higher than what was expected and the overall market reaction is pretty significant.

But as we take a step back, I mean, we're watching all of these indicators, as I think everyone is. And we're seeing a shift in kind of global consumer demand away from goods and towards services. And that's obviously playing out in a world where inflation is of a concern, interest rate movement is amiss, recessions are of a concern. So we're watching all of those things very, very closely.

We're also seeing supply chain pressures start to ease a bit, which is a good sign, and we're having constant dialogue with clients around what that means for their supply chains. We'll have a close watch on that.

As I think about around the world, in Europe, we're watching kind of how the winter plays out and what happens with commodity pricing there in light of the dependency on Russia. And in China, the lockdowns are a major factor, and it had a major impact on global growth. But net-net, we are seeing a slowdown in global growth as we kind of play out the balance of the year. So a lot going on, a lot to watch obviously.

JASON GOLDBERG: And I guess maybe more specifically, what are you hearing from your clients and how our investment banking pipelines holding up?

MARK MASON: Yes, sure. So I mean, we are in constant dialogue with clients. They too are concerned about what happens with the recession, what happens with inflation, what happens with rates. As I mentioned earlier, a lot of dialogue around how supply chain shifts manage over time, how to diversify the vendors and suppliers that they're using, one stat we have brought on 5,500 new suppliers for our clients year-to-date just this year as they rethink that footprint that they have. So a lot of active dialogue there. The large corporates are very conservative, I think, is the right word in terms of the uncertainty that we're playing through. And so we're seeing a bit of a concern around that.

And large corporates are still very interested in what they can acquire, leveraging cash where that makes sense for their balance sheet. We have seen some pickup in terms of bank loans and in terms of bridge loans for some of that M&A activity.

Some of the emerging clients have slowed a bit as well, given the uncertainty given -- in the IPO market. So a mix there, but an overall cautious sentiment is what I would say, Jason, in light of the uncertainty. And it's going to be that way until things start to become clearer. With that said, our pipelines remain healthy and we stay in active dialogue with our clients.

JASON GOLDBERG: Maybe use that as a segue into what you're seeing in terms of performance for the third quarter. Anything you want to discuss there?

MARK MASON: So it wasn't long ago when we were on stage and we talked at our Investor Day, right? And we talked about the go-forward strategy that we had embarked upon. And the world seems as though it's changed pretty significantly since March 2nd when we did that. That said, the strategy is pretty resilient. And that's what we've been executing against that strategy before we got on that stage and as we walked off of that stage. And the good news is that, that has started to pay some dividends, and we see some of that in the results.

And so in the quarter, we see continued strength, I'd say, in our services businesses. That includes TTS and security services, both on the NII line as well as the NIR line. We're seeing growth come out of that, which is a good thing.

When I look at investment banking, I alluded to that earlier. In light of the volatility and uncertainty, wallets are down some 50% plus or so, and we're down in tandem with that, and we think we'll end the quarter generally around where the wallet ends. And so investment banking will certainly see that pressure.

In the markets space, I'd say quarter-to-date, we're running down in the mid to high single digits. And we'll likely end the quarter there, a few weeks left, we have to see how the balance of the quarter plays out.

In fixed income, we're seeing good performance in FX and rates, but that's offset by securitized products. And in our equities business, levels are probably closer to 2019 or so, and that's on the heels of a pretty strong quarter last year in 2021 in equities, driven by derivatives, equity derivatives. And so net-net they will be down, as I said, in the mid to high single digits.

When I think about our consumer business, the cards business continues to perform quite well. We're seeing good average interest-earning balance growth there. When I think about credit, credit is holding up pretty nicely, both on the consumer side as well as the corporate side.

With that said, there are a number of drivers that play through with credit, right, including the view on the macro, including volumes, including some normalization. In our case, we're seeing our Russia exposures continue to pay down. That's a good thing. So when I put all of those things together for the quarter as it relates to credit, I'd say the consensus[1] view on the cost of credit is probably a little bit light to the tune of a couple of hundred million dollars. So we'd expect that to be up versus the prior quarter.

