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PRESENTATION

GERARD CASSIDY: Good afternoon, everyone. Thank you for joining us for the fireside chat with Jane Fraser, she really doesn't need much of an introduction, but I will say a few things. She's been CEO of Citigroup since March of 2021. She joined Citigroup about 19 years ago and held the number of CEO positions within Citigroup, working her way up to the position she has today. As many of you know, Citigroup is our third largest bank in the United States, it has about $2.4 trillion in assets, it has a market capitalization of about $106 billion and has a very healthy CET1 ratio of 13.4%. So, Jane, thank you very much for coming. I really appreciate it.

JANE FRASER: Thank you, thank you very much for having me here.

GERARD CASSIDY: You're welcome. I feel privileged to have you here. So, thank you. Maybe to start off with, we can talk about the progress to date that you've been working on since two years ago from your Investor Day, where you and Mark and the other senior management team members laid out what you were planning to do. And with that, I'll pass it to you.

JANE FRASER: Thank you. Well, we've been on a very deliberate path. We started with the vision for the bank, which revolves around our clients with cross-border needs. Then we set out the strategy of the five different interconnected businesses that we have. And in the last two years, we've just been very active at executing against that, boldly and swiftly. So if I run through some of the different pieces. We've now organized around the five different businesses. We've been investing behind them, making sure we're beginning to realize the synergies and I suspect we'll dive into some of them in a bit more detail shortly.

And we've also been focused on getting our exits of our consumer franchises internationally done. So we've closed all nine of the franchises that were up for sale, so that's done. We have three different markets that are in wind-down, we're over 70% complete in terms of the assets and the retail deposits in the wind-down there, so very swift. And I was in Mexico last week and we are well on track for the separation into the two banks there in the second half of this year and the IPO of Mexico next year. And as I've got our shareholders in front of us, important to point out, $6 billion of capital that has been released so far from that. But we also had stranded costs related to it, about $3 billion of stranded costs, and we have got $2 billion of those already saved and addressed. So I think really good progress on that front.

And then with those divestitures done and the exits done, that enabled us to get our organization model and management model in-line with our strategy. And that has been going on since September. We will be complete at that at the end of this month, so that will be done. So we can look nicely forward to have the organization then focused on the forward view of Citi wholeheartedly.

And then transformation. We have been busy transforming the bank as well because we didn't have enough other things to do. So we've been focused on technology and we've been focused in particular on getting us onto a much more modern infrastructure for the bank, driving into better data capabilities and governance into our risk and controls and into automation. So big agenda there, which is also addressing the consent orders that we have.

And then finally on the talent front, we've definitely been on the front foot there. And I've been pleased with our ability to get the best talent in the individual areas that we're looking at. So Andy Sieg an example around the table in Wealth. But this quarter, with Andrei Magasiner, who's going to be joining us on April 1 as our new Treasurer, and Vis Raghavan, who will be joining us as our Head of Banking.

So, I feel good that we've got a lot of the decks cleared over the last couple of years of different things that are going to enable us to focus on our core business performance and to focus on the transformation that we need to do and have the bank realize its potential.

GERARD CASSIDY: Very good. And I remember at Investor Day two years ago, you, Mark and others were very frank about the challenges that you had in front of you and what you had done previously. It was not up to really the standards that you wanted it to be up to. In this divestiture period, with all of the geopolitical issues, you had curveballs thrown at you during this last two years. How would you rate yourself in terms of what you were hoping to do and where we are today?

JANE FRASER: We're slightly ahead of where we thought we would be. So, if we look at a lot of the org. simplification, we were able to pull that well over a quarter earlier than we expected. And most people tell us that if you're going to do a big reorganization and simplification of the order we have, it normally takes you 12 months. We've done it in 6.5, so that's been very swift.

I think we've had geopolitical, we've had regulatory, we've certainly had macroeconomic challenges that have affected us, our clients, the industry across the board. I think everybody's learned how to be a lot more adaptable. So, we've been swift at adapting but still continuing to deliver what we said we would deliver. And we deliberately set the strategy out that way. So, we weren't expecting it to be dull and it wasn’t, but we've adjusted.

GERARD CASSIDY: That's for sure. In fact, how challenging is it to do a reorganization, divest what you've divested, and then running your day-to-day business? How do you balance that out to keep everybody focused in the right area?

