

Citi Second Quarter 2026 Earnings Call

July 14, 2026



Host

Jenn Landis, Head of Citi Investor Relations

Speakers

Jane Fraser, Citi Chair and Chief Executive Officer

Gonzalo Luchetti, Citi Chief Financial Officer

PRESENTATION

OPERATOR: Hello and welcome to Citi's Second Quarter 2026 Earnings Call. Today's call will be hosted by Jenn Landis, Head of Citi Investor Relations. We ask that you please hold all questions until the completion of the formal remarks at which time you will be given instructions for the question-and-answer session. Also, as a reminder, this conference is being recorded today. If you have any objections, please disconnect at this time.

Ms. Landis, you may begin.

JENN LANDIS: Thank you, operator. Good morning and thank you all for joining our Second Quarter 2026 earnings call. I am joined today by our Chair and Chief Executive Officer, Jane Fraser, and our Chief Financial Officer, Gonzalo Luchetti.

I'd like to remind you that today's presentation, which is available for download on our website, citigroup.com, may contain forward-looking statements which are based on management's current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from these statements due to a variety of factors, including those described in our earnings materials as well as in our SEC filings.

And with that, I'll turn it over to Jane.

JANE FRASER: Thank you, Jenn, and good morning to everyone. Our momentum continued and the second quarter capped a very good first half of the year. This morning, we reported net income of \$5.8 billion for the second quarter, with an EPS of \$3.15 and an RoTCE of 13%.

This was Citi's best quarterly revenue in a decade, which we delivered with over 9% positive operating leverage. Once again, we saw double-digit revenue growth for the firm and in four out of our five businesses. We improved our RoTCE for the firm by 430 basis points and had significant improvement in the returns of every single business. The combination of our investments, disciplined execution, and focus on clients is delivering improved returns and more durable results.

Let me take you through our five businesses. Services delivered its highest ever quarterly revenue and a return of over 30%. Clients continue to lean on our global network more and more – we saw a 13% increase in cross-border transactions and a 19% increase in deposits. Our assets under custody and administration were up over 20% as we onboarded funds and deepened existing relationships. This is the power of our network, and it's a franchise that is very hard to replicate.

Markets revenues were up 17% and crossed \$7 billion again, as sentiment stayed positive throughout the quarter. Equities was up over 40% with prime balances up nearly 60%. Underneath FICC's 7% growth, FX and spread products continued to shine in yet another example of our global network doing exactly what it is built to do for our clients. This offset Rates' lower performance.

Banking revenues climbed 34% led by a sharp increase in financing activity amidst an overall strong wallet. Investment banking was up 44% as we gained share in equity capital markets. We played a role in the majority of the top equity and debt issuances in the quarter, including lead roles on high-profile IPOs such as SpaceX and Cerebras. As we enter the second half, the pipeline looks healthy. And we are continuing to invest in talent to fill the gaps in our coverage to gain share – including in M&A.

Wealth revenues increased for the ninth straight quarter, up 13%, with growth across all three businesses

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while returns improved to over 14%. Client investment assets were up 14% and net new investment assets have reached \$30 billion so far this year. Almost two-thirds of that NNIA growth came from deepening relationships with existing clients, and referrals from the retail bank to Citigold were up 23%. You are now starting to see the tangible benefits of integrating our retail branches into Wealth.

In U.S. Consumer Cards, investments in our products and partners, which shows up in both revenue and expenses, impacted our operating leverage this quarter. But it's these investments, such as our acquisition of the AA Barclays portfolio in April, that will drive future growth in our general purpose portfolio. Furthermore, our resilient customer base kept fueling underlying drivers – loan growth, higher spend and better credit performance than expected. This resulted in the RoTCE increasing to 22%.

During the quarter, we completed the sale of our consumer business in Poland. We also closed on the sale of an additional 22.6% equity stake of Banamex, and we remain on track to close on an additional 1.4% this summer which will bring the total amount to 49%.

Simplifying Citi through these international consumer divestitures, along with higher PPNR and lower stress losses, contributed directly to our stronger showing in the Fed's stress test last month and we plan to increase our dividend by 12%. We launched our \$30 billion common stock repurchase commitment by buying back \$4 billion during the quarter. Our CET1 ratio stood at 12.8% and remains about 120 basis points above our current regulatory minimum.

We continued to make progress in our transformation with a large body of work passing internal audit validation. As much of the transformation work winds down, we are not only taking down expenses, but we are applying what we learned about large-scale implementation to integrate AI into our businesses and functions wherever it makes sense.

Nearly nine out of ten of our people are using our AI tools. That is not only driving productivity and client experience, but also growth, helping us bring products to market significantly faster – as we are doing with Payments Express in Services and with our Citi Wealth Advisor Insights platform.

On the macro-front, the conflict in the Middle East has weighed a bit on global growth whilst giving inflation a second wind. In the U.S., growth is roughly where it was a year ago and the labor market remains stable. But it's a nuanced story because that growth is not lifting all boats.

The extraordinary investment in AI – and its supporting cast of semi-conductors, data centers and related infrastructure – is providing a tailwind in the U.S. and parts of Asia, while a more vulnerable Europe faces yet another competitive headwind. Above all these dynamics, we see real resiliency in our corporate clients, who bring strong balance sheets and a proven adeptness at managing the complex environment.

You've heard me say many times that Citi's success won't follow a straight line – but the rigor and consistency with which we have executed the strategy we first laid out for you in 2022, and reinforced at our Investor Day in May, has put Citi back in the game. And our people deserve enormous credit for getting us to this position.

We have elevated Citi into a new growth mode. Our returns are improving; and the conversation around this firm has changed. We continue to do the things we said we would do, such as investing in the businesses whilst we take down our transformation and stranded costs. Despite the usual seasonality in the second half of the year, we feel very good about our ability to hit our 2026 return target – and then to reach the targets we shared with you in May.

And to be clear, if conditions stay constructive, we intend to take advantage of that. We'll lean in — with additional investments and other actions — to create value for our shareholders over the medium term. A stronger environment is not just upside to report; it's an opportunity we'll put to work.

And finally, as you all are aware, this is Jenn Landis' final earnings call before she becomes our chief financial officer for Markets. Jenn came to Citi almost five years ago just after I became CEO. Over that time, she has re-established trust and credibility with the investor community and rebuilt our Investor Relations team, which is now recognized as one of the best on the street.

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You can see her fingerprints on our disclosures, our financial communications and events such as our recent Investor Day. She has worked tirelessly to make sure you understand where we were going and how we will get there. So, Jenn, thank you very much indeed.

Before I turn it over to Gonzalo, I would like to thank FIFA for scheduling Argentina's semi-final match in Atlanta for tomorrow and not for today. I shudder to think what choice Gonzalo would have made in that situation. Gonzalo, over to you, and then we would be delighted, as always, to take your questions.