So that's kind of a view on the third quarter and how things are shaping out. That said, Jason, there are still a couple of weeks left and we'll see how those play out.

JASON GOLDBERG: I guess maybe just touch a little bit more on the provision. I guess you kind of mentioned a few things in there, whether Russia or volume growth, normalization. I mean is there like a specific kind of bigger driver of that lot? Or just kind of just a little things add up? Just because you're one of the first banks to talk to a higher provision.

MARK MASON: Again, when you think about CECL, there are a number of factors that play through there, including your view, your forward view on the macro environment and how that's going to play out, what your downside scenarios look like, the probability weightings you put to those. So those are all important factors there.

We are getting volume growth, which is a good thing on the card side of the business and with those new acquisitions, we're seeing some early delinquencies, but nothing abnormal. And so volume is a factor is the point that I'm trying to make there. And then there's just the general normalization, we've seen unexpectedly low cost of credit across the entire book.

[1] Source: Bloomberg as of 9/13, sum of Net Charge-offs and Reserve Build which totaled approximately $1.4 billion

In the case of our cards book is running at half, our NCL rates are running at half of what they would be in a normal part of the cycle. So at some point, that's going to normalize. And so those are the factors. There's nothing I think nothing more extraordinary than that. I feel very good about our reserve levels. We sit at 2.44% of loans in terms of reserves to loans. We feel very good about that.

JASON GOLDBERG: Got you. And I guess, against that backdrop, any changes to the full year revenue guidance?

MARK MASON: Again, the revenue guidance that we gave was growth year-over-year, low single digits. No change to that aggregate guidance. But as I think everyone would expect with the rate of interest rate changes, I would expect to see strong NII performance continue. I'd expect that to be offset by some of the pressures that we're seeing in investment banking and the normalization from a markets point of view.

We're actively managing our relationship with our corporate clients, particularly around operating deposits, ensuring that we bring the breadth of our services to those clients and that we can manage betas at an appropriate level, and we see good client engagement and good results coming out of that. So, the short answer is no change in the revenue top line guidance and continued execution on the strategy.

JASON GOLDBERG: Got it. And I guess maybe on the expense side, you've talked to up 7% to 8% for the full year, excluding divestiture-related impacts. Any thoughts around that?

MARK MASON: So I mean, again, expenses, we're keenly focused on expenses. And I think for good reasons, 7% to 8% is a healthy growth clip. But I think we've been very clear that we've got to invest in the franchise. We've been investing in transformation. We've been investing in our business-led growth as well. The guidance has not changed.

It's 7% to 8% excluding the impact of divestiture-related expenses, and I'll just remind you that when you think about that last year in 2021, we had about $1.2 billion of divestiture-related expenses, largely tied to the Korea wind down and the employee reduction program there.

So far this year, we've had about $559 million of divestiture-related expenses in the year. And so we're looking at starting point of roughly $47 billion. 7% to 8% pick the midpoint there, gets you to about $50.5 billion of expenses for 2022 is what we're targeting and watching too, somewhere in and around there.

JASON GOLDBERG: Right. So all right. So you're like $25 billion in the first half of the year and $25.5 billion in the second half-ish. And you touched on it, but maybe delve more into in terms of what you're seeing in terms of credit performance particularly in credit cards and maybe what leading indicators are you watching most closely?

MARK MASON: Yes. So again, just overall, very solid continued performance in our cards portfolio. Remember, we have both the branded cards portfolio and our retail services portfolio. We're not seeing any meaningful pickup in loss rates. Again, they run at about half of what. So in branded cards, we're running about 1.5% in terms of NCL rate. We're running about 2.75% for retail services. That's about half of what we'd see in a normal environment, and we don't see any meaningful signs of pressure there.

