TRANSCRIPT

Citi 2017 Investor Day
Institutional Clients Group, Closing Remarks and Group Q&A
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PRESENTATION

JAMIE FORESE: Welcome back, everyone. I hope you all had an enjoyable lunch, and I hope you had the opportunity to spend some more time with members of our senior team. I also hope you had time to visit with our booths and see firsthand some of the interesting things that we're doing with technology today to enhance the client experience.

For those of you listening on the webcast, this is Jamie Forese. I'm the President of Citigroup and the head of our Institutional Clients business. I have the unenviable position today of addressing all of you after lunch but I also have the privilege of presenting our Institutional Clients business to you. We're one of the world's premier, global, wholesale platforms in operation today.

Over the next 45 minutes or so, I will touch on a few topics covering that business. I'll provide an overview of our franchise, discuss our strategy for continuing to grow our business and, finally, talk about the current efficiency and returns and the factors likely to drive these going forward.

On slide one we show an overview of our franchise. Over the last 12 months, the ICG was a significant contributor to Citigroup overall results, generating $35 billion in revenue and nearly $11 billion in net income – 70% of our total. We operate the largest proprietary payment network in the world with direct connectivity to the financial system in 98 markets. We have clearings and custody capabilities in 63 markets and trading floors in 77 and we facilitate around $4 trillion of transaction flows on a daily basis. Our franchise is client focused with our business serving over 80% of Fortune 500 companies. We maintain an industry-leading operating efficiency of 55% and we generate attractive returns with a return of just over 13% on more than $80 billion of allocated Tangible Common Equity.

We are a leader in the global marketplace with a balance of revenue across Banking and Markets. We offer a full range of wholesale products including Treasury & Trade Services, lending, capital raising, advisory, investment research, capital markets execution and securities services capabilities. Over the last several years, we've maintained and strengthened our leadership in these franchises, as demonstrated by the industry awards we've earned and by the growing number of areas where we enjoy a top five position or better. We believe we are uniquely positioned to deliver attractive sustainable returns with an unparalleled global reach and a diverse set of products to serve the growing needs of our clients.

We have relationships with the largest and most sophisticated corporations, investors and financial institutions in the world, for whom we serve as a trusted advisor. And we've take a disciplined approach to resource allocation which has allowed us to serve and grow with these clients while at the same time improving our efficiency ratio.

We've also been investing in talent and culture – a culture that is rooted in our commitment to the highest standards of integrity and ethical conduct with a mission of enabling growth and progress around the world. We're proud of our culture and the results that we produced, but we believe we can capture even greater upside from here. We have a track record of establishing market leading franchises in areas like Fixed

Income and Treasury & Trade Solutions. And we're applying that same discipline and client focus today in areas where we believe we can drive additional wallet share gains, including Equities, Investment Banking and Securities Services.

We believe the share improvement, combined with modest growth in the overall market and some tailwind from increasing rates, has the potential to deliver over $2.5 billion of additional pre-tax earnings over the next few years. And this EBT improvement should drive our current return on Tangible Common Equity of just over 13% to roughly 14% in the medium-term and above 14% longer-term. While we are close to this goal now, it will take focus and execution in a number of areas, which I will talk about in greater detail in just a moment. But first, let me briefly cover our franchise position and our strategy which together serve as the foundation of our future growth.

We've shown this map many times in the past and we continue to believe, and we see the evidence in our results, that our global network is what's driving our momentum in our business today. We believe this network built over the course of our 200 year history and present in 98 markets cannot be easily replicated by any of our peers in today's environment and gives us a unique competitive advantage in serving large sophisticated clients.

Today, about a third of Fortune 500 companies are domiciled in the emerging markets, up from just 10%, ten years ago. And our proprietary network positions us to serve these emerging market clients as they continue to grow beyond their home regions. More specifically, it positions us well to be the core operating bank for these clients – serving their cash management, foreign exchange, custody, clearing and other day-to-day needs in more markets around the world than any other bank.

Our footprint also contributes to our diversification as no region accounts for more than 40% of our revenue nor less than 10%. And it positions us to capitalize on growth in emerging markets as trade flows between these developing markets represent a growing proportion of global flows. So regardless of where our trade flows may shift, we believe we are well positioned to continue to capture opportunity.

We offer a full spectrum of products and services to our clients from recurring, transitional support to more strategic, less frequent products like capital raising and M&A advisory. And we are ideally positioned to meet the needs of both corporate and financial institution clients. For our corporate clients, our TTS business is at the heart of our relationship, helping them manage their day-to-day cash and working capital needs. And it provides the foundation for adjacent revenues in areas like foreign exchange and rates hedging, as well as more episodic products.

For our financial institution clients, Securities Services is the backbone of many of our relationships and leads to revenue opportunities in Fixed Income and Equity markets, as well as other products. These core products – in TTS, Securities Services, Rates, and Currencies – drive nearly 60% of our business and represent areas where we have unique access to large and growing revenue pools due to our proprietary network.

As I mentioned earlier, our global network evolved over the course of our 200-year history as we expanded to markets where our clients needed us. And as our clients' footprint expanded beyond the developed markets, so too did ours. Today, about one-third of our revenue is generated in the emerging markets and two-thirds in the developed markets. And when we you look at the composition of what we do in each type of market you can see it's quite different.

Our developed markets franchise is likely comparable to some of our peers with a balanced client base and a diversified product mix. Having said that, over 40% of the revenue we generate with our clients is achieved by leveraging our proprietary network. And where we have unique access and scale relative to peers is in the emerging markets where our footprint and longstanding relationships with the world's largest multinational corporations give us a competitive advantage. Nearly 90% of our emerging markets revenues are generated with multinational corporate clients and roughly 80% of those revenues are generated through the network in TTS, Securities Services, Rates and Foreign Exchange. In actuality, given the nature of the business we do in emerging markets, our emerging markets franchise contributes to the stability, not the volatility, of our overall results. And that's not commonly held.

The impact of this target client strategy is evident in our revenue performance where we are seeing strong growth in those businesses that benefit most from our proprietary network. In total, TTS, Securities Services and Rates and Currencies have demonstrated high single-digit revenue growth in constant dollars since 2014, outpacing the rest of our businesses. So, while we faced industry headwinds over the past few years in areas like spread products in Fixed Income, we've still been able to grow our revenues and we feel very good about the underlying momentum in our franchise.

As I said, our strategy was developed with our proprietary network in mind, dedicating our resources to clients who truly value our global capabilities. And over the last several years, we've rationalized our client base – going from over 32,000 clients to just under 14,000 – improving the focus and intensity of our coverage efforts on those clients that can most benefit from who we are and what we are.

Non-financial corporations generate about 40% of our client revenues and include developed market companies expanding globally – particularly into emerging markets – that rely on our global platform and our local execution. And emerging market champions expanding beyond their regions and the capabilities of their local banks. Financial institutions, global investors, and public sector entities comprise the remainder of our client base, generating about 60% of client revenues. Each of these clients is large and sophisticated with a need for integrated global financial solutions. And with our geographic footprint and full product spectrum we are uniquely positioned to serve them.