GONZALO LUCHETTI: Thank you, Jane and good morning, everyone. First, I can neither confirm nor deny what decision I would've made in that situation. And second, I would like to echo Jane's sentiment regarding Jenn's final earnings call as Head of Investor Relations. Jenn has been a great partner to me, to Jane and to the broader leadership team. Since taking over Investor Relations in 2021, she has built strong relationships across the investor and analyst community and helped ensure that Citi's strategy is communicated with clarity, credibility and consistency. We look forward to seeing her continue to make an impact in her new role. On behalf of the entire management team, thank you, Jenn, for your leadership, your counsel and your many contributions. I'm also very pleased to have Margo Pilic stepping into the role of Head of Strategy, M&A and Investor Relations. Margo comes to this role after five years as Jane's Chief of Staff and brings deep knowledge of our strategy, priorities and organization after more than two decades at the firm. I look forward to working with Margo in her new role, and I know she will do a tremendous job. Now getting to the quarter, I'll start with the firmwide financial results, focusing on year-over-year comparisons unless I indicate otherwise, then review the performance of our businesses in greater detail.

On slide 4, we show financial results for the full firm, which demonstrate the progress we've made and the momentum of our strategy. This quarter we reported net income of \$5.8 billion, EPS of \$3.15 and an RoTCE of 13.0% on \$24.8 billion of revenues, generating positive operating leverage. Total revenues were up 14%, with growth driven by each of our businesses and Legacy Franchises, including the impact of FX translation, partially offset by a decline in Corporate/Other. Net interest income excluding Markets, which you can see on the bottom left side of the slide, was up 6%, driven by growth across all businesses and Legacy Franchises, partially offset by a decline in Corporate/Other. Non-interest revenues excluding Markets were up 39%, driven by growth in All Other, Banking, Services and Wealth, partially offset by a decline in U.S. Consumer Cards. Excluding All Other as well as Markets, non-interest revenues were up 18%.

And total Markets revenues were up 17%. Expenses of \$14.2 billion were up 5%, with an efficiency ratio of below 58%, which I'll provide details on shortly. And cost of credit was \$2.5 billion, primarily consisting of net credit losses in U.S. Consumer Cards as well as a firmwide net ACL build of \$118 million. Looking at the firm on a year-to-date basis, we generated positive operating leverage, with total revenues up 14%, driven by growth across all businesses and Legacy Franchises, including the impact of FX translation, partially offset by a decline in Corporate/Other. And expenses, which have also been impacted by FX translation, up 6%. As we reported an RoTCE of 13.1%.

On slide 5, we show the expense and efficiency trend over the past five quarters. As I just mentioned, expenses increased 5%, primarily driven by our continued investments in the front office as well as higher volume and revenue-related expenses. This increase is reflected in compensation and transactional and product servicing costs. And we also saw an impact from FX translation across our expense base.

The benefits of our past investments and productivity efforts have allowed us to gain efficiencies across our expense base and reduce our headcount to 219,000, with over \$800 million of severance incurred year-to-date. We continue to invest in areas such as technology, including AI, and we would expect an increase in productivity saves over time. And it is worth noting that this expense increase was against 14% revenue growth, resulting in an improvement in our efficiency ratio of over 500 basis points.

On slide 6, we show U.S. Cards and corporate credit metrics. As I mentioned, the firm's cost of credit was \$2.5 billion, primarily consisting of net credit losses in U.S. Consumer Cards as well as a firmwide net ACL build. Our reserves incorporate an eight-quarter weighted average unemployment rate of 5.3%, which includes a downside scenario average unemployment rate of nearly 7%.

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At the end of the quarter, we had over \$22 billion in total reserves with a reserve-to-funded loans ratio of 2.5%. We continue to maintain a high credit quality card portfolio, with approximately 86% of balances extended to consumers with FICO scores of 660 or higher, and a reserve-to-funded loan ratio in our U.S. Cards portfolio of 7.6%. Looking at the right-hand side of the slide, you can see that our corporate exposure is 79% investment grade, and in the quarter, corporate non-accrual loans, as well as corporate net credit losses, remained low. We are confident in the high-quality nature of our portfolios, which reflect our robust risk appetite framework, rigorous client selection and our focus on using the balance sheet in the context of the overall client relationship.

Turning to capital and the balance sheet on slide 7, where I will speak to sequential variances. Our total assets of \$2.9 trillion increased 4%, driven by growth in trading-related assets. Net end-of-period loans increased 4%, primarily driven by growth in Markets and U.S. Cards. Our \$1.5 trillion deposit base remains well diversified and increased 3%, driven by growth in Services, as we continue to deepen with clients with a focus on high-quality operating deposits. We maintained a 114% average LCR and over \$1 trillion of available liquidity resources.

In the second quarter, we continued to deploy capital to support client-driven growth while at the same time, prioritizing the return of capital to common shareholders, as evidenced by the \$4 billion in buybacks. We ended the quarter at 12.8% CET1 ratio under the binding Standardized Approach, approximately 120 basis points above the 11.6% regulatory capital requirement, as we continue to target a CET1 ratio around 12.6% under the existing rules and requirements.

While our SCB remains at 3.6%, as we announced in June, we were pleased to see the continued improvement in our DFAST results and the corresponding implied SCB of 3.3%, which marks a reduction for the third consecutive year, demonstrating the execution of our strategy and improved business performance which has resulted in growth in PPNR and greater resilience in stress. And as a reminder, we plan to increase our quarterly common stock dividend by 12% beginning in the third quarter, subject to quarterly Board approval.

Turning to the businesses on slide 8, we show the results for Services in the second quarter. Revenues were up 18%, driven by growth across both TTS and Securities Services, reflecting the benefits of our continued investments in the business. NII increased 18%, primarily driven by higher average deposit balances. NIR increased 16% as we continue to see strong activity and engagement with both corporate and commercial clients and across key high growth segments, including eCommerce and FinTech, driving momentum across underlying drivers, with cross-border transaction value up 13% and assets under custody and administration up 22%, which includes the impact of market valuations as well as new assets onboarded. Expenses increased 5%, driven by higher volume-related expenses as well as higher performance and other compensation expenses. Average loans increased 10%, primarily driven by export agency finance and working capital loans. Average deposits increased 19%, with growth across both North America and International, largely driven by an increase in operating deposits, as we continue to deepen relationships with existing clients and onboard new clients. Services generated positive operating leverage and delivered net income of \$2.6 billion with an RoTCE of 30.9% in the quarter and 29.0% year-to-date.

Turning to Markets on slide 9. Revenues were up 17%, driven by growth across both Equities and Fixed Income, with strong momentum across client segments, including corporates, asset managers, hedge funds and banks. Fixed Income revenues were up 7%, driven by growth in Spread Products and Other Fixed Income as well as Rates and Currencies. Spread Products and Other Fixed Income was up 25%, driven by growth across both financing and credit trading in spread products as well as growth in commodities. And Rates and Currencies was up 1%, with growth in currencies on higher volumes, reflecting strong client engagement, offset by lower revenues in rates. Equities revenues were up 45%, driven by continued momentum in derivatives and prime services, as we grew prime balances by nearly 60%, with growth across both new and existing clients as well as higher market valuations. Expenses increased 8%, driven by higher performance-related compensation and volume-related expenses. Average loans increased 29%, primarily driven by financing activity in spread products. Markets generated positive operating leverage and delivered net income of \$2.4 billion with an RoTCE of 17.0% in the quarter and 17.8% year-to-date.