We have grown significantly in the way of new acquisitions. So we're up about 18% in the second quarter. That new acquisition pipeline is playing through some of the early delinquency buckets, but again, nothing is standing out significantly there. And so we've got good average interest-earning balance growth. But net-net on credit, from a consumer point of view, we're not seeing anything outside of the ordinary. We continue to watch it. What are we watching? We're watching debt service ratios very closely, we're watching payment patterns. So clients were paying above the minimum for some period of time, now they're starting to pay at that minimum.

Are there signs there? What do we need to do to kind of get in front of that? But again, watching it closely, managing it tightly and no major concerns at this point.

JASON GOLDBERG: Got it. Maybe sticking with credit cards. Maybe just talk more in terms of what you're seeing in the card business, particularly and maybe more detail in terms of earning asset growth, payment rate spend. Anything else you'd like to kind of note on loans? I know you kind of touched on it briefly, but maybe delve more into that, given it's a hot topic at the moment.

MARK MASON: Yes. So look, payment rates continue to remain pretty high, just on the heels of stimulus and the liquidity that's out there, we see continued high payment raise. Purchase sales activity continues to be quite strong. And so spend levels are coming in, in the case of branded cards 15% up in the quarter versus prior year. So continued good strength there.

The average interest-earning balance growth is continuing to pick up. Remember, I had predicted that in the back half of the year. We started to see that in the second quarter, I'd say quarter-to-date, on branded cards, average interest-earning balances are probably up 9.4% somewhere around there. Retail services up about 8%. So seeing good continued interest-earning balance growth there.

JASON GOLDBERG: Year-over-year?

MARK MASON: Year-over-year. So that's going to play through the loan activity there. So good activity. On the broader loan portfolio, lots of trade finance engagement with our clients. I mentioned some of the new vendors that we're bringing on with good momentum there, good dialogue around corporate bank loan activity. So yes, we'll see some good loan activity largely driven by the consumer side of the house.

JASON GOLDBERG: Got it. Maybe sticking with the balance sheet, turning to deposits. Obviously, an environment of QT and rising rates, it's in focus. I know you made a comment, you expected modest deposit growth for the year. Others are kind of seeing contraction. Maybe just kind of what gives you confidence in that outlook?

MARK MASON: Yes. So again, if you think back to our Investor Day, we talked about deposit growth over the medium term, and that being an important factor along with rates and what have you. We have seen volume growth kind of play through the beginning of this year. What do we think supports that? A couple of things. One, as you know, our strategy is focused on both new client acquisition as well as deepening relationships with existing clients. And so we're seeing that activity, both with TTS clients, but also our CCB, our commercial banking client base. And as we bring on those new clients, we're able to bring in new deposits with them. We're seeing that in the wealth part of our franchise as well.

And on the corporate side, we focus on operating deposits and really trying to ensure that we bring to bear kind of the full breadth of the offering as opposed to this just being a deposit keepsake for them. And so that strategy has been playing out in terms of you bring us your deposits, we'll bring you a broader relationship. We'll think about broader relationship pricing in terms of what we can offer you. And that's what gives me confidence.

The execution of that strategy and bringing the full breadth of what the firm has to offer to clients is what I think will sustain some momentum in deposits. And what matters is the quality of those deposits, which is why I keep highlighting the operating deposits as being core for us.

JASON GOLDBERG: Got it. And maybe we'll take the next ARS question before we pivot, what is your biggest concern regarding Citi for all the people that were not overweight. So consent orders and credit quality, et cetera.

MARK MASON: Interesting.

JASON GOLDBERG: You talked a bit about credit quality, maybe we'll get to consent orders a bit later. Before we move on to capital, which is the next topic on my list, I did get a text from a couple of people. When you gave the trading update of down mid to high single digits, that was a year-over-year figure?

MARK MASON: Yes.

JASON GOLDBERG: Got it. Perfect. Just want to clarify on the mic. And I guess the third response up there was capital. So I guess maybe start from -- maybe you just go through some of the puts and takes embedded in your walk to 13% CET1 by middle of next year. And within that, obviously, the divestitures are going to play a role. So if you can talk to that as well.