JANE FRASER: Well, I think it comes from the clarity. So, it comes from the clarity of the vision which we were able to say this is what Citi is, which before was a little bit more convoluted and now we say it really is around these five interconnected businesses. It's around a client base that is largely those multinationals, be it midsize, be it large corporations or investors, who have cross-border needs. And then, of course, our US Personal Bank here at home. And that simplicity does help drive it.

We also knew what were the issues that held us back from accountability, being more shareholder driven the need for that, and around the need to get our risk and control environment and our infrastructure modernized. So, it's not rocket science what we're doing. I think it's this clarity and then we just make sure that we execute and get on with it. So, that's what we've been doing. Stick to the plan, head down and just relentlessly execute.

GERARD CASSIDY: Very good. In talking about simplicity, can you remind us some of the layers that you've kind of removed just so people can understand that there's real accomplishment here?

JANE FRASER: Yes. Thank you. So we, as I say, the simplification, the goal here is we want to make the org. structure and our management structure line up with the bank we are today, and not the bank we were when we were more of a financial supermarket as it were. So, now it's around the five businesses. It enabled us to greatly simplify the organization management structure and there's a number of dimensions to it.

The first one, and really three things that we were focused on – first was bringing the five businesses up to report directly into me. So, we're eliminating the layer beneath me and bringing that straight up. And that helps drive accountability and transparency, which I think you would have seen from the reporting structure that we now have that we're giving all of our shareholders and investors a lot more transparency there. The second piece was around our international franchise because we're not running local retail banks everywhere, we can simplify that tremendously. We put it, streamlined it, and put it under a much slimmer and more streamlined international organization. And I'll run through some of the benefits from that in a minute.

And probably the most important, made us a lot more client-focused, we freed up a lot of people's time from unnecessary governance management layers and various other pieces to put a lot more time on their clients. Even our major revenue producers are seeing a big difference on that. So, those were the three main changes.

Then if we translate it into organization, look at the health metrics, we will at the end of this month, when we are done and we are then moving forward into sort of what I call BAU mode on the simplification front, we will have just over 98% of the firm will be operating under 8 layers. We had many, many more before, so that is a dramatic simplification of the organization. Similarly, with the span of control, we're looking at increasing the span of control for our managers by at least two, we will be there.

We've also reduced down the ratio of non-producers to producers. So to help us drive productivity and the organization. We've been also looking how far down managing directors go in the institution and make sure we don't have, you know, not the best balance there and we've got into a really strong one now. Similarly, we've been taking out co-heads, we've been taking out matrix reporting lines. So, we have a very, very clean and much flatter and therefore more agile structure.

Next thing on it is getting governance into better shape. So, we have taken out a lot of committees. I'll give an update on exactly where that came to in terms of the percentage and I'm not sure if you will be delighted or horrified by how many we were able to take out. But a lot of simplification of governance and again, clarity of accountability.

Third area that we've also been focused on is structure. So looking at our Banking organization, we put the investment bank, the corporate bank and commercial bank under one umbrella – greatly simplifies driving synergies in the firm, consistency of delivery to clients and we've also been making sure that all the ways that our different control units operate is absolutely standardized across the firm. So everything is much simpler and streamlined, so that again makes execution of our transformation easier. So these are the types of changes, getting rid of joint ventures that we have and having one unit accountable to really driving a particular business, Financing and Securitization under Markets is an example.

And then finally getting that transparency for everyone. There is a bright, shining light on every single one of our five businesses. Because you've seen it. We've laid bare the financial performance of every single one of those franchises down to the RoTCE numbers that are so critical for our medium-term targets. There's nowhere to hide from you or from me, and Mark. So from that perspective, I mean this, when we talk about this being consequential change in Citi, it is significant. And at the end of the first quarter, when we do the earnings, we'll give you the financial results that we actually achieved, and I confidently expect them to be slightly better than what we talked about. But it's not just the economics, this is a different Citi. It's been a lot of work.

GERARD CASSIDY: Absolutely. And speaking of 2024, if you had to rank the priorities, obviously Mexico, is that the biggest? Or when you talk about the reorganization of what's left to do, how do you rank that?