Consistent with this strategy, over 80% of our corporate client revenues are generated with large multinational companies. And it is clear that these clients value the full footprint that we offer as over 80% of our network revenue is generated from clients that transact with us outside of the top 60 countries. And our goal is to deepen these existing relationship, serving our clients with more products in more markets. For us, the more complex a client’s needs, the better we are able to serve them. And the number of countries in which we serve a client is the best indicator of our revenue and growth potential. For example, in situations where we transact with our clients in more than 40 countries, our revenues average $23 million per client, and those revenues have grown by 11% over the last 12 months. This compares with 3% revenue growth with clients with whom we do business in fewer than 40 countries.

Our financial institution clients also employ us across a broad set of products and services. And again, a large portion of our revenues from these clients, a little over half, is generated by leveraging our proprietary network. What's more, about a quarter of our revenues are in products outside of Markets, contributing to the stability of our revenues with this client segment. These clients reward truly exemplary service, and, since 2008, we have dedicated significant resources to ensuring that we are providing this quality of experience. One place this is reflected is in our recent number one ranking in the latest Greenwich Associates survey for Global Fixed Income. And it's also driven significant wallet share gains over that same period.

Another benefit of our strategy of leveraging our network to serve large sophisticated clients is the quality of our corporate credit portfolio – totaling $586 billion of funded and unfunded exposure. While we lead with the network, we also lent to our most important clients to serve their funding needs and broaden our relationships. The portfolio is well diversified by market and industry, and over 80% of the exposure is rated investment grade, reflecting the credit quality of the underlying borrowers as well as the terms and structures of the transactions themselves. We've seen this quality reflected in the portfolios' credit performance, with an average annual loss rate of just 5 basis point over the last five years.

Our global footprint positions us well to serve both traditional global businesses as well as next generation clients. Many of our relationships span multiple decades – some over 100 years – during which time we've helped our clients grow and expand into new markets. These are valuable longstanding relationships and highly important to our franchise. And because we are an integral part of the core day-to-day operations, we should continue to grow with these clients.

And today, we're also seeing a new generation of clients that are becoming global at an unprecedented pace. So, the global footprint that a traditional client may have built over 40 or 50 years is being replicated in a fraction of that time and by companies who may have less infrastructure to support that rapid growth. Here, Citi is a unique partner, providing the platform and local market expertise for these companies to expand wherever they find opportunity around the world. And our revenue opportunity tracks this rapid pace of growth, allowing us to generate revenues in line with our longest-standing relationships in a much shorter period of time.

On slide 16, we show one such example. As you can see, our relationship with this client began in just 2013 with a dialog around cash management with a Chinese subsidiary of a U.S. based company. And over the course of the next four years, we grew with this client, expanding our relationship to over 10 countries and broadening to more than 20 products, including more episodic products like debt underwriting and M&A advisory. As a result, we grew our revenues with this client to over 10 times the amount generated in the first year of the relationship. This is a great example of the opportunities we are seeing today with these next-generation clients as they grow geographically at a pace far faster than we've ever seen in the past. And as such, they require sophisticated solutions that Citi's proprietary platform can provide.

On slide 17, we show another example, another next-generation client, this one domiciled in the emerging markets. In the case of this client, our relationship began in 2010 with modest revenue as we began to provide cash management solutions. Over the next six years, we capitalized on strategic episodic opportunities, in equity and debt underwriting, all the while growing our recurring revenues in the network products.

We grew these revenues by providing key operating solutions in cash management and working capital finance in more than 10 countries, and, as a result, we saw significant growth in our recurring revenue over that period. Many of our competitors are capable only of competing for the more episodic revenue whereas we are well positioned to compete for both the episodic as well as the more valuable recurring opportunities.

The value we provide to our clients is evidenced in how they view us. We believe that a third of our top clients consider us to be their most important banking partner, capturing a very high share of their fee wallet. Close to another 20% of clients consider us one of their most important banking partners. We're striving every day to become the single most important partner for an even greater portion of our target clients, and we believe we have made progress over time in uptiering our relationships. The potential upside is significant. Given the size of our target clients' collective wallet, a further 1% increase in wallet share would equate to incremental revenue of roughly $1.5 billion.

While we have grown our revenues and wallet share over time, we have done so with a focus on expense discipline that has allowed us to support our clients and invest in the business while also improving our efficiency ratio to an industry leading 55%. We've reduced front office capacity in certain areas to ensure that we are right sized in the current environment, we have simplified our organizational structure and we have streamlined our middle and back office operations.

We've accomplished this by centralizing staff and moving resources away from high cost locations, by automating and simplifying our processes and by simplifying our technology platform, requiring fewer applications and data centers to support our business. These savings have allowed us to focus on more client-facing technologies, enhancing the client experience through better digital and other self service solutions, which I'll discuss in a moment.

Now, I'd like to share with you our path to realizing our upside potential. We believe the playbook for realizing our target Return on Tangible Common Equity of roughly 14% in the medium term is achievable and straightforward. Contributing to higher returns are number of factors. The first is revenue growth, which we expect to be driven by a combination of modest growth in revenue pools, an improving economy – which should bring with it higher interest rates and investment-driven share gain. All together, we expect revenue to grow at roughly 4% annually, which is in line with the growth rate we've been able to achieve since 2014. This revenue growth should drive significant operating leverage as we continue to automate and simplify our operations to fund our investments and offset the impact of volume growth.

We expect this net revenue growth to be partially offset by credit normalization and somewhat higher capital levels as the business grow. This combination of revenue growth, positive operating leverage and credit discipline is powerful, with the potential by 2020 to generate over $2.5 billion in additional EBT and a return of roughly 14% on the more than $80 billion of Tangible Common Equity we allocate to the ICG.

Today, we generate returns of just over 13% with the majority of our businesses already generating attractive returns in excess of our cost of capital. And we enjoyed the strongest returns in some of our largest businesses. A path forward is to strengthen and extend our leadership positions while growing in areas like Equities, where we believe we can capture additional revenue opportunities that will improve earnings power and returns.

And we are doing just that with a demonstrated track record of extending our leading positions in our largest businesses – Fixed Income and TTS. And we are making progress in growing our wallet share in both Equities and Investment Banking. These are both businesses with strong return potential where additional revenues should create significant operating leverage.

Revenue growth is an important component of our path to a 14% return. We expect about 35% of our revenue growth to come from overall market growth representing about a 2% annual increase in wholesale revenue pools. And about 20% to come from an improving economic environment and the accompanying higher rate forecast that John described in his presentation this morning. And we expect the remaining 45% of revenue growth, or just over $2 billion, to come from growth in our wallet share, representing an estimated 75 basis point to 100 basis point increase in overall share, whether it is achieved by extending leadership positions in areas like TTS or Fixed Income or by closing the gap in Equities.

At the same time, we will continue to improve the efficiency of our business through ongoing investments in technology and automation as well as continued migration to lower cost locations. Cost of credits should be a modest offset as it is expected to normalize with somewhat favorable levels. This combination of revenue growth and positive operating leverage is expected to deliver an additional $2.5 billion in EBT by 2020.