MARK MASON: Yes, sure. So look, I mean, 13%, if you -- you all would have heard me talk repeatedly about our target being 11.5% for quite some time now with the increase in the G-SIB score that we're anticipating, that's a 50 basis point increase. And then the increase we saw, as others did in the SCB was another 100 basis points. That gets us to that 13%.

When we think about what is going to enable us to get there by the middle of next year. I don't think there are any surprises here, but one important one is earnings generation, right? And the strategy that we talked about, the strategy we've been executing against, frankly, the rate environment is a factor there as well. Those things will be contributors to solid earnings momentum, which will help to build to that 13%.

It will also start to reflect over time, the mix shift that the strategy is meant to yield. And I highlight that because over time, that will be part of what should bring down our SCB as we think about more stable, high-quality PPNR that plays through the strategy.

The other factor you mentioned are divestitures, right? And we've been making very good traction on those divestitures. Between Australia and the Philippines, we freed up close to $2.1 billion. There's a bit more left between Malaysia, Thailand, Bahrain between now and the end of the year, so that will be a contributing factor.

The other thing is the AOCI. So we took, obviously, with rates moving in the way that they've moved that had a meaningful drag on CET1 as that starts to pull back to par. That will play through building back up to that 13%, the DTA utilization, et cetera, et cetera.

So those are all important factors in getting there. But again, when you think about what we've set out to do, that earnings generation is going to be pretty significant in the way of being a contributor to that.

JASON GOLDBERG: Now longer term, you've talked to this 11.5% to 12% CET1 number.

MARK MASON: Yes. Yes.

JASON GOLDBERG: I mean, is that possible? What needs to happen for you to get there if it still is? And then you've talked about this 100 basis point management buffer in the past, is that always going to be required?

MARK MASON: Yes. And so we're still focused on that 11.5% to 12% over time in the medium term. I think, again, was one of the reasons I mentioned strategy earlier because as we focus on the services part of our business as we generate a more stable, steady earnings stream, I think that's going to be a factor as well as divestitures to lowering our SCB over time. So that will be, I think, an important contributor there.

There's obviously a G-SIB benefit that will come with some of the divestitures. There are more headwinds that are embodied in that. But over time, we'll certainly focus on that as well. And I think those will be important things that help us get down to that 11.5% to 12%.

In terms of the management buffer, we're constantly looking at it, right? And the management buffer is there, the 100 basis points, to account for some of the volatility and uncertainty, the volatility in SCB some of the sudden rate movements that we've had, and that buffer is going to allow for us to kind of build up to the 13%. And as we manage through that, we'll continue to assess exactly how much of it do we think we need as some of those other factors start to come into play.

JASON GOLDBERG: That's fair. Maybe I'll go to another ARS question. At 2022 Investor Day, Citi guided to a medium-term RoTCE of 11% to 12% for Citi to reach its target on a stand-alone basis, which driver makes you most skeptical? And maybe I'll kind of go ahead with the next question while people respond. But second quarter was a really good quarter, strong performance on a number of fronts.

MARK MASON: Thank you, by the way.

JASON GOLDBERG: So I think there's some evidence that the strategy is working, at least early indications. How do you feel about this medium-term 11% to 12% RoTCE target at this point? And we acknowledge you kind of gave it in a period before inflation was very elevated, before kind of the Ukraine conflict and I'm sure things from a macro standpoint haven't transpired as you thought on that.

MARK MASON: Yes. Yes. But it's also a medium-term target, right? We define the medium-term as 3 to 5 years, right? And I think I said on the earnings call, and I'm sure you heard me, which is that it won't be a linear path. We've got a significant amount of investments to make across the franchise to prepare us to generate sustainable, high-level, high-quality returns, and those things just have to be done, particularly around consent order, transformation, et cetera. And so we had a solid second quarter.