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Turning to Banking on slide 10. Revenues were up 34%, driven by growth in Investment Banking, partially offset by a decline in Corporate Lending, excluding mark-to-market on loan hedges. Investment Banking revenues increased 44%, reflecting a strong wallet, driven by growth in DCM and ECM, partially offset by a decline in M&A. DCM was up 65%, resulting in our second best quarter ever, with growth across leveraged finance and investment grade. ECM was up 92%, amid very strong market conditions, with growth across all products, led by strength in IPOs and follow-ons, where we participated in 8 of the top 10 ECM deals of the quarter. And while M&A was down 4%, we maintain a healthy pipeline and continue to have meaningful strategic dialogue with our clients. Corporate Lending revenues, excluding mark-to-market on loan hedges, declined 4%. Expenses increased 7%, driven by higher performance-related compensation and investments, as well as higher volume-related expenses. Cost of credit was \$242 million, consisting of net credit losses of \$138 million and a net ACL build of \$104 million. Net credit losses were driven by loan sales, for which we had previously reserved. And the net ACL build was driven by exposure growth, largely offset by reserve releases covering losses on the loan sales. Average loans increased 5%, as growth in loans associated with investment banking activity more than offset the decline in corporate lending balances. Banking generated positive operating leverage and delivered net income of \$350 million with an RoTCE of 18.0% in the quarter and 16.9% year-to-date.

Turning to Wealth on slide 11. Revenues were up 13%, driven by growth across all businesses, with 17% growth in Citigold and the Retail Bank, 5% in the Private Bank and 3% in Wealth at Work. NII, which you can see on the bottom left side of the slide, increased 18%, driven by higher deposit spreads and average balances, partially offset by lower mortgage spreads. NIR was up 4%, as we continue to see growth in investment fee revenues, which were up 20%, primarily offset by the absence of the approximate \$80 million gain on the sale of our Alternatives fund platform, which occurred in the second quarter last year, and the loss of fee revenue from the sale of the trust business in 2025. Net new investment asset flows were \$15.7 billion in the quarter, contributing to over \$56 billion in the last twelve months, representing 9% organic growth. Overall client investment assets were up 14%, which also includes the impact of market valuations, and was partially offset by the sale of trust business assets. Expenses increased 3%, driven by higher technology costs and higher performance-related compensation. Average loans were up 5%, as we continue to grow securities-based lending and deploy balance sheet to support clients and drive client investment asset growth. Average deposits were up 4%, primarily driven by growth in the Private Bank. Wealth had a pre-tax margin of 23%, generated positive operating leverage and delivered net income of \$583 million with an RoTCE of 14.4% in the quarter and 12.6% year-to-date.

Turning to U.S. Consumer Cards on slide 12. As Jane mentioned, this quarter we completed the acquisition of the additional American Airlines co-branded card portfolio, and our results reflect the impact of the over \$6 billion in loans from more than 2 million accounts onboarded in April. In the quarter, revenues were up 1%, driven by growth in NII, primarily offset by a decline in NIR. NII was up 5%, driven by higher interest-earning balances. NIR was down 47%, driven by higher accruals for partner payments and new account acquisition costs, reflecting increased investments, partially offset by higher annual fees and net interchange. Including the additional American Airlines portfolio acquisition and momentum across underlying drivers, we saw general purpose cards acquisitions up 135%, spend volume up 12% and average loans up 8%, partially offset by declines in private label cards. Expenses increased 10%, driven by higher severance, customer engagement costs, legal expenses and increased marketing, as we invest to drive future acquisitions and continued customer engagement. Cost of credit was \$1.6 billion, consisting of \$1.9 billion of net credit losses and a net ACL release of \$232 million, driven by improved portfolio quality, including seasonal changes, largely offset by higher volume and changes in macroeconomic variables. U.S. Consumer Cards delivered net income of \$852 million with an RoTCE of 22.0% in the quarter and 20.6% year-to-date. While we expect RoTCE to remain around our through-the-cycle target for the business, in some of the next few quarters, we do expect expense growth to outpace revenue growth as we invest in the business to drive engagement and acquisitions with some of these investments reflected as contra revenue and others as expenses.

Turning to slide 13, we show results for All Other on a managed basis, which include Corporate/Other and Legacy Franchises and excludes divestiture-related items. Revenues were up 1%, driven by growth in Legacy

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Franchises, offset by a decline in Corporate/Other. Growth in Legacy Franchises was driven by Mexico Consumer, which included momentum in underlying business drivers and the impact of Mexican peso appreciation. Partially offset by the impact of continued reduction from our exit and wind-down markets. The decline in Corporate/Other was driven by lower NII, which included actions taken, such as those to reduce Citi's asset sensitivity due to a lower interest rate environment, largely offset by higher NIR, reflecting episodic activity. Expenses were down 3%, driven by a decline in Legacy Franchises, as lower expenses related to exits and wind-downs were primarily offset by the impact of Mexican peso appreciation, as well as a decline in Corporate/Other, which included lower transformation expenses and severance charges. As a reminder, we will continue to look for opportunities to drive structural efficiencies including severance to improve productivity and actions to improve our funding profile. Cost of credit was \$438 million, primarily consisting of net credit losses of \$366 million, driven by loans in Mexico. And we've reduced the total DTAs deducted from CET1 capital held in Corporate/Other by over \$500 million year-to-date.

To close, we've included our full year 2026 outlook on slide 14. We've made significant progress in terms of improving returns, on the back of our investments, generating a year-to-date RoTCE of 13.1%. Having said that, we continue to target an RoTCE of 10% to 11% for the full year, supported by NII ex-Markets growth of approximately 5 to 6%, and continued NIR ex-Markets growth driven by momentum in Services, Banking and Wealth, partially offset by USCC. We expect the USCC NIR to remain in-line with the second quarter's absolute level in the third and fourth quarters of this year.

In Markets, we historically have seen revenues decline approximately 20% between the first and second half of the year, and given the strong performance year-to-date, the magnitude of that decline could be greater this year. And as we've said before, we expect our full year efficiency ratio to be around 60%, as we ramp up investments across the businesses in the second half and incur additional severance as we target future efficiencies.

As it relates to credit, we continue to expect a total U.S. credit cards NCL rate between 4.0% and 4.5%, while the ACL will continue to be a function of the macroeconomic environment and business volumes. And we remain well-positioned to return capital to shareholders under our \$30 billion share repurchase program. As we take a step back, the results in the second quarter and first half of this year represent significant progress towards our goal of improved firmwide and business performance. We remain steadfast and focused on executing our transformation and confident in delivering our RoTCE target of 10 to 11% this year, with a clear path to delivering higher, sustainable returns going forward, as we laid out at Investor Day. With that, Jane and I would be glad to take your questions.

OPERATOR: Our first question will come from Glenn Schorr with Evercore ISI. Your line is now open. Please go ahead.

GLENN SCHORR: Hi. Thank you. So, I'm a huge fan of investing back in the business during great times. So, and I heard your message loud and clear, and we see your guidance. But people are trying to parse through the not-upping of the RoTCE target this year. I don't know if you can quantify in numbers. That's what I'm asking, how much of it is conservatism and not knowing what's ahead in the second half versus investments you've already made versus investments you're going to make in the second half? I'm just trying to get through the parsing of it. Thank you.

JANE FRASER: Okay. Hey there, Glenn. Well, I have to say, with a good first half under our belt, we've shifted our focus from the 2026 waypoint to the near-term and medium-term targets and the investments behind them. As you say, we've operated in a good environment so far this year. I think the whole industry has benefited from revenue growth and benign credit. What I think I am most proud of is that we've generated real alpha, it's outperformance that we created, it's not just a rising tide. And you've seen us pair that with consistent expense and capital discipline whilst investing.