We expect all of our businesses to contribute to the revenue growth that we are projecting. In TTS, we are investing in technology to drive additional share gains by enhancing the client experience to our CitiDirect BE corporate banking platform, which gives our clients seamless access to their operating accounts anywhere at any time.

And in Fixed Income, where we already enjoy a significant market share position, this growth will be more dependent on overall market growth and other macro factors including interest rates. While in other businesses, we believe we should be able to outpace the growth in the overall market to create our own opportunities such as in Equities where we expect to capitalize on investments in talent, technology and balance sheet to close the gap to our top tier competitors.

We also expect to capitalize on the strategic investments we've made in Investment Banking to drive wallet share gains in key sectors where we see opportunity. And we plan to continue to leverage our unique global footprint in Securities Services to win mandates with target clients while also benefiting from higher rates. And in the Private Bank, we plan to continue to augment our strength in banking and lending with growth in wealth management and capital markets.

Across the board, we are investing to enhance the client experience by leveraging technology to improve the ease of execution, including in self-service channels. And hopefully you saw some of these initiatives today in action around the room where we're showcasing our CitiDirect BE corporate banking platform, our Citi Velocity platform for Markets clients and our digital banking platform, InView, for the Private Bank.

Now, I'd like to spend some time on each one of our businesses starting with TTS. TTS connects our clients to the banking system around the world and is the most obvious beneficiary of Citi's proprietary footprint, allowing us to provide better, more comprehensive solutions to our global clients. Our TTS franchise is the leader in working capital management, global cash management and trade finance services to multinational corporations, financial institutions and public sector organizations.

As you can see on the bottom left, our revenues are diversified across products and regions and have grown at an annual rate of 3% since 2012, mostly reflecting volume growth and market share gains given the sustained low interest rate environment over that period. We capture significant volumes in this business, including commercial credit card spend of over $40 billion in the last 12 months.

TTS is also a tremendous source of high quality corporate deposits having grown 8% annually since 2012 to over $400 billion today. At its heart, TTS is a solutions-driven franchise with a focus on the continuous enhancement of client experience through the development of new technologies and digital interfaces. One of these technologies, CitiDirect BE, which has been showcased here today, is the foundation of our client experience strategy, a single global platform that provides access to Payments and Receivables, Liquidity Management Services, Trade and Foreign Exchange solutions. It is transforming the client experience via click-through global access to an intuitive and user-friendly interface.

On this platform, we support clients in over 135 currencies and 26 different languages. Transactions and approvals, including reports and inquiries design to monitor trends and increased visibility, are available across three seamless channels – online, mobile and tablet – leading to improved client self-service and efficiency.

CitiDirect BE’s mobile application allow the CFO and Treasurers of a multinational corporation to continue to manage their daily treasury needs anytime and anywhere, whether they are in the office or traveling, with the same level of security and efficiency regardless of which device they have at hand. We've seen rapid adoption of the technology over the last five years with volumes growing from just $1 billion in 2012 to over $2 trillion over the last 12 months on our mobile platform alone.

Turning to Fixed Income, which is our single largest business segment within ICG and a true leader in the global marketplace, where we have continued to consolidate share as others have retrenched. As you can see on the bottom right, we've improved or maintained our rank in all of our FICC businesses over the last several years and, in 2016, we enjoyed a top three position in all of our businesses.

This represents a significant improvement in a number of products, including Commodities, where we grew from a number nine ranking in 2012 to a number two ranking, which was achieved through disciplined efforts with targeted corporate and investor clients and a core set of products and services. And we do not own or operate any physical commodity facilities.

As you can see on the bottom left, our Fixed Income revenues are diversified by client with 34% attributable to corporate clients, which is directly tied to the strength of both our global network and our TTS business. These corporate revenues have been more stable over time and are also highly dependable as we are managing these clients' operating accounts across more countries and regions than any peer can offer.

And they contribute to our strength in Rates & Currencies where over 40% of our client revenues are generated with corporate clients, creating greater stability to those aggregate revenues as well.

We continue to enhance our market-leading franchise by leveraging technology and focusing on client experience. One example is Citi Velocity, our industry-leading analytics and trading platform, which provides our clients with unparalleled access to Citi's research including proprietary analytics and product specific models as well as trading capabilities for foreign exchange, interest rate, commodity and futures products.

While we have included it here as part of our Fixed Income Markets business, the access to research, commentary, data and analytics is just as important to our Equity Market participants. And Citi Velocity has received over 50 industry awards, including those for most innovative and best overall single dealer platform. Another example of innovation is CitiFX Pulse, our end-to-end global foreign exchange solution for corporate clients. Together, our Velocity and Pulse platforms are utilized by over 125,000 unique users in more than 130 countries.

Turning to our Equities business, we believe it is positioned to grow after recent pressure on the revenue pool across the industry. Over the last couple of years we've made investments in people, making key hires in management, sales and research; in technology, improving our internal and client-facing platforms; and in balance sheet, growing client balances in areas such as Prime Brokerage and Delta One derivatives by roughly 70% since the beginning of 2014. And as you can see in the chart on the bottom right, even as the revenue pool for Cash Equities has remained under pressure, our above average industry growth in both Derivatives and Prime Brokerage has allowed us to grow revenues by 4% annually since 2012 while the industry has largely remained flat.

Historically, we have maintained a number 8 or 9 rank among peers in Equity Markets revenue. With the targeted investments that I just mentioned, we have seen early signs of progress with our rank improving to number 7. As you can see in the chart on the bottom left, from our current position, the gap between us and the number 5 market position represents an annual revenue opportunity of approximately $700 million. We believe our goal to achieve a number 5 rank in the medium-term is both realistic and credible and more representative of our natural competitive position relative to both our Fixed Income rank and our rank in Equity Underwriting as shown on the top left.

In Investment Banking, our goal is to be a trusted advisor to the world's largest and most global firms. We're continuing to drive wallet share growth with our target market clients and are making selective investments in talent to strengthen and defend our wallet share in key sectors, including technology, financial institutions and energy as well as in select countries. To this end, we've demonstrated 5% revenue growth since 2012, which outpaced the target market wallet growth over that same period. We have increased our overall wallet share to 5.2% and our share in our target market has grown from 7.9% in 2012 to 8.8% which included gains in technology, real estate, industrials and financial institution.

In Securities Services, we provide securities settlement, clearings, custody and asset servicing to institutional clients in 63 market, the largest direct custody and clearing footprint among our peers. We view the Securities Services business as similar to TTS in many ways, providing the core operating infrastructure for our investor clients to grow and transact around the world. And over the last several years, we've been executing a multiyear effort to improve efficiency and reorient the business to drive sticky client relationships and accretive returns.

We have rationalized our offerings and exited non-core businesses, focusing on our key clients and our core product strategy. While at the same time, we have invested in automation and robotics to improve our platforms and drive efficiency. The strategy has translated into several high profile client wins, such as those with John Hancock, and has driven significant growth in both revenues, up 7% annually since 2012, as well as operating margin, which has improved over $500 million over that period. Going forward, our strategy is to continue to leverage our proprietary 63 country network to pursue further opportunities with these clients.