There are a lot of variables that continue to move. We purposely pointed to key performance indicators when we put on our Investor Day because in many instances, those speak to the longer-term sustainability of the franchise. And so I continue to feel good about that target in the medium term. I continue to feel good about how we're deploying resources against these investments that will help to generate the top line revenue growth and ultimately, the efficiencies required to achieve it.

JASON GOLDBERG: Got it. And before you talked about the steps like this in Australia and the Philippines, you kind of mentioned on some of the markets you're working towards. I know in the earnings deck in July, it seems like some of those closing dates kind of got pushed out a bit. Just maybe just talk about where we are in this whole divestiture process? And some have been announced, some haven't, so what are you thinking?

MARK MASON: Again, I think that as you would imagine, with 13, 14 countries, there's a level of complexity in terms of being able to get all these exits done. I think we've made a significant amount of progress against that, the target that I had for capital that we free up in the year was somewhere around $3.5 billion or so with the deals that have already closed, we're at $2.1 billion, with the balance of those deals, I think we'll get somewhere between $3 billion and that $3.5 billion number in terms of how much we free up -- in terms of what's allocated and how much we free up.

And again, that's Malaysia, Thailand, Bahrain this year. Obviously, Mexico is a pretty significant franchise for us, and we're focused on that. It's in the headlines a lot. I know that. It's a strong performing franchise, which is a good thing. We think we're going to get a very good value for it. We have a lot of interest in it.

It's complicated because of the separation that has to happen, in terms of we're not exiting our ICG business in Mexico. And so we want to make sure we get that right. But I remain very confident that we'll get a good deal on that and get it in the right hands in the near future. So lots of work and effort continues to continue to be focused on that.

JASON GOLDBERG: You mentioned Mexico in the news a lot. Russia has also been in the news. Maybe just give us an update on what's going on there. The impact of winding it down and how does it impact the severe stress scenario that you talked about?

MARK MASON: Yes. So we announced a number of weeks ago that we were winding down Russia, but we're also going to pursue portfolio sales particularly, this is on the consumer side, obviously, so Russia Consumer business.

The wind down impact would be roughly, we think about $170 million or so of an impact. We'll get some portion of that, maybe half or so will probably flow through 2022 here with the balance kind of folding into next year. But again, I think we've got $1 billion or so of consumer loan exposure there. And we're actively managing that wind down in a way that's consistent with regulatory and local guidelines that we have to adhere to, so that's obviously very important.

It doesn't put a significant dent in the exposure nor the severe downside scenario, just if you think about just its relative size to the rest of what we have there. But on the other side, on the corporate side, we have continued to see paydowns of our exposure. I'll talk more about that in earnings, but that's a good thing. And that obviously is coming down or not, obviously, that is coming down, I think, at a very nice clip, and it's through very active engagement and active management.

JASON GOLDBERG: Got it.

MARK MASON: And remember, that severe stress that I articulated was about $2 billion, down pretty meaningfully from the last number I had given, and we continue to work through that.

JASON GOLDBERG: That's fair. And I know you touched on Mexico, but I'd like to kind of talk maybe a bit more just because we get a lot of questions on it. And maybe what are kind of the biggest risks to the sale and the price you receive? And how should we think about potential timing of that transaction?

MARK MASON: Look, the first thing I'd say is that the business that we have there, very solid business, continues to perform, right? So we had good loan growth, good deposit growth last quarter. And you asked what impacts value? I think one major factor is continuing to manage it well through this process. And so we're very, very focused on that.

I think the buyer universe in some ways will be able to extract more value out of running the operations than we've been able to. And that's a good thing. That's going to show up in price.

The third thing I'd say is that if you think back to the number of assets and businesses that we've sold as a franchise, we've been very disciplined about exiting businesses, selling businesses at prices and values that make sense for our shareholders.