JANE FRASER: Yeah, it’s really only Mexico. So, it's the separation of Mexico into the institutional business, which is a very important hub for any institution, particularly American these days, but not only at the nearshoring where we're seeing all the FX, trade, cash management, etcetera, that we dominate there. So that franchise gets separated out from Banamex. We've announced two separate management teams already. We have a highly respected Chairman, Nacho Deschamps, who is the head of International for Scotia, to be head of Banamex as Chairman helping drive the IPO process there. And we're on time for everything that we're expecting, I would say, down on the ground there. So, we'll have the full separation in the second half of next year. But we've got all of the testing been going since October. And I'm feeling as confident as one ever can do when you've got a big project like that. But of that, of all the divestitures, it's really that and the last billion of the stranded expenses, which we’ll get a good benefit from the expense base in this year from the expenses we took out before.

GERARD CASSIDY: In the separation as you refer to between Mexico and Citi will be the end of this year and then the IPO?

JANE FRASER: Second half of the year and then the IPO 12 months after.

GERARD CASSIDY: And market conditions, I guess, impact the decision when to do the IPO?

JANE FRASER: Yes, we'll have to see what the market conditions look like at that point, but we'll be ready from then on. And we'll be making that decision based on the timing and on what's in the shareholders' best interest. We're very clear of where the priority sits.

GERARD CASSIDY: Speaking of IPOs, maybe we could talk about outlook. And maybe we start off with capital markets, what are you hearing from your clients in Markets and Investment Banking and with the investment banking activity?

JANE FRASER: Yes, and I'll give some guidance on the numbers as part of that. So look, on the corporate side, I think sentiment is definitely improving. When we see it, it's not back, we had a wallet of sort of $65 billion last year, so $80 billion, $83 billion is probably a reasonable range for this year. M&A, we've had some good announced deals coming out, but there's obviously a lag to when that converts into revenue. So the M&A numbers in terms of closed have been lower, but the announced is the leading indicator. ECM has been a bit slower than everyone thought it would be and LevFin, but it's picking up. And DCM has been extremely active.

And I think the sentiment from clients, North America is more on the front foot. I think the European clients are a little bit more concerned around their competitiveness, both given the cost of energy, and given labor productivity and competitiveness, whereas the US just feels more on the front foot. And I think the only real concerns from corporates is obviously the rate environment is framing a lot of decisions at the moment. Middle East a little bit mainly around shipping and around supply chains rather than the oil markets.

So you put all of that together, I think we'll see, continue to expect to see strong DCM this year, this quarter, say ECM a little bit more muted than expected and M&A as we talked about with the lag. So bottom line, our investment banking fees, our expectation, quarter-over-quarter is it will be up in the low teens.

And then on the Markets side, certainly risk on for many investors beginning of the year and January was very active and we saw it particularly in FICC in the, in spread products. Equities had a good run across the board. We saw asset management, banks, treasurers very active in the primary issuance market and buying that up, but a lot more, more tepid from everyone in the secondary markets, particularly the private equity and the asset managers. I think a lot of people in rates have been waiting to see because of the uncertainty around timing and magnitude of cuts. So rates has been more, has been a lot quieter than usual. And then the hedge funds as well have been a little less active. So I think people have been looking at data in the active space are really looking at the data before they're willing to commit capital.

So what does that mean in terms of the Markets, where we had an extraordinary first quarter last year, which you love at the time, and then you always regret it 12 months later, particularly on FX and rates. So I think this time we're expecting to see our Markets overall probably down year-over-year, 8% to 12% range is the expectation for the quarter. But that's off the back of a really strong rates and FX last year.

GERARD CASSIDY: In the investment banking numbers, just to be clear is year-over-year?

JANE FRASER: Quarter-over-quarter. Because I think at the moment when we're looking at it, you're looking at what's the momentum. So it's the investment banking fees quarter-over-quarter up low teens.

GERARD CASSIDY: And so quarter-over-quarter is to first quarter last year?

JANE FRASER: No. Quarter-over-quarter, fourth quarter, yeah. And I think that's consistent with what you're hearing from others.

GERARD CASSIDY: Correct. On the strength of last year's Markets, how much did the switch over from LIBOR to SOFR help that? Was that a factor in why business was so strong?