Now, as you say, how strong the second half turns out largely depends on the macro and the market backdrop, and that's true for everybody. We are deliberately investing for long-term growth and for improved returns. And a couple of weeks or a few weeks ago, we laid these out in the investment plan in detail at the Investor Day.

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And you see, we just have a lot of opportunities here. And we're funding these investments, whilst holding our efficiency ratio for the year around 60%. And there's real discipline underneath that number. So, to be clear, if conditions stay constructive, we intend to take full advantage of that. We will lean in, bringing forward investments and other actions that will create value for our shareholders over the medium-term. And as I said in my opening, a stronger environment isn't just upside to report. It's an opportunity that we're going to put to work. So, I'm very comfortable with our 10% to 11% number.

GLENN SCHORR: I'm good at math, so 13% for a half, and 10% to 11% would mean significantly lower in the second half. What I'm just trying to get at is, is that conservatism based on, like you said, 20% seasonality and more this year, because the first half was so good? I just want to get our collective mindset in the right spot. Is the second half possibly a single digit to 10% return with no additional investment?

GONZALO LUCHETTI: Well, thank you, Glenn. I'll take this one. Even though I may disappoint you in not giving you the precise math on every month in the forthcoming couple of quarters, but I think it's a fair question. And just to emphasize a couple of things that, I think, Jane just mentioned, number one – and you alluded to them too – number one is, there's a pocket of uncertainty that we want to make sure that we navigate and we're able to, and we've spoken about this in the past, even for our near-term and medium-term targets that we want to be able to deliver under a variety of environments.

Secondly, the seasonality that you just mentioned, and I alluded to in my remarks, especially as it relates to Markets, not only, right, because other businesses also have pockets of seasonality, but Markets is the more pronounced one.

And the third one is what Jane just spoke about, which is making sure that we have the flexibility to take advantage of those opportunities if the markets are constructive. And that could come in a couple of flavors, no? We've spoken about the investment themes at Investor Day couple of months ago across each of the five businesses. So, we will consider leaning into those and accelerating more of those.

You will remember that I spoke about sources of structural efficiency to fund our growth over the next couple of years. We may look at accelerating some of the structural efficiency actions. And, in that case, take more severance in the second half. As you can see, so far to date, we're already at \$800 million for half of the year. We're already basically at the level that we were a year ago. So, if we see opportunities, we may do a bit more than we originally envisioned.

And then, the third piece, as Jane was mentioning actions as well, is we will also look not only at structural efficiency opportunities, but it could also be structural funding opportunities. If we see any opportunities to take action to improve our funding profile over the long run, we will do those. You saw us do a little bit of that in the second quarter, where we tendered for \$1.2 billion of debt. And so, we will look at those opportunities, to Jane's point, not to maximize the waypoint, but to actually look at the durability of the returns going forward. Thank you.

OPERATOR: Your next question will come from Mike Mayo with Wells Fargo. Your line is now open. Please go ahead.

MIKE MAYO: Hi. I think, Gonzalo, if you're going to be the Messi of CFOs, I think we need to understand a little bit more about your prior answer. And I think what you're saying is you'll use kind of the excess earnings above what you had expected to front load or accelerate structural changes that will improve your future funding, efficiency and growth. But the problem is, again, 13% return in the first half of the year, that would imply 9% in the second half of the year efficiency, 57% in the first half of the year to get to 60% that would imply maybe 63%.

So, I think, what the stock market is saying right now, I think what we're hearing is that you're guiding for a much worse second half of the year than the first half, and that may or may not be your intention. So, if you could simply clarify what you really are saying about the expenses and what areas would you like to kind of accelerate spending on when it comes to revenue growth? Thank you.

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JANE FRASER: Mike, let me just jump in here. What we're saying is, we're focused on the near-term and the medium-term targets, not on the waypoint. I can't imagine there's an investor that doesn't want us to make sure that we are taking full advantage of the market conditions, particularly if they're good in the second half, to be able to make the investments and take actions that will drive growth for the next number of years. And that's the message that the Street should be taking from this. But, Gonzalo, over to you.

GONZALO LUCHETTI: Well, I think that's 100% in sync with what we're saying, right? We're not saying, Mike, that we're expecting a worse second half. There is seasonality to it, right? If you look at the historical, you'll be able to see it. And that plays through not only on the revenues that I highlighted in my remarks as it relates to Markets, you'll see that playing through generally in returns and operating efficiency over a reasonable period of time in the past.

But what we're looking forward to is, to Jane's point, making sure that we put the opportunity to work, where we see a chance in order to really solidify that path to near-term and medium-term returns, which is the ultimate goal, right? It's really driving the durability and the improvement that we want to drive in order to close the gap with our peers, as we said we intend to do.

JANE FRASER: Yeah, we're playing the long game, right?

MIKE MAYO: And a separate question related to your remediation efforts. Last quarter, you said you're 90%-plus done, and you expected to be 100% done sometime in the near term, I think you said that on Investor Day. Are you at 93% or 99%? When do you think you get to 100%, and you turn it over to the regulators to make their decision?

JANE FRASER: I'm not going to get into the game of whether we're at 95%, 96%, 97%. We are largely now operating at the Citi target state. I think the important piece I mentioned in my opening remarks is a large amount of our work on the consent order successfully passed through [internal] audit validation this past quarter. And therefore, can get handed over to our regulators. And as you know, we've still got remaining work that relates to enhancing data governance, particularly for regulatory reporting. And we continue to make steady progress on it.

In terms of the timing of the removal of the consent orders, that is fully at the discretion of our regulators, both in terms of reviewing the work that we've done as we hand it over, and then going through their closure process, and that takes time. But I do re-emphasize for our investors, whenever we complete each body of work, we begin taking down the remediation expenses. And you can see that in our expense line. It's creating the capacity to further invest in the businesses. That's the additional \$5 billion of investments that we talked about in May. And we don't need to wait for the orders to close to do this. That is happening already.

OPERATOR: Your next question will come from Ken Usdin with Autonomous Research. Your line is open. Please go ahead.

KEN USDIN: Thanks, hi. I have a question on the NII side on the ex-Markets basis. Strong start also here in the first half of the year, where you're already above the 5% to 6% in the first half. And the deposit growth continues the pace, obviously, as you discussed, especially in Services. Want to understand also, do you have any conservatism in terms of that outlook, in terms of why you may not be able to do better than that 5% to 6% on the core NII ex-Markets, given the trends that we're already seeing so far? Thanks.

GONZALO LUCHETTI: Thank you very much, Ken, for the question. And good morning to you. I think we can see through NII ex-Markets, I think it's a good window into, number one, our strategy working; number two, I think the operating rigor. And yes, we continue to be constructive on our progress forward. And we're comfortable with the guidance that we provided would be the short answer.

But just to unpack that for a bit, so, just to recap the guidance for everyone, the guidance on NII ex-Markets for the year is 5% to 6% revenue growth. That's anchored by mid-single-digit growth in the underlying drivers. In the second quarter, our NII ex-Markets growth was 6%. So, it's within the range of the guidance that we provided for the second quarter. And that's in line with seeing deposits growing at about 12% on average. As you mentioned the Services, really good momentum at 19%, Wealth 4%, most of it coming from

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the Private Bank, and loans growing in that mid-single-digit range at around 6% for the quarter year-on-year, supported by Services, Cards and Wealth.