Mexico will be no exception to that, given how strong that franchise is. And so we're going to make sure we get the best value for it through a sale or through an alternative exit, an IPO or whatever it takes to make sure that we do what's in the best interest of the shareholders there.

The timing is hard to pinpoint exactly, but we're very focused on it. And I would imagine sometime next year, we will have more progress to speak to more specifically with the community here.

JASON GOLDBERG: Got it. And then I'm looking at the ARS answer, efficiency ratio kind of came up #1 that maybe people are a bit skeptical on. So maybe just kind of shift back to expenses and maybe talk about the near term beyond 2022 and kind of the medium-term outlook. And maybe talk to the trajectory of expenses, what you expect over the next couple of years? And when you expect expenses to peak and maybe start to trend down given some of the spending you have to do.

MARK MASON: Yes. Yes. So again, I mean, when we look at the growth, what we're spending on, we're spending on transformation and consent order related expenses, which include how we strengthen our operations, how we modernize and standardize the technology and platforms that we have, how we strengthen the controls that we have around the organization.
And as I think about the nature of that investment, it is such that over time, there should be efficiencies in the way we run and the operating costs that we have as a franchise.

It will take time to kind of ramp those things up to get them in place. In some instances, you'll have to run dual processes, your old approach as well as your new technology being put in place. And then over time, you should -- we will see some of those efficiencies kind of play through. If I think about my financial organization every quarter we close our books and we get comfortable, I get comfortable that those numbers are materially accurate and timely as they get produced.

In running that process, I've got thousands of people that are working through reconciliation along the way to make sure that those numbers meet that standard. I've got thousands of people that work on ensuring we've got proper controls that are there.

As we bring in new systems, as we enhance the operations, as we streamline processes, we won't need to have such an inefficient approach to getting to that quality output and that will do a couple of things. It will allow for us to get that information a lot more rapidly, and it will allow for us to streamline, if you will, the number of resources that we have doing those types of things.

So I use that as one example. But that investment will actually pay dividends down the line and help to reduce that cost over time. The way I see this playing out, I said it at Investor Day, is that we expect that we'll peak some time in the near term and then start to see some of those benefits play out in the medium term, that 3- to 5-year period, with the target efficiency kind of in that window and that back window of about 60%. There's obviously a numerator factor to that, but that's how we see it.

JASON GOLDBERG: I think another concern that I hear from people on expenses is just the whole notion of stranded costs. And I think Citi has had issues with it, we've definitely seen other banks kind of the divest stuff and not get out some of the stranded costs. So maybe just talk kind of about the stranded costs. What's the amount you'd expect to be stranded? How you're going to be reducing them? How long does this take? And just how we should think about that?

MARK MASON: Yes. So I think we've said that we've got about, call it, about $7 billion or so tied to the divestitures that we're looking to work through. And based on kind of our experience at doing this, generally speaking, there's about half of the exit-related costs that just quite naturally go with a sale, so that right out the gate reduces your cost base. There's probably another 25% or so that is generally managed through a TSA, so a service agreement that you have with the buyer, where they actually reimburse you on the top line for those costs. So that's an EBIT-neutral impact until that service agreement kind of comes to an end, then it's gone.

And then the final 25% is potentially stranded is the way I think about it. And it's potentially stranded because it's usually a cost that's allocated from the region to the country or allocated from a global expense down to the specific country or business that's in place. And you, therefore, have to think about how you simplify your business model or your function or your business operations in order to get that cost out, right? And if you can get it out, but it takes that type of effort. And those are the types of things that we're working on now.

How do we think about that 25% and what it means for how I might reorganize my finance function, right, so that we can drive my portion of that potentially stranded cost out of the system, right? And so hopefully that gives you some idea -- that takes time, it doesn't happen overnight, it doesn't happen at the time of sale, but we're putting that into our planning process now. It is a contributing factor to being able to get to that 60% that we talked about in the way of operating efficiency.

JASON GOLDBERG: And just as a point of a clarification, because someone asked, that $50.5 billion number of expenses for the full year 2022 was ex-divestitures?