And finally, turning to our Private Bank. Our organizational model differs from many of our peers. As we include our Private Bank as part of our Institutional business rather than a separate wealth management division. Our business targets the ultra-high net worth segment – clients around the world with at least $25 million of household net worth. The connection with the rest of ICG affords our ultra-high net worth client the ability to leverage the same expertise provided to multinational corporations and large sophisticated investors. This integrated approach has led to continued strength in new client acquisitions, as well as the deepening of our client relationships, resulting in diversification across our revenues and steady growth in loans, deposits and assets under management, and annual revenue growth of 4% since 2012.

To better demonstrate the integrated approach we've taken with the increasingly global needs of our Private Bank clients, here we've laid out an example. Citi's total relationship with this particular client spans across four markets in three regions, utilizing products and services offered not just by our Private Bank, but also by Markets, TTS and the Consumer bank through foreign exchange trading, capital markets opportunities and credit cards.

And while the revenue recorded in our Private Bank segment was attractive on a standalone basis, it accounted for only half of the total revenue generated by this client with the remainder attributed to synergistic revenues in the other areas. And while this is only one example, there is a rapidly growing number of such global clients at the Private Bank who value our full platform across geographies and businesses.

While I've covered many topics here today, I want to leave you with a few key thoughts. First, our Institutional franchise has an unparalleled global reach and is a franchise which is difficult to replicate, putting us in a unique position to serve our target clients. By leveraging this differentiating factor, we expect to continue to grow revenue with our traditional clients and with the rapidly-evolving next generation of global businesses.

We have tremendous upside potential ahead as we continue to deepen client relations, becoming an increasingly important and trusted banking partner. What's more, we have a proven track record of establishing market-leading businesses such as in TTS and Fixed Income. We're leveraging that experience and our capabilities to continue to make targeted share gains in Investment Banking and to close the revenue gap in Equities.

Our disciplined approach in serving our clients in a cost effective, responsible manner has allowed us in recent years to deliver industry-leading efficiency and returns. And we believe that we are well-positioned to deliver attractive and sustainable returns in each of our businesses going forward. We feel confident that this strategy can deliver EBT growth of over $2.5 billion and a Return on Tangible Common Equity greater than 14%.

Thank you very much. And with that I'd like to invite Mike and the other presenters back up to stage. Mike has some brief closing remarks, and then we will take further questions. Thank you.

CLOSING REMARKS

MIKE CORBAT: Jamie, thank you. Well, I think it's safe to say we've covered a lot of ground today, and I think we've given you a lot to think about here. So, most importantly, I want to say thank you for coming. Thanks for taking the time. Thanks for listening to what we've had to say. I also want to say thank you for visiting our booths and seeing some of the demos and seeing some of the things come to life in terms of what we've discussed. We hope it's helped you learn a little bit more about our franchise, why we're so proud of it and why we're so confident in terms of its ability to deliver.

And I also hope you've got to spend a little bit more time with our people and see and hear from our senior leaders. And I've got to say, I'll admit that I am a bit biased, but it's as good a leadership team as I've seen in my career. They have deep experience, they've been tested, and they've delivered.

We have a unique and resilient franchise, which isn't going to be replicated anytime soon. It's been refocused and it's been restructured. We've rebuilt our capital base. All of that's now behind us. Now, we're intent on delivering client led growth, improving our capabilities through technology while reducing our costs and optimizing our capital base. We're firmly on track to improve the return of and the return on capital, and achieving these twin goals drives everything we do.

I also, as we go through this, hope that our track record of delivering the progress that we've outlined gives you confidence that we're going to do what we say we're going to do. Last week, I had the chance to celebrate my 34th year at Citi. It's my entire career. And I can tell you this about this franchise that when we set our sights on something we don't stop until we deliver. Thank you very much.

QUESTION AND ANSWER

SUSAN KENDALL: We have about 45 minutes available for Q&A for any one of the presenters. I would just ask again and remind you that when you called upon, if you can stand up, say your name and let us know what firm you're with.

KEN USDIN: Ken Usdin from Jefferies. I wonder if you could just talk a little bit about the magnitude of operating leverage that you're expecting going forward, some good color in there about the expenses versus the investments. And just how do you think about this improvement from here just naturally and with the market share growth versus just what the underlying inflation is of expenses. What's the natural operating leverage gap as you go forward? Thanks.

JOHN GERSPACH: I think it's going to vary by business, Ken, and that's the way that we've built it in. We've had a significant amount of investment dollars already in the underlying expense base for each of the businesses and so, in a lot of cases, it's not as if our investment dollars that we're talking about now needs to necessarily be brand new investment dollars. We've already made investment, for instance, we've talked about the investments in Mexico, that's in the underlying expense rate now that you've begun to see.

We've gone through the investments that we've made in Cards, the investment that we've made in U.S. Consumer. So we think that we're actually just getting into that natural operating leverage that we have and that's why, again, we've tended to think about it more in terms of giving you op efficiency ratios, and while we feel very good about hitting that 58% today this year, 2017, we do believe that overall, even with the revenue growth, we should be able then to actually drive that operating efficiency into the low 50% range by 2020.

STEVE WHARTON: Hi, Steve Wharton, JPMorgan. Jamie, you didn't get the memo on the blue shirt, by the way. I just had a follow-up question, so, Costco, the intra-rate balances are supposed to start going to full rate and that's going to impact your NII growth later this year, so I wanted to get a better indication of how much of the Costco re-pricing is factored into the NII growth that you've laid out. And, since you alluded to the fact that you've been more successful than anticipated in building new accounts, is there any delay, for instance, in seeing the NII improvement in the Branded Cards business?

JUD LINVILLE: So I don't think we've broken out completely Costco from organic proprietary. What you see in the back half of this year is as much proprietary growth. So, remember, the investments that I showed, that layer-after-layer beginning to vintage that was started in late 2015, those are longer promotional balances. So you're beginning to see some of those turn and mature into full rate balances on plan with expectation.

The Costco effect is actually just a much larger wave of customer engagement, and at lunch we spent time talking about it, as both more new accounts and as they come on beginning to spend more than expected in those promotional periods. Those get layered over the course – we've had it now for over a year, 13 months, and roughly think about a seven month promotional balance. That's, I think, as much as we've shared. Is that fair, John?

JOHN GERSPACH: Yeah, you got it.

JOHN BARBER: John Barber, Barrow, Hanley. Throughout the day you quantified a number of financial targets. I'm just curious how you plan to hold yourself accountable and also how you plan to communicate your progress?

MIKE CORBAT: So, we built these into our plans and in fact, if you go back and you look at last year's 2016's compensation cycle, we actually started to incorporate EPS, EPS growth into our scorecards and again we run a scorecard process and are accountable to the board. Our Chairman is here today in terms of the metrics. So, not just end results, but we've incorporated the intermediate milestones of the 10% ex-DTA in 2018 to 10% fully loaded in 2019 and, as we go forward, my guess is this will be incorporated into this year. We've also taken that not just at the top of the house, but the individual plans you see today will be driven down and that account will be at the business and at the functional level for delivering against those.