And so, when we step back and we look at the picture of NII ex-Markets, we're comfortable with that guidance. I think Shahmir alluded to this in our Investor Day as it relates to not expecting that deposit growth that we've seen at 19% will not normalize over a period of time. And so, we expect that normalization to play through. But we're pleased with the trajectory that we're seeing. Of course, Services had a very strong quarter. We reached \$1 trillion in deposits for the first time ever. The good news about that, I think, is that those deposits are coming from operating deposits. We're not chasing low-value deposits. The team has been very disciplined on pricing. And that's what you see in the NII pop up there. Thank you.

KEN USDIN: Okay. And then, just one follow-up. You mentioned on potentially some additional severance in the second half. Can you remind us of just the severance you took quarter to date in the first half, and then, what's the type of magnitude of severance that you might book in the second. So, we can kind of understand also some of that future efficiencies, right? Help us understand, like how bulky that might be in terms of being run-rated in your earnings. Thanks

GONZALO LUCHETTI: Yes. No, thank you. While we may not provide exact guidance on what we expect from the second half of severance. Let me recap a little bit what we had said and the position that we're in now. So, the first quarter was about \$500 million. The second quarter just now is another \$300 million for an \$800 million year-to-date. You've kind of seen the acceleration of those actions play through in the head count, you see it there on slide 5.

And then to recap, last year, it was about \$800 million also. When we gave guidance for the year, we expected to be at around that same level or slightly below from the prior year. Obviously, sitting here now and to the point that Jane and I were making, we will still be open minded about the second half, if we see opportunities. If I anchor it back to what we said a couple of months ago at Investor Day, remember what I said about structural efficiencies to help fund those investments that we want to make over the near term are anchored on three legs, right? Leg number one is stranded cost. And you're seeing those already come down from the \$1.3 billion a year ago to about a run rate of \$800 million, if you look at our second quarter numbers for a \$200 million that you can annualize.

We talked about transformation cost. And Jane just mentioned that. As we reach completion of the programs, we're taking action on the portion of the transformation cost that is temporary that sits in Corporate/Other, I had mentioned that at Investor Day. You remember the peak was \$3.3 billion of that total expense, about half of those sitting Corporate/Other, which are the ones that are temporary in nature, not the ones that are structural in nature. And we're starting to see those come down.

And then, the third leg of that structural efficiency push is the productivity opportunities that we see from technology and AI automation. And I spoke about how we have more than 100-plus processes that we're mapping end-to-end, where we see opportunities for further automation. We look at this every week, Anand, our COO, and Tim Ryan, our Head of Technology. And we're very purposely trying to make progress on that. So, as we see opportunities and if we see opportunities, this is what I was referring to, I'm trying to connect the dots here. In the second half to accelerate some of those productivity opportunities, we may take more severance in the second half, but we're not providing a specific number now. Thank you.

JANE FRASER: And our North Star with all of this is pulling forward higher sustainable returns.

OPERATOR: Your next question will come from Ebrahim Poonawala with Bank of America. Your line is now open. Please go ahead.

EBRAHIM POONAWALA: Hey. Good morning. I guess, maybe, Gonzalo, just to follow up, the stock's down 5%, I think, to Mike's question earlier about the back half being worse than the first half, I understand that's not what the message was. The message was, if the revenue environment is stronger, you're going to take advantage of that by investing. But, maybe, as we look through in terms of the momentum you had in the first half, yes, there's some seasonality as we look into those into the third quarter and later in the year, but is there an obvious reason, is the point here that if the revenue backdrop is strong, we could still maybe

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replicate the strength more or less that we've seen in the first half? Should we be expecting a stair step shift due to two reasons, one, seasonality, and second, the pull forward in the investments that you've talked about multiple times this call? Thanks.

GONZALO LUCHETTI: Well, good morning, Ebrahim, and thanks very much. Maybe let me start by not reiterating but emphasizing a couple of points. The first one is we are pleased to see, and we are not expecting to stop, just to be clear, the commercial intensity that we're driving, our execution rigor and focus, the already good results we're seeing from past investments, we're not planning on that to stop. And, of course, if the environment is constructive, we expect to see continued momentum, right?

I spoke for a minute just now about NII. We have good momentum in our Services business, where we're seeing good engagement and higher win rates with new mandates, deepening relationships with existing clients and some of the investments that we made in our platform paying off. We had a very good quarter in Markets, as you can see. We're making investments in talent, in technology, the market is constructive. It's good to see the business model working in a diversified way, so that not every cylinder needs to be firing, right, completely in order to have very good results, as we just did.

Banking, some of the investments we're making, the momentum, the intensity that Vis is driving in the business playing through. You're seeing the improvement on Wealth, right, in terms of the returns being driven there both NNIA growing at 9%, our deposits growing, our NII growing. Many of those things have an element of sustainability in them as well. And Cards, I mentioned a little bit of the dynamics, because we are trying to invest in the business. But you can look at the drivers, right, even for the last few quarters, not just the ones this quarter that have the element of Barclays American Airlines portfolio coming in. And they're healthy, because we're investing in the business and we know that's a high return business.

All those things we expect to continue to play through in the second half. And the only thing we're saying is that we want to make sure that we are accounting for uncertainty. We're accounting for seasonality, and we have the flexibility to position the firm even better for the future to come.

EBRAHIM POONAWALA: Got it. And maybe, just Gonzalo, I think you talked about the USCC in the back half around revenue versus expenses. If you don't mind double clicking on that in terms of the trends we should expect in the back half and just over a more longer period of time, what you expect on the revenue versus expense trajectories there?

GONZALO LUCHETTI: Yes. No, thank you for the question. So, I think when you look at Cards, there's a couple of things that stand out to me in and you can see them in the second quarter, so that you can actually anchor them on numbers, which you've seen. The first thing is we spoke about how the through-the-cycle return target for our Cards business is low-20s. So, the first principle for us is the returns discipline, right? You can see that while we're investing, and I'll talk about that more in a second, we're keeping that high focus on returns and the rigor. And this is true across our proprietary book, but also every single one of our partner relationships. And you've seen us, as Pam mentioned at Investor Day, exit relationships that don't pass our return target. So, that discipline to me is super important. Even in a quarter where we can you can see our investment level, you still can see a 22% return there, high for our firm.

The second piece is, we spoke about our strategy. And our strategy had two components two big elements that we spoke about. One of them was the shift towards general purpose credit cards. That's been driven by the customer behavior. You see it in the drivers. If you look at the bottom, the bottom-right side of the Cards page, which is page 12, you can see the bifurcation of the drivers and those are the customers telling us how their behavior is driving the business. And you can see that already in our numbers, right? At the end of last year, 82% of our book was general purpose cards. This quarter, we are at 84%. So, over time, you're going to continue to see us increase that purely because one is going to grow faster than the other.

And the second leg is, we said we're going to make investments, right? And now, you're seeing that play through this quarter. And as I mentioned in my earlier remarks, you can expect that over the next few quarters, there's going to be a few quarters where the expense growth will be greater than the revenue growth. And you should know that we're comfortable with that, because number one, we're keeping the

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return focus very sharp; and number two, we know that these investments pay off. So, this is a deliberate choice to invest in a high-returning business, while keeping that return focus in the forefront.