JANE FRASER: No. For us, if you think of what Citi is, I mean, we're just we're everywhere geographically. And when you've got volatility around exchange rates, interest rates and commodities, we were hedging a lot for a lot of multinational companies. So I think the difference for us versus others is the strength of that corporate base, and they tend to be a more stable base. But with everything happening geopolitically in the world and macro and other dimensions, it was an incredibly active first quarter on that front and we certainly saw a lion's share of that.

GERARD CASSIDY: Continuing with the outlook for the quarter. What are you guys seeing for expense growth? And then second, credit, obviously, you've got a big US presence here in credit cards, maybe you can share with us your thoughts on what you're seeing?

JANE FRASER: Absolutely. So on the expense front, I think fairly simply, we're being very disciplined about our expenses whilst we're making the investments we need in our core businesses and in the transformation we've got. So we'd expect for this quarter, I think roughly, really in-line with what Mark has been guiding to see just a bit over $14 billion of expenses. But that also includes the severance and restructuring associated with org. simplification and the other actions that we've been announcing.

And on the credit side, you know, it's really in-line with what we thought it was going to be on the consumer front. So, if we look at Branded Cards for the full year, we would be expecting about 3.5% to 4% of the NCLs range coming in for the full year. And on the CRS, which is, tilts a little bit more to off prime in the base, and on that one, we'd expect to see more at the 5.75%, 6.25% range. So, nothing particularly perturbing there. I would say that's for the full year. I would note, particularly for CRS, it's seasonal, it's a very seasonal business. So, when you look at it, expect the seasonality and I think the full year numbers are going to also get a bit affected by payment rates, as well as by what's happening with the sales from our partners' sales, as well as obviously the actual losses. So, those two factors affect ANR on the one hand and the losses we get. We do have partner sharing, loss sharing. So, you will see part of that be kicked back up in the non-interest revenue line. So that, that's really on the consumer front.

Corporate side, balance sheets are very, very healthy. So, we're really not seeing anything much there. And I know everyone's very focused on commercial real estate, particularly the office space, it's not really a factor for us. We have a very, we've got a very healthy portfolio. We keep a very close eye on it, but it's not really material.

So for the, we'll be looking at about $2.7 billion of total cost of credit when you bring all of that together for the quarter. And we're quite, we prefer to be conservative in our assumptions that go into our macro models so we find that often is the better way to go, given where credit is, but I'm not worried about credit.

GERARD CASSIDY: Coming back to the corporate comment, that it's so strong. When you talk to the CEOs of your corporate base, what are they, why are they, why is it so good? I mean, we've had 500 basis points of rate increases. And you're right, the corporate market's very healthy.

JANE FRASER: I think they've done a very good job on balance sheet management. We obviously tilt because we've got that 90% of our clients internationally are investment grade and 85% of all of our wholesale portfolio. So we're going to see typically in our client base ones that have really been out to take advantage of the longer tenure and low interest rate environment, so they're particularly healthy compared to others. And we're pretty good at selection around this, we put a lot of time and effort into it. So their balance sheets are healthy. And look at healthcare in the US, look at technology, look at energy and energy transition. You're seeing a lot of Europeans investing into the US as well as taking advantage of the lower cost base in Asia. In the US, we've also got more of the nearshoring, friend-shoring, Mexico benefit happening, etcetera. We're seeing productivity numbers kicking in. So, I think the US, I would never bet against an American entrepreneur.

GERARD CASSIDY: I agree, I have one in my family. Anyway, the full year, when you look at your expenses, you and Mark on the fourth quarter call were clear that you think you can have...

JANE FRASER: They're coming down.

GERARD CASSIDY: $53.5 to $53.8 billion. Are you still comfortable with that? And second, could you carve out the severance or the one-time?

JANE FRASER: Actually, one thing I do want to make clear is all of the numbers on expenses are pre the FDIC because they may, they're going to make a likely change in the special assessment. We don't know what it is. We don't expect it to be huge. But the guidance I'm giving, given we don't know where that is, is ex. that.

No, we're with the guidance we gave. We're being very focused around it, and you'll see the, you'll also see within that number, there's about $700 million to $1 billion of severance and restructuring included in that guidance. So that is included in there.

GERARD CASSIDY: Got it. Very clear. Maybe we could talk about Basel III Endgame, capital, buybacks. What are you guys thinking? What are you hearing? Obviously, you're critical to that process. Maybe just share your thoughts, please.