DAVE SOCHOL: Hi. Dave Sochol, Levin Capital. Thanks for today and for the great progress and the execution hopefully going forward, which I think will continue. I was just curious and certainly your focus on RoTCE is more important than ROA, but I was surprised to see the ROA of 90 to 110 basis points on of the slides simply from thinking that the business mix – more of the ICG network and more Card business, digital, asset light and higher interest rate would drive a higher ROA, but that doesn't seem to be the case, I was curious, any color on that? Thanks.

MIKE CORBAT: Sure. If you go back and look, we've had for a while this target out there of wanting to be somewhere between that 90 and 110 and I think, by the way, that we can and should operate there. When we first put the target, and I talked about the 2013 targets that we put out there, the 90 to 110 was in that, in the terminal year of the original set of those targets. We achieved that last year, we fell back into the low-to-mid 80s.

A couple of things I would say, one is no excuses; we got that. When we put that out, we didn't necessarily contemplate LCR. We didn't contemplate NSFR. We didn't contemplate some of the things that have come out there that have probably detracted a bit from that. But I'd say we've got the ability to run there. But as I say in our Investor Meetings, and I would remind everybody today that the broad metric of ROA is good around balance sheet management; it's not a good measure of risk. And as our binding constraint has moved to CCAR capital, we're very focused on using and allocating the balance sheet in the most efficient way of that CCAR capital and the example I give, and it's a terrific example, is a lot of the gains and growth and net income that we've generated out of our rates business might actually be dilutive to that ROA target, but is actually nicely accretive from a return on CCAR perspective.

And so, we're going to manage the balances of those. Our path gives us the ability, we believe, to get into that 90 to 110. But we look at the other factors and try and optimize against that, and we'll continue to do that as we go forward.

GERARD CASSIDY: Thank you, Susan. Gerard Cassidy, RBC Capital Markets. Jamie, can you share with us, you've brought your clients down from 32,000 to 14,000, are we at a point where you're happy with those 14,000 clients? Second, what was the process that you used to cull those clients down? And then maybe, can you give us some sort of metric of how profitable they are versus what it was like when you had 32,000 clients?

JAMIE FORESE: The decision to cull the client base was basically a function of eliminating those clients for whom we didn't think that our network could provide anything distinctive. And therefore, we didn't think that we could differentiate ourselves relative to our peers. So with those 32,000, we found there were 18,000 clients for whom we didn't think that that 98-country footprint and that full product spectrum and the sophistication and heavy cost burden of servicing those clients would be effective.

Some of them were small, some of them weren't global, and some of them didn't use the full spectrum of products. And interestingly, the sum total of them didn't contribute a lot to our revenue in the first place. So we sort looked at it and said, why are we bothering with this set of clients, when we don't think that we can be anything differentiated to them. So, that's steadily over the last several years took the client roll down from 32,000 to 14,000.

We're probably still heading in a direction of smaller, where we continue to refine the client base to focus on those clients for whom we think we can have something distinctive. So the strategy for the ICG is somewhat circular, where we've got something we think is differentiated from our peer institutions and that we're trying to figure out which clients can we use that to drive superior returns, and that's likely to get us a little bit narrower still from that 14,000.

Our top 1,000 clients generate about two-thirds of our revenue. So you can see that there's plenty of clients beyond that top 1,000, there's plenty of other clients in that 13,000, for whom we are still developing relationships, that where they're still growing, where they're in the emerging markets today and expanding their businesses rapidly, and it's just become even bigger, meaningful clients for us. So we have plenty of bets on the future within our client base today, even as it likely becomes a little smaller.

BETSY GRASECK: Hi. Betsy Graseck, Morgan Stanley. I had a couple of questions. One was on the Tangible Common Equity slide that you outlined. By segment, you've identified that TCE right now today is $36 billion in the Consumer and that of the ICG Group is $82 billion, Corporate/Other $18 billion. I just wanted to get a sense from you as to how much capital you need to add to these various businesses to support the growth outlook that you've provided today? And I would assume that's coming from either Corporate/Other or the disallowed DTA but I just wanted to understand how you think about that?

JOHN GERSPACH: So, Betsy, you've got the numbers right off the slide. What we've said is that in Corporate/Other, we should be able to reduce that Corporate/Other from about the $18 billion, where it is today, down to $15 billion over the three-year period that we're talking about and that's largely due to the run-off of the legacy assets that are in Corporate/Other. Don't forget we used to have this segment called Holdings, got down to a very small number of GAAP assets, $54 billion at the end of last year. That's now part of Corporate/Other. That will continue to run off over the course of the next 2.5 years. That will provide at least $3 billion worth of capital relief.

You'll also noticed that, when we got to sort of the end slide, we talked about the fact that by 2020, we really think that we'll need about $145 billion of capital in the businesses – which includes Corp/Other – in order to drive the results that we've put upon the boards today. So, between a $3 billion run-off in the legacy assets and somewhere then a growth in both ICG and Consumer, you'll add about $9 to $10 billion of TCE to the operating businesses from where they are today.

BETSY GRASECK: And is there a split that you're giving us for the ICG versus Consumer?

JOHN GERSPACH: No. We didn't break that out in the slide. We'll break that out for you over time as it actually occurs.

BETSY GRASECK: And then just a third question on Retail Services. You did have one slide in the Consumer deck on Retail Services. Just wanted to understand how you're thinking about that business overall. Is this the business that you want to be investing in beyond the partners that you've got today? Are you looking to bring in new partnerships through either acquisitions or some other form? And then is there anything you can do to grow the topline in that specific business? It's obviously a little bit of a slower revenue growth than some of the other ones that you've outlined today.

MIKE CORBAT: So as we look at Retail Services, we like the business because we think it's a natural credit complement to our Branded Cards business. And if you remember, go back historically, there was a point in time, it was in Holdings, we made the decision to bring it out and effectively the battle or the fun has emerged. There's a bit of a duopoly between synchrony and ourselves. I think what you see in those numbers is a little bit of a headline in what's below the headline. I think if you look at some of the partners that are in there such as Home Depot, others are growing and growing nicely, and you've got some older portfolios, or legacy portfolios, that are in run down mode in there.

So, in parts of the portfolios, we're actually generating some nice growth rates but it's getting muted by other parts of the portfolio. It's a business that's got a very attractive operating efficiency, a competitive advantage as we think the space is likely to continue to consolidate, and it's a business that, from a scale perspective, and a fit with the franchise, we think fits in well. So it's a business that we're committed to and again, over time, we think has nice returns, has nice returns today, continues to have nice returns and has some good organic growth in it.

JOHN GERSPACH: So, Betsy, we've said that we believe that the right way to think about that business, Retail Services, because of the revenue sharing arrangements that go on, especially with credit losses, if you take a look at credit losses – credit losses go up, we actually have a sharing arrangement with our partner when credit losses improve. We have a sharing arrangement with our partner which means that the revenue line in that business is not going to be the place to focus; it's on the earnings before tax.