MARK MASON: Ex-divestiture-related expenses.

JASON GOLDBERG: Yes. I think it would be helpful when these divestitures are all gone and we don't have to talk about them.

MARK MASON: Yes. You tell me.

JASON GOLDBERG: Maybe it's a little bit geeky, but it's a question that I get asked. So maybe you could help us with this. But you've talked about this new methodology for calculating rate sensitivity that could talk about, I think, a $2.5 billion uplift in NII in your 100 basis point parallel shock scenario. Is that still the right number? I know there's a mix between U.S., non-U.S. Perhaps you can talk to that. And then also, I guess, currencies play more of a factor for you than some others. So maybe you could talk to that outside the U.S.?

MARK MASON: Yes. So I mean it is -- what I've described as we talk about our interest rate exposure, there are a couple of different approaches that one can use, and one is a runoff balance sheet versus a dynamic balance sheet and depending on kind of what you assume that can play out in your estimates.

And so what I've tried to describe is what the impact of a rate move would be in an instance where we had more of a static balance sheet, a balance sheet that didn't just kind of run off as loans run off or whatever, but you assume the same level in its balance sheet in a new rate environment.

And what that tells us, and the math still works this way is that with a 100 basis point parallel shift increase in rates, cross currencies, we'd see about a $2.5 billion lift in the way of NII revenue.

You're right, mix matters for us a lot. When I look at our mix, that would probably be 80% or so non-U.S. dollar and about 20% U.S. dollar. And then when I look at the currencies, you obviously have the euro, the yen, the pound, the Hong Kong dollar, Singapore dollar and peso would be major currencies that kind of factor through there.

JASON GOLDBERG: And then just maybe taking a step back, maybe just talk how you feel about the balance sheet. As we look out at the potential prospects of a recession that people seem to be talking about that banks have yet to really feel.

MARK MASON: Yes. There are 2 things I'd mentioned because I'm struck by the response we got where credit was a factor. And just to speak to it again, and I'll get to your balance sheet point, but we feel very good about our credit exposure with the $18 billion of reserves, well reserved against our consumer portfolio, 80% investment-grade exposure on the corporate side, $18 million of losses on the corporate side last quarter.

So we feel very, very good about that. And we feel good about it because of the discipline that we've exercised in terms of our risk appetite and our risk framework. And I believe that will play out over time and we'll be able to hopefully address some of the concerns that people continue to have around credit because we really have revamped the way we think about credit in our framework.

In terms of the recession, one of the things we've been focusing on is our readiness as it relates to that, and we feel very good about that. We run scenarios all the time in terms of what they might imply. I think the balance sheet is quite strong. Right now, we've got nearly $1 trillion in liquidity resources. As I mentioned, we've got 80% investment-grade corporate exposure. We've got a high FICO score, high prime card portfolio. We're at 11.9% in the way of a CET1 ratio on the heels of 11.4% the quarter before that. So well capitalized.

So I feel very good about our position as a firm going into whatever this recession looks like. And I feel we're also well positioned to serve our clients as they have to manage through that. I think that's important.

JASON GOLDBERG: Got it. Maybe we'll put up the final ARS question. After Citi achieves its 11% to 12% medium-term RoTCE goal, which Mark just promised, what do you see longer term?

MARK MASON: I think the way I think about it is, and Jane and I talked about this at Investor Day, the medium-term target is one that we think is important to achieve obviously. And we think it reflects the resiliency of the strategy that we have in place. But in no way is it kind of the end goal for us. We aspire to obviously do better than that, and we do think that we have a strategy and a franchise that will deliver better than that, but we have to go through the phases of investing in the platform that we're embarking upon now, and I think on the other side of that, we will see upside to this 11% to 12%.

JASON GOLDBERG: I think that's a good place to leave it. Please join me in thanking Mark for his time today. Thank you.

MARK MASON: Thank you.