And then, last piece I'll mention on investments. Some of what you're seeing – as a reminder, the investments in the Cards business, they play both in terms of expenses, but they also have a contra revenue component, because a lot of the acquisition activity plays as a contra revenue, right? And so, what you're seeing us do is you're seeing us invest in acquisitions. You're seeing us invest in our product capabilities, into our client experience, into the loyalty and engagement, which is something that is key so that we can be top of wallet as well as in our partnerships as we did with the Barclays portfolio as well.

And so, those key pieces are critical. You are seeing us co-brand airport lounges with American Airlines into the U.S., you can already see in a few airports. So, you're seeing us lean forward in a business that is high returning. Thank you very much.

OPERATOR: Your next question will come from John McDonald with Truist. Your line is open. Please go ahead.

JOHN MCDONALD: Yes, hi, good morning. Gonzalo, could you remind us, in terms of the capital target, you mentioned 12.6% for now. In Investor Day, you noted 13.1% by 2028 to accommodate a higher GSIB, but broader, what could lead that to be better along the way between potential rule changes, structural improvement for Citi, and maybe your own lowering of your own discretionary buffer? Give us some thoughts on the capital path, please.

GONZALO LUCHETTI: Sure. Thanks very much, John, for the question. Good morning to you. So, yes, just to recap where we are in this quarter, we're at 12.8% CET1. That's 120 basis points above our regulatory requirement of 11.6%, as you mentioned. And thank you also for reminding everyone about the 13.1%, because, of course, what we embedded as far as capital assumptions for our return targets in the near- and medium-term equates to the reality and the regulatory regime that we're operating under today, right? We didn't bake in any assumptions about what that would look like potentially.

So, I think you hit on a couple of those areas already. But let me piece them out a little bit. So, of course, we're waiting for the finalization of the rules as it relates to Basel III, to GSIB and in particular the SCB. As I mentioned in the past, Basel III and GCIB provide us, in our early analysis, with a moderate net positive position. And that emanates from the positive side, the GSIB co-efficient playing through as well as some of the RWA weights in retail and corporate, and that is partially mitigated by the operating risk and the markets risk factors that I think a lot of people are familiar with at this point. And so, that could be one element that plays through.

The second piece is the stress capital buffer. And the stress capital buffer, there's a couple of vectors there, right? One of them is, of course, the final rules. And we think there should be opportunities for us to benefit from that when they become final. But importantly, and more within our control and hopefully the DFAST results, even if they don't take hold really for this year, and we will see, on the back of the new rules in October 2027, the real changes, hopefully, as a signal, you can take away, and that's how we saw it, the 30 basis point improvement, the third year in a row of improvement of that SCB that came for us down from the 4.3% to the 3.6% that we're under right now, and the DFAST results that just came out, take it down to another 30 basis points through 3.3%, that tells you how the strategy is working, right? And we talked about this at Investor Day, strategy working in terms of we have exited the international consumer franchises, number one. Number two, our PPNR position continues to sequentially improve year after year, and so, our loss of absorption capacity improves. So, even in the absence of any model enhancements that come out from the rules, you can see our strategy at work already also being a tailwind. And we hope that those two factors will play through an important role.

And then, to your last point on the buffer, I think, of course, we will wait until all three sets of rules are solidified to evaluate our position. For now, we're comfortable where we are, and we're managing to around that target of 100 basis points that we mentioned before. Thank you.

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JOHN MCDONALD: Okay. And then maybe a follow-up on that is on the DTA utilization. Could you give some more color on what drove the nice step-down in DTA this quarter, and just a reminder of the path that you're hoping to see over the next two years for that to come down from, I think, ending this year at \$13 billion, going down to \$7 billion?

GONZALO LUCHETTI: Yes. Thanks very much for the question. And we know that DTA is an area where we have to demonstrate the performance because the last couple of years, we have not consumed as much. But hopefully, you're starting to see a couple of dots there on the page. So, just to recap briefly, our starting position at the end of last year was \$13.9 billion of the disallowed portion of the DTA. Our position right now is \$13.4 billion. So, year-to-date, we have consumed about \$500 million of that.

As a reminder, there's carry-back support that builds up in Q1, and then starts to wear off during the year. So, you have an element of that playing through. And then, our U.S. profitability that we disclosed last year was about \$4 billion. This year, we expect to make good progress in that. And you heard from all my colleagues, the business heads, talk about it at Investor Day. And you're seeing it play through in the second quarter, right? When you look at the deposit growth in Services, the 19%, a good portion of that growth comes from North America. When you're seeing the strong quarters in Markets and Banking, a good portion of activity in both of those businesses comes from the U.S. The improvement in returns from Wealth, right, Wealth coming from 7.7% to 10.8% to now 14.4% RoTCE, a good portion of that activity comes from the improvements in the affluent business, in the Retail Bank and across the franchise that is North America-centric. And then, finally, of course, the high returns in Cards, which are also improving year-on-year.

So, all of those areas and the focus and I've spoken about before how Jane has made sure that we are all held accountable in our scorecards for this. We will hopefully, over time, demonstrate to you through the numbers how that comes through. As I always say internally, and I'll repeat it externally, you need two dots to draw a line. So, we're pleased to see the first dot here in the second quarter. And we look forward to continue to demonstrate progress in this space. And, sorry, final reminder, I guided earlier in the year that the full year target was \$800 million of burn-down of DTA. And so, we've done \$500 million of the \$800 million year-to-date. Thank you.

OPERATOR: Your next question will come from Manan Gosalia with Morgan Stanley.

MANAN GOSALIA: Hi. Good morning, good afternoon. So, for the elevated investment spend in the back half of the year, can you help us with any specifics there in terms of these specific investments you were planning to make in 2027 that you now have the opportunity to do in the back half of the year? And I guess how quickly do you expect to see the returns of this higher investment spend? Does that give you the ability to get to the medium-term targets maybe sooner than before?

JANE FRASER: So, at Investor Day, we laid out the specific investments that we're making in quite a lot of detail. So, we'll be looking at what are the opportunities to pull some of those forward as we talked about. And it would be pretty well across the board. There's nothing specifically. I also do want to emphasize, we are not looking at anything inorganic. I think, I've been very clear about that on Investor Day and in the last couple of earnings calls. When we're talking about investments, these are purely organic. But, Manan, just assume we're looking at a number of the different investments we talked about where we can pull them forward. And, as Gonzalo alluded, if there's any severance and other pieces, as we accelerate productivity gains, we'll do so, too.

MANAN GOSALIA: Got it. Thank you. And maybe we can talk about pipelines in investment banking. Clearly, very strong performance here. I think you noted that M&A pipelines are strong. But if you can talk about, in general, how you're seeing revenue opportunities across that business as we look out into the next year or so.

JANE FRASER: Look, the level of activity is very strong. The pipeline is very healthy. And we're also in a financial market that's, sort of, looking for reasons to buy. I think the central CEO question right now across sectors is, do we invest for growth now or are we preserving optionality? And AI is dominating a lot of the conversations. So, tech, data center, energy, defense CapEx is accelerating. Companies are accessing the

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public equity and bond markets alongside bank debt in size, SK Hynix, for example, last week is another testament to that, an offering, by the way, that we led.

And wherever there's a bottleneck in that whole energy, power, compute memory ecosystem, we're seeing a lot of activity. So, we have to see, we'll probably have the summer lull, as everyone takes a bit of a break. We'll have midterms coming up. And the wild card really is geopolitics. But we're certainly entering the second half with a good pipeline.