And that's given us nice growth over time even as the revenues have stagnated. And what we've said for that business is, and backing up with what Mike said, is we really believe that Retail Services is capable of producing, and does produce, about a 250 basis point ROA. And so, it really is a nice complement to the rest of the Consumer franchise. And yes, we are interested in adding more partners.

CHRIS KOTOWSKI: Yeah, good afternoon. Chris Kotowski from Oppenheimer. Question for Stephen and Jud. You've exited the Cards business in Brazil, and it seems to bespeak that you want to be in certain countries, you want the retail branch systems and you want the presence of both. And I'm curious – is that kind of a steady outlook or can you grow your Card business de novo in countries where you don't have branch systems? Or do you need a branch system in order to be in the Card business in a country and then, after you answer that, about the rest of the world, what does that say about the United States and not having a branch system here that's ubiquitous.

JUD LINVILLE: So, since I've been at Citi, we were in 40 markets when I arrived. We're now in 18 credit card markets. I'd say the decision to leave many of those markets had nothing to do with the profitability of the Card business so all those markets were profitable. Operating efficiency in many of those markets was not anywhere near the targets we'd like. As it relates to the Retail Bank – so it really was selling the combination of the Retail Bank and Cards together because that was just a much better mechanism to package for sale.

The other part I would say is, that many of those markets, however, we did not have appropriate scale. And in a cards business, if you can't invest with the right level of intensity and get the right level of scale, it's not going to be a winning proposition. So, today, in two-thirds of the 18 markets we're in, we have well north of 10% share. In the next two or three, it's in the high-teens. So, we've got the portfolio we like in terms of scale. We also have the right investment intensity in marketing, technology and digital.

As it relates to having branches, I came from a place that didn't have branches. It's a birthday gift to me. It's low cost deposits that work well very. That said, I don't worry so much about the scale of our branch network. It's how we generate low cost deposits in the U.S. And I actually think that, conversely, it's a bit of an advantage to have a branch light network at a time when we're moving digital. And you can imagine taking all of the digital capabilities, all the big data capabilities, all the exciting capabilities that we've got in Cards and applying to that next model of Retail Bank, to me that's actually an advantage.

CHRIS KOTOWSKI: Just as a follow-up. As you think about a lot of the big emerging markets around the world, Brazil is a hard country not to be a part of just given the size and the importance of the economy. Can you get back into the credit card business in markets like those?

JUD LINVILLE: So, I would tell you, there're a bunch of markets that are attractive from their size, their scale, things like that. But when you got Itaú and Bradesco, and you think that you're going to go from niche player to a real sizable player, it's probably not the places that we want to invest when you look at far greater returns in other markets.

MIKE CORBAT: And I think, Jud, as your chart showed we've got plenty of underpenetrated markets where we've got the ability as the consumer numbers move to participate

JUD LINVILLE: In those markets, the category shift that you see from displacing cash and winning a payment has plenty of upside in markets where we think we can have the right investment kind of thing and scale.

JOHN MCDONALD: John McDonald from Bernstein. Jamie, revenue pools in your set of businesses are notoriously difficult to predict a quarter out let alone over the medium term. Maybe you could talk a little bit about if the environment proves more challenging, some cushion you might have in the plan or offsets that you might have on the expense side, levers you can pull if the revenue pools don't accommodate your plan?

JAMIE FORESE: Yeah. And I just want to repeat that the revenue growth that is in our plan calls for revenue growth from the pools themselves to grow by about 2% annually. And that's nominal growth, that's not real growth, that's nominal growth. And we don't think that after the period that we've been through that that is any wildly optimistic assumption. And we're not making any bets about which revenue pools. We're just saying the overall wholesale since we're present in the broad spectrum of wholesale banking products and services, we're just saying that that's going to grow in line. And that 2% growth rate by the way should be below global GDP over the coming years. So, the assumption is not wildly optimistic.

Now that said, if we don't have that kind of growth rate or if we don't achieve the growth embedded in the portion that's due to the share objectives that we laid out. First, we would anticipate that we wouldn't have certain volume related expenses that grow with volumes or grow with revenues more directly. We would also have an immediate offset to the compensation assumptions that we have, which tie directly to revenues.

And then we would make as we have in the past since the crisis, when things don't play out the way we anticipate, we still have the levers that we can pull around the sizing of any individual businesses that we think may have more permanent and lasting effect than just one bad quarter worth of revenue attribution. So, I think we've demonstrated over the past five or six years that we've made those adjustments to the sizing. Even in Equities where we're investing, we've been investing in a way which also reflects the decline in some of those revenue pools. So, we've been in a way out-investing, but relative to everyone else, we've been bringing expense base down in places even while we've been investing more in places relative to our peers. So, I think we've got a couple of natural obvious offsets plus we've got just the managerial decisions that we will take along the way in response to what we see as more temporary impairments to the revenue pool than just a quarter's worth of volatility.

GUY MOSZKOWSKI: Hi, Guy Moszkowski with Autonomous Research. I was just wondering since the projection period that you went into overlaps with FASB – or goes past the implementation date for the FASB's CECL guidelines. Whether you could talk to us about how that would impact the figures that you're talking about? And to the extent that you could give us some granularity by major business line, that would be great.

JOHN GERSPACH: Yeah. I'm not going to the granularity by business at this point in time. And obviously, CECL comes in, as you point out, Guy, it's effective for us 1/1/20, but again, there're still a lot of questions as far as how it actually is going to be implemented. The theory right now or at least the practice right now will be that, on upon initial adoption, the initial impact would be reflected as a reduction of retained earnings. We're looking at it right now – and again these are preliminary estimates – that it would probably cost us somewhere around $1.5 billion, maybe $2 billion, pre-tax as far as the impact of adopting CECL. So you figure we've got about a $12 billion LLR right now, so it's somewhere in that 15% range, maybe as high as 20%, but probably about 15% increment on our current LLR.

So we would take that impact against the capital. Obviously, that would reduce the TCE, but we don't think that that's going to have a large impact on our capital return plan. Where do we think that it really impacts, to any great extent, the profitability going forward.

GUY MOSZKOWSKI: And is it built into the ROE numbers that you gave us or would that be incremental to the ROE because the base of capital comes down?

JOHN GERSPACH: Yeah. If you take that one assumption as a standalone assumption that is not specifically built into the ROE. But there're a lot of things, as I said when I gave the presentation, there're a lot of moving parts that, you're right, that one moving part is not specifically reflected.

BILL RUBIN: Yes, Bill Rubin, Independent. A broader question about the risk profile of the company in the context of the valuation. Bank stock, particularly Citi, has traded cheaply for many years, for many reasons, one of them is high leverage, lower returns, less consistency, higher risk. Going forward next five, 10 years, how would you describe the risk profile in terms of where we will see better consistency of earnings, better resiliency during the next downturn, for example, how would you go through some of the businesses and talk about lower risk profile as well as on the balance sheet?