JANE FRASER: I don't think a lot of new news for you there. So given where we're trading, we clearly want to do buybacks. Equally, I don't, we don't want to make commitments on them until we know what the Basel III Endgame is. I think we've been fairly clear about our concerns with that set of proposals for the system, particularly around availability of credit, particularly for the lower income and the smaller business owners around it and smaller banks and the like.

We're concerned about international competitiveness, I mean, comparing the US to the European regime in particular and we are also concerned that whilst a healthy non-bank sector is good, when it gets too big, it gets problematic. And so, I think that balance, we're getting into a more concerning zone of the growth of certain sectors in the non-bank financial system. So, I think those will be unintended consequences that people should have eyes wide open on and that we're certainly active as is everyone in pointing those out. But until we know what it is, we gave the guidance of where we think the upper range is of the impact for us, which is sort of 16% to 20% of capital, we'll obviously look at mitigants once we know exactly where the rules come out.

GERARD CASSIDY: And you guys have succeeded in passing CCAR every year and the new scenarios are out. I assume you guys are very comfortable with those.

JANE FRASER: We are extremely comfortable with our capital, we have 13.3% CET1 ratio, it's actually slightly higher than that at 13.4% at the end of the fourth quarter. We have abundant liquidity and our clients do like giving more to us when things get challenging. We've got $22 billion of reserves in the credit space and a very high coverage on it. And we're not the bank we were, we have very high credit ratings. And as I say, 90% of our wholesale credit internationally and 85% for the whole of the wholesale credit is investment grade. And we have a very prime heavy offering in our card franchise where we're about 80% across the 2 franchises that is 680 and above FICO, so really high prime. So as I say, we're in a very strong position. So whatever the world throws at us in the next, in the coming years, we'll be in a position to support our clients and focus on them.

GERARD CASSIDY: Yeah. We're wrapping up here with time. So maybe in what we've covered here today, what's your level of conviction of that medium-term 11% to 12% return on tangible common equity goal that you have set out? And then second, what do you want investors to take away from today's discussion?

JANE FRASER: Look, we have high and determined conviction behind the medium-term targets and then over the longer run, continuing to improve upon them. We are very focused now that the decks are clearer, of all the things I started off with that we can focus on driving the returns and the growth of our five core businesses and the different synergies between them. We are focused around our expense discipline as well as the different investments that we need to make in our core businesses and in the transformation that we need to. But we've laid out a pretty clear path from the exits, the stranded costs, getting out of hobbies and some of the noncore businesses that we've been in and getting that expense base into the right shape and rightsizing the expense base of our businesses. You'll see that in Wealth and you've seen that in Banking. You'll see that across the board.

And we've been very disciplined in our capital. Markets, we took 20% of RWA out of Markets in the last couple of years or so, it had a small impact on revenues, but not a huge one. So, I think the message to you is we're making fast, rapid progress. We are being bold. We're being extremely disciplined in how we execute. It's always a bumpy road, a transformation of this magnitude, there's going to be bumps in the road geopolitically, macro, regulatory, etcetera. Anything of this scale will have them, we're just getting on with it. Heads down. Get on executing and you're seeing us delivering what we said we would. But we're also resilient and determined.

GERARD CASSIDY: And when you look at the fundamentals of driving to get to that medium-term RoTCE number, does managing, and after all the Basel rules are in place, maybe this may be longer than in the medium-term, how much more important will managing the excess capital be to take that RoTCE even higher?

JANE FRASER: Given where we're trading, it's a very important piece. Every decision we make is very mindful of what the bar is for our, in terms of giving money back to our shareholders versus investing in the firm itself. And you've seen that with decisions that we've made to exit some of the smaller businesses. You see it in decisions we make with partners where their card programs come up for renewal and the like. We are obsessively focused around returns, but not just running the bank for the short run, running the bank for the long run. We're not going to make mistakes that we've made in the past on that. And you will see more and more the results and you have the complete transparency to hold us accountable to them, as I'm holding our team accountable and myself for it. We're getting this done.

GERARD CASSIDY: Great. And with that, we've run out of time. So please join me in a round of applause thanking Jane.

JANE FRASER: Thank you.

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