OPERATOR: Your next question will come from Jim Mitchell with Seaport Global. Your line is open. Please go ahead.

JIM MITCHELL: Hey. Good afternoon. Maybe just a follow-up on capital. As you noted, the stress test, you saw about 30 bps of improvement based on similar rules to last year. Seems like model enhancements are likely to lower the volatility in the SCB going forward and likely improve it. And profitability is getting better. We'll have more certainty on the other regulations. Is there a time when you start to question a 100-basis point buffer I guess is my question. And can you run a thinner buffer and use that excess capital while your stock is still in the low tangible book multiples, still kind of in the low 1.0x, 1.5x range?

JANE FRASER: Yeah. Let me re-emphasize what Gonzalo said earlier. We're not looking at changing the buffer right now. There's quite a lot of uncertainty in, certainly, the geopolitical and other environment. So, we're not looking at changing it, but we are looking forward to the continued strengthening of our PPNR, the continued lower stress losses. And also, getting the models to be an accurate reflection of our business. We think they overstate risk in a number of areas. Treatment of our DTA is a sizable example. Double counting of operational and market risk is also another area that has a sizable impact.

So, the biggest upside is going to come from what we hope we will see, which is the new models coming out that are an accurate reflection of the actual risk and that will have the biggest impact on SCB. But until they're issued, we won't know. And obviously, we hope GSIB will be addressed better than it has been in the initial proposal.

JIM MITCHELL: Okay, fair enough. Just in Cards and consumer, delinquencies down despite sort of fears, I guess, that many have had around rising inflation and the impact on the consumer. So, what are you seeing in consumer credit and consumer behavior? And does it look like these favorable trends are continuing?

GONZALO LUCHETTI: Yes. Thank you. So, I think a couple of thoughts there. First, we're seeing a stable credit environment. The U.S. consumer is showing up, and I know I sound like a broken record from a few quarters, but the U.S. consumer has been resilient, right? And you can see that with the spend. Even if you take out, in our spend, the part of the Barclays American Airlines booked this quarter, you still see a 6% to 7%, 7% and ex the gas inflation in the quarter, you're hearing around 6%. That's very healthy as it relates to the spend and in line, or on the higher end, versus the last few quarters.

Then, when you look at the delinquencies and the net credit losses, you can see that across the portfolios, right, both delinquency and credit losses are down year-on-year. So, across kind of the four key metrics. And when we look at our leading indicators of collections and the usual pockets that you look at when you're trying to seek for stress, you're really seeing an environment that is stable. As Jane mentioned in her remarks, credit has been in line or better than our expectations. That's also why when we guided the range for this year, the 4% to 4.5%, we anchored it on, I know we used to look at the business with a slightly different lens, but if you do the math, this is a lower range than the one we've had in the past. And that's a reflection of how we're seeing the environment.

And as you know, because of the right of rules, which are 180 and 120, depending on the quarter alone, we have a pretty decent sense as what the rest of the year paints, and we see that pocket of stability, again subject to the watch-outs, right? And you mentioned some of them, right? The watch-out on inflation, and what happens with that, which I know we had a better rate just now, what's the relationship between that inflation and the wages, right, the savings rate and impact on that for clients, and ultimately, unemployment, which has been relatively in equilibrium for the last few reads. And so, we're constantly looking at that. But so far, it's a constructive environment. Thank you.



OPERATOR: Your next question will come from Erika Najarian with UBS.

ERIKA NAJARIAN: Hi. Thank you for taking my question. Just one follow-up, and it was actually a part of Manan's question. We're hearing you loud and clear in terms of the second half investment spend. I guess the question I wanted to re-ask is, Jane, you're not focused on the waypoint. You're focused on the near term, which is 11% to 13% RoTCE in 2027, 2028 and 14% to 15% medium term. Sort of pulling forward the investment agenda, will that enable you to not just hit those RoTCE, return targets, but potentially be sort of in the better half of that range? And additionally, does the consent order getting lifted free up additional expenses that you can reinvest back into the franchise?

JANE FRASER: Hey, Erika, look, the possible outperformance that we've been seeing and the benefit, it allows us the optionality to invest or pull forward where that makes sense. If we didn't see accretive opportunities, we'll, of course, let it play through the bottom line, and to the returns side. But I think the message you should be taking away loud and clear is we're seeing opportunities to invest that will be driving higher, sustainable returns. And we're going to take advantage of that opportunity. Don't read anything more into it.

And in terms of the consent order, the timing of the lifting is in the hands of the regulators, not in ours. The timing of taking the expenses down is in ours. And we have begun to do so as we finish the different bodies of work, we take those expenses down. And those are helping us fund further investments into the businesses, so that is all ticking along nicely.

ERIKA NAJARIAN: That's all for me. Thank you.

JANE FRASER: Thanks Erika.

OPERATOR: Next question will come from David Chiaverini with Jefferies.

DAVID CHIAVERINI: Hi. Thanks for taking the questions. So, you had strong growth in deposits this quarter. And good to see the cost of interest-bearing deposits stable at 2.71%. How should we think about deposit costs going forward?

GONZALO LUCHETTI: Thanks very much, David, and good afternoon to you. Let me piece that out maybe between the two large businesses that are driving our deposit base, right? So, we have Services, where I was mentioning a little bit earlier, we were able to drive 19% growth year-on-year on average deposits and reaching our \$1 trillion milestone there. And I mentioned a little bit briefly, but a good portion of those are operating deposits. And so, when you think about pricing and rates and also what to expect going forward, at least that's based on what we're seeing as of now, is, yes, we have seen with an environment that's pointing to a bit higher for longer, we have seen some catch-up pricing. But as I mentioned earlier, the betas are well within our expectations, right? So, they are in line with what we thought they would be.

Shahmir and the team have been very disciplined on pricing. So, what is pleasing for me to see and what gives me comfort is that we're not chasing low value deposit volume and that these share gains come from really driving those operating deposits across both international and North America.

Now, when you look at the spread, in addition to the pricing dynamics, the more we grow North America, just because it's a more competitive market, not because you're giving away price in relationship to international, you may see some mix factor playing a role there. But other than that, I think, generally working well in line with expectations. A little bit of catch up. The team is all over the pricing, and we're comfortable that our competitive advantage, which is really driving those operating deposits across our payment network, really plays through.

On the Wealth side, similarly, Andy, very thoughtful about pricing there. And the only highlight I would mention in terms of customer behavior that we have to monitor for, as it relates to how rates evolve, especially if they go up, is how much of those clients are seeking yield. And you do see pockets of customers seeking yield. Sometimes, you may see it more as a synthetic beta in terms of mix shifting into time deposits. So, we have a couple of pockets of that. But as you can see from the NII, pretty robust and generally spreads

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expanding in our business in Wealth. So, comfortable with the position that we're in and what we're seeing there. And very important that we will keep that discipline very thoughtfully. Thank you.

DAVID CHIAVERINI: Great. Thanks for that. And then shifting over to the Services business, very strong growth and momentum this quarter at 18% year-over-year revenue growth. Can you frame this level of growth relative to your medium-term outlook from the Investor Day of low- to mid-single digits, what might lead you to see slower growth towards that guide from Investor Day?