MIKE CORBAT: Sure. One thing that we've introduced is a risk appetite framework within the firm in terms of how we think about size and take risk. And the general premise behind that is we try and make sure we don't have product, geography, client exposures in aggregate that exceed the earnings capacity in any stress event of the firm. And so, I think what you've seen, and I talked a little bit about it in my opening preamble in terms of we're a bank, we are in the risk taking business, but none of those risk should be outsized. And so when you look at things that have gone on in Argentina, Venezuela, Arab Spring, Brexit, Grexit, all of those things, there's been points in time where we've had some credit events, but those haven't been outsized.

And I can tell you from a management perspective, I can tell you from a board perspective, something that's important to us that we're determined to break the back of, to break the cycle on, is that any time things go wrong in the world, the portfolio managers say, well Citi is there, we better get out of Citi. And how we're going to do that is we're going to have to wear you down in terms of how we come to work, what we do. And as those events occur, sure, we'll have some losses, but they can't be outsized to who we are.

And so maintaining that discipline, I think some great examples were in the numbers that Jud put up in terms of why we've seen the industry going down FICO in search of yield, we've maintained and in fact we've gone up FICO. Jamie talked about the historic loss rates from an ICG perspective. And again, what we see in terms of the core clients that we cover got rid of a lot of that tail risk and that move from 32,000 to 14,000, as I described, largely investment grade with I think some pretty healthy balance sheets, reasonable cash balances, pretty good credit profiles. But we also understand that we're going to have to re-earn that credibility through the cycle and we're determined to do that.

STEVE CHUBAK: Steve Chubak, Nomura Instinet. Jud, I was hoping you could clarify specifically what the Card returns walk contemplates in terms of rewards competition from here?

JUD LINVILLE: So, Steve, as it relates to rewards? So if you remember the slide I put up, I showed that the current vintages of acquisition that we're bringing in, about, I'd say, half do not have rewards on them at all. Obviously, if you remember two-thirds of our revenue comes from loans and full rate revolving. If you look at rewards, I'd say that we've got two products in Costco and Cash Back where we've built really nice products for acquisitions where there is not promotional bonusing. The value is built into those products and Double Cash, one of the many elements that makes it attractive, is we're, one, bringing in on inexpensive channels of digital cost to acquire. We're not paying promotional bonuses, were the only cash back product in the marketplace where that's the case. The same is true with Costco in terms of distribution. So you've got strong reward products that are showing huge engagement, but also building a loan portfolio, not just the transactor portfolio.

A much smaller portfolio is our ThankYou good/better/best that Stephen talked about. We made some changes to Prestige most recently. And it's a perfect example where you saw a competitor go out to market with a very, very rich promotional bonus. What we found is that in that Prestige product line, we talked to millennials, which is about half of that portfolio, and it grew 6x since we converted. What they said was, when I think about my trip – the airplane, I just want to limit the amount of stress. When I think about my trip, I think about the destination and where I stay. So we've gone hard on that fourth night free. In fact, that's the best comparison we've got in that marketplace relative to Platinum or to a Reserve. And then we built an acquisition bonus that is very targeted and requires $7,500 of spend in the first three months. And I think everybody knows, you're not getting to get a lot of gaming behavior there, particularly as we're targeted. So there is not a significant margin erosion that's expected within the Card business, both because of the size and how we're managing that portfolio.

MARTY MOSBY: Thank you. Marty Mosby, Vining Sparks. Just to kind of sum up what we've been talking for hours, it looks like you got a step up between 8% and 11% on your Return on Tangible Common Equity, which is the main theme we want to take away. If we dissect that into big pieces, capital is about 1%, interest rates are about 1% and the business with efficiencies is about 1%. It seems like to me that last piece, there is still investment that's been required that's watering down what you can generate in efficiencies and that natural gap that we talked about earlier in operating leverage because you still have investments that you're still making. Is the digital nature of this business still just draining the ability in that core business? Take out the two operating kind of environmental things, capital and rates, and just get to the core business, how can we see that improve more over this next three year period?

MIKE CORBAT: Sure. I'll start and hand it up. So one, Marty, is that when you look in there, when we talked about it, and I think Stephen and Jud's business, the Consumer business is a great example. A lot of these investments we're talking about, we've said they're targeted, they're self-funded, et cetera, but it's the transformation from analog to digital necessary to compete, necessary to drive that efficiency and, by the way, investments that we just need to make to remain competitive as BAU.

And the good news about those is they're real, as you can see from many of the displays here in the room, and they've got relatively short paybacks in terms of as we can convert. So great examples, as we make the investments to shift from our service centers, being call center based to being much more app digital user based, drives increased Net Promoter Scores, reduces cost frictions and creates better service levels. We've got to make those investments. And what you've seen though as we've put those in place, you've seen the efficiency ratio improve, or the path to an improved efficiency ratio, and those are necessary investments to drive that path.

STEPHEN BIRD: And I think Mike, just take the Consumer business, 13% to 19%, take efficiency from 55% to 50%, and if you look at the track record of expense, those specific categories of saves as we've gone from analog to digital, we showed that we had generated $1.7 billion of saves over the last three years, and that we're projecting to save another $1.5 billion over at least 2020. That's really a continuation of those same themes. More digital acquisition, more digital engagement and servicing. So I think we've demonstrated that we're growing much faster in digital and that should assist our growth, that topline growth of 4%, 5%, and give you the operating leverage of 3% or 4%, depending on where your topline is in the out years.

JOHN GERSPACH: Marty, what we tried to do is make sure that we did build in the investments into the plan because we didn't want to get to 2020 and give you an RoTCE that didn't feel sustainable. When you got to 2020, we say, well okay, yeah but, now, we've got to go back and we've got to invest, which is quite frankly, when we came out of the crisis, we had cut investment to the bone and we've been needing to catch up on an investment plan, it's one of the reasons why the returns have been so low for a long period of time.

We're at a point now where we think we're at a good run rate for investment, but we recognize that we've got to keep that level of investment going, whether it's to maintain the competitive advantage that we've got in TTS or to support the movement to digital and, again, we wanted to make sure that we had the level of investment so that we could look at you and say, that 11% that we're going to give you in 2020, it's sustainable and it's going to grow from there. That's the message that we'd like you to take away.

MARTY MOSBY And then John, building on Bill's question about risk profile, pushing the returns up to 11% the other piece of actually getting rewarded for that, or a premium, is that your cost of capital would have to be declining below 11%. So what do you think that bogie is and how do you get that communicated with less volatility or lower risk profiles to get there?

JOHN GERSPACH: Yeah. We're still looking at a cost of capital right now of 10% and we get studies and people can argue that it's 9%, 9.5% or it's 10.5%. We're comfortable saying right now, it's 10%, and again 11% is not where we intend to stop. Our target is to deliver a 14% RoTCE especially after we utilize the DTA. By 2020, the underlying businesses should be producing an RoTCE of 13% but then we recognized there is work to do going forward. And if we can get more, faster, while maintaining our risk appetite framework and while maintaining that right level of investment, we'll do it. We'll do it.