GONZALO LUCHETTI: Well, thanks for the question. It's a good question, David. And I think some version of that is, I think, Shahmir alluded to our Investor Day as well. I think, there's a couple of factors that probably play a role into how we think about it over the longer range. And one of the primary ones is the normalization of that deposit growth, right? If you look at the deposit growth between 2022 and 2025, the annualized growth rate there was about 3%. So, we're hitting and we're very pleased to, with the momentum, the commercial intensity and the investments playing through, we're seeing a growth spurt for the last several quarters, right, that puts us in the position in Q2 at the 19%.

Now, we do expect some normalization, right, as Shahmir mentioned a little bit earlier. But we're not expecting that we will grow at 4 to 5 times money supply over a long period of time, but at the same time, we continue to make investments, and we're pleased with the momentum that we're seeing in the drivers that underpin that NII.

On the NIR front, where this quarter, Services delivered 16%, and you're seeing there a combination of the cross-border transactions, right, and how customers are thinking about their supply chains and global commerce playing through. And at the same time, the work that we're doing on Securities Services and how we're driving that, and that obviously has an element of the process, but has an element of AUCs and AUAs. And there you have a combination. You have alpha, of course, because we have pretty good win rates on new mandates and deepening relations with existing clients. Some of those are public. And there's also a pocket of beta with market valuations as well.

So, as you think through the near-term, and remember, right, the one reminder for the near term and the medium term is that, I mentioned this a couple of months ago at Investor Day is, we have planned for our returns and our targets to be delivered under a range of different environments, right?

And one of the things that we are thoughtful about is, we're not assuming, right, just because we're sitting at a high part of the mountain with the sun shining and the wind on our backs given how constructive the environment has been across the industry, we're not assuming that will perpetuate over the next few years. So, we're looking at being thoughtful about for a range of outcomes. We will still be able to deliver the returns and the growth that we promised. But if you ask me, are there scenarios where you could do better? Yes, there are. But it's also partially market-dependent. Thank you.

OPERATOR: Your next question will come from Vivek Juneja with JPMorgan.

VIVEK JUNEJA: Hi, Gonzalo and Jane. Just a clarification. Gonzalo, you mentioned something when you were talking about expenses, that historically revenues in Markets have fallen in the second half versus first half. Given all the comments we're hearing from other banks too about pipelines being very strong, which could, therefore, drive probably Markets revenues to hold up better than expected.

JENN LANDIS: Vivek, you're breaking up a bit. Can you repeat the question?

VIVEK JUNEJA: Okay. Sorry. Yes. Gonzalo mentioned that historically you've seen Markets revenues declining 20% in the second half versus the first half. Given the commentary we're hearing from you as well as others about how pipelines and market conditions are looking very good, is that historical decline less likely to occur as it has in the past? The efficiency ratio has increased as one has seen in the Markets business in the second half versus first half historically, may that be lesser given what's going on in the overall market environment both in IB as well as Markets?

GONZALO LUCHETTI: Thank you, Vivek. The conversation was breaking up quite a bit, but I think I got a good portion of it, so let me have a go. And you tell me if I answered the question or I didn't, if that's okay with you,

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because it was breaking up quite a bit. I think you ask for answered, just to recap, I think you answered the question on our view on the second half for Markets, and you were anchoring on my remarks around how historically we see a 20% decline or thereabouts between the second half and the first half. And I thought, one part of your question was because you're seeing across the industry and the client momentum being strong, could that be less of a decline this year, right, versus what I said in my remarks? If I got that right?

VIVEK JUNEJA: Yes, yes. Sorry about the connection.

GONZALO LUCHETTI: No worries. Thank you. So, first of all, it's very hard to take a position, especially in the Markets business, because you know that, from experience that this can swing in a relatively short period of time, to a negative position for the industry as a whole. And so, it's hard to look forward to six months or five and a half months and say, with certainty, it's going to land on one way or the other. The historical analysis tells us that 20% that I shared before.

If you could take one point of view could be, right, as I highlighted in my remarks, that first half has been very strong, right? So, if that doesn't repeat apples to apples, if the second half, just putting the seasonality aside, if the environment is not as constructive in the second half as in the first half, you would expect a decline. Once you layer on the seasonality on top of it, that could be worse than the 20%, half on half.

Now, you could also take a different view and say, hey, if this continues to be this constructive, right, where clients are very active in the Equities space, and we continue to see good momentum in spreads and currencies as we saw this quarter, and we see those pockets remain robust, could you be better than the 20%? It's not an impossibility either, right? So, I'm not going to sit here and tell you that that's not possible. The historical tells us 20%, first half was really strong. You would need to have an equally constructive set of external parameters in order to justify narrowing that seasonal decline, I guess, is what I would say, if that makes sense.

VIVEK JUNEJA: All right. Thank you.

GONZALO LUCHETTI: Thank you.

OPERATOR: Thank you. Our next question will come from Gerard Cassidy with RBC.

GERARD CASSIDY: Good afternoon, Jane. Hi, Gonzalo. Jane, can you share and Gonzalo, when you think of your, Citigroup has a unique lens as a U.S. domiciled bank on the global view in your Services business in particular is obviously very engaged globally and had a very, very strong quarter. Can you share with us how are the companies being able to produce such strength in view of the geopolitical situation being fairly intense or elevated? Is it because they've learned lessons from the pandemic and they're just better managed and more conservative? What's your guys' take on the health of that global corporate customer?

JANE FRASER: Yeah, I mean, I do believe that the global corporate client base that we serve has been the source of resiliency as well as growth. And they have extremely strong balance sheets, and they have diversified revenue streams. So, they're able to balance out tariffs and the various shocks that have come through. And everyone's just learnt how to be very adept at supply chain repositioning and adjustments, and to energy shocks and other elements coming through. And so, they're just very adept at getting their business models to adapt swiftly to whatever is thrown at them. And we see that pretty consistently around the world.

If you're a European company, you've got very low growth in Europe. They're focused on the U.S. and on Asia for growth. In the States, a lot of roads are leading here. So, companies are getting a lot of growth from the multiple innovations that are occurring in the States and the continued resiliency of the U.S. consumer. And China is deriving a lot of its strength from the export intensity, and Chinese companies growing rapidly abroad. And finally, the AI-driven electronics upcycle is a genuine tailwind for many parts of Asia. So, there's a lot of different dynamics here that are really benefiting, sort of, unique client base that Citi serves, and that's coming through in their growth as well as in their balance sheet strength.

GERARD CASSIDY: And just tying into that, Jane, obviously, many of us on the call understand the environment in the U.S. and the supportive regulatory environment when it comes to M&A, and this



administration seems to be supportive of M&A. Do you see that in other parts of the world governments being as supportive of facilitating business growth and allowing consolidation?

JANE FRASER: In a word, no. Europe is almost the opposite. They're not allowing the emergence of emerging market champions. You have seen much more national consolidation at best in Europe, which is a shame. We need Europe to be strong these days. And in Asia, you're seeing some, but the U.S. is unique in the American entrepreneurs' innovation, the breadth and depth of the funding markets here, and the investor base, as well as how much American companies are on the front foot in AI and transformation and that is also driving some of the boldness we see. It's a good environment.

OPERATOR: Your next question will come from Matt O'Connor with Deutsche Bank.

MATT O'CONNOR: Hi. You guys have successfully exited about half of Banamex, and I think you said further exit would be after this year. Just wondering what