MARTY MOSBY: One more question on the Retail Services side. Because HELOC was the product of choice prior to the financial crisis, how does that align your credit card business? Now how do you think of it differently than you would have in, say, 2007 or 2008? It's got to be a better product choice for our customers at this point.

JUD LINVILLE: So, I think, when we look at unsecured credit or elements that are secured, looking at it total and looking at it on a customer basis, I think the place where we've seen the rise, if you look at student and auto, those are places that were burned a bit hot. HELOC was actually in many respect, a funding mechanism for spending and ultimately what we saw was losses that were quite high.

Today, credit card is a good funding instrument to take out loans, I would add to it, if you went to some of the booths, in Mexico or in Asia we've built very strong personal loan, installment loans, extended payment plans. One booth that hopefully you saw was where we went from zero to about 40% of our loans were generated on a smartphone. It's both cheaper to acquire, we get a higher response rate than a telesales agent, not paying incentives, I have got a better controls. So, to me, it's how you build a set of different lending capabilities, unsecured built for individuals depending on how they want to payback over time, and you have yet to see a whole lot of that in the U.S.

GERARD CASEY: Gerard Casey, RBC Capital Markets. John, you were very clear with the potential for the CCAR returns in 2018 and 2019. Can you guys share with us what you think the dividend payout ratio could be longer term for this organization? And then second, this would be a nice problem to have, but if the stock price got to a point where buyback, the internal rate of return, was negative, would you considered a special dividend to get that capital back to shareholders?

MIKE CORBAT: So, one, Gerard, is I think what you've seen is we've consistently walked the dividend up, and one thing that was important to us and to our planning process this year was to get a dividend up around that 2% range which we thought started to normalize us versus our peer group and we got there. I think when you look at our capital return, we've got plenty of capacity from a headline perspective, from the perspective of forward-looking net income, to continue to take that dividend up, and I think that will – what we do there will largely depend on the market, the share price and how we think about those two pieces.

As you can imagine, we have a lot of conversation with the Fed around dividend, dividend policy, special dividend. I think we saw Governor Tarullo on the way out, made some statements where he and the team were actually fairly negative in terms of how they thought about the continuous use of special dividend going forward. But again, as we see the environment based on where that is, where the stock price is, what the peer group looks like, we're going to adjust each of those to try and optimize capital return from there.

JEFF HARTE: Jeff Harte, Sandler O'Neill. So, as we look at interest rates kind of the benefit for potentially higher rates, it often comes back to a discussion of deposit betas. We get kind of standard industry comment from most of your peers who happened to be U.S. and brand-centric about what it would be. How should we think differently about Citigroup given you are kind of unique with how big TTS is, and not unrelated how big your non-U.S. deposit franchise is?

JOHN GERSPACH: Yeah. When you take a look at our deposit betas, I think our commentary is going to mimic a lot of what you heard elsewhere. Our expectation is that separate between corporate deposits and retail deposits. Corporate deposits betas tend to rise faster than on the retail side, and they'll rise as the rate increases multiply. So as the rate actions increase, we anticipate seeing a rise in betas and we're seeing that now, and it's basically in line with the models that we have. Retail is a little bit slower, but again, it's something that we anticipate that given the number of rate increases that both have occurred and that we think will occur over the next few years, we're likely to see a rise in those betas, and again that's the way that we've been modeling.

GUY MOSZKOWSKI: Thanks. Guy Moszkowski, Autonomous. The DTA, as you've laid it out, is something that's going to be there with a very long tail to it. So, I guess, the question is when you price or bid on business in the United States, do you objectively include that as essentially something that gives you a pricing advantage for business? And if not, why not if it's going to be there for a long time?

MIKE CORBAT: Well, I think the answer, Guy, is that's your capital and we shouldn't be using your capital to rationalize a bid. The way we think about it is we think of what is a hurdle – above hurdle return and the usage of that DTA is a benefit. So in a world where we had two transactions that produce the same returns, one utilized DTA and one didn't, we'd always opt towards the DTA. But if we looked and set a hurdle rate and said then let's add in DTA, we're actually destroying the value of that DTA by moving it into our pricing assumptions and we don't do that. But as we look at deals, we obviously like and tend to skew towards ones that have got the ability to use DTA.

SPEAKER #1: Two quick questions. One, I didn't hear it today the words repositioning and legal charges, is that basically behind us?

JOHN GERSPACH: Oh, Susan, we left that out of the script. Yeah, we think that repositioning and legal, those were important elements of expense to break out at a period of time when we were going through a lot of repositioning and we had our legal charges. But we didn't see that as being part of 2017 so effective with beginning of this year we stopped reporting legal and repositioning. It's just built into our normal expense rates. And that's the way that we would continue to think about it going forward.

SPEAKER #1: Okay. And a second question, I believe I heard correctly, the Corporate and Investment Bank had 5 basis points of charge-offs over the last five years or six years?

JOHN GERSPACH: Averaged.

SPEAKER #1: Yeah. Is the organization actually taking enough risk to achieve our cost of equity of 10% or has the organization become actually too risk-adverse?

MIKE CORBAT: Well, I'll have Jamie answer, and I'll start off. If you talked to some of our businesses they would argue that we have become too risk-adverse, but we don't necessarily know where we are in the cycle. I think we're fortunate that the cohort of clients that we cover tend, as we've described, to be multinationals, largely investment-grade. And again if you look at that, we're not just simply measuring over the short cycles, but the longer cycles. And as I said, we believe we've got a responsibility and we believe it's in our and our shareholder's best interest to show from a credit perspective that we can manage this franchise without taking big lumps along the way.

JAMIE FORESE: So I think that's a great question. The question is really are we taking enough risk to balance risk and rewards for all of you as shareholders in the company. And we maybe still a little gun-shy post the crisis, but it's something that we wrestle with constantly to try to strive to find the right balance.

I think the one thing that we're very mindful of is that at some point whether we're still the management team or not, another crisis is coming our way. We don't know if it will be just as severe as the past crisis, hopefully not. And we don't know what will cause it and we don't know exactly when it's coming, but I think we'll all be pretty confident that it's coming. When it comes, I think the one thing that we are all signed up to ensure is that it is not anywhere near as damaging to the current valuation of the company or to our business model as we move forward. I'd like to think that the next time when the crisis comes, we're going to be in a position to take advantage of it, not to suffer from it.

So we're minded as we think about taking risk as to what the stress losses associated are with what we're doing because we are not trying to outsmart the timing of the next crisis or the severity of the next crisis. We are assuming that it's coming, but when it comes we just want to make sure that it is not so damaging or devastating to us that we can't take advantage of it going forward. So it's something that it's real-time we ask ourselves as we think about the risk appetite that we have and we really strive, not to be risk-adverse, but to find the right balance between risk-taking that allows us to be a sustainable franchise over time.

SUSAN KENDALL: Okay. I think that actually concludes the time for today. Thank you all for joining us today. We appreciate all the time that you spent with us. And if you have any follow-up questions, please reach out to me or to my colleagues in Investor Relations. Thank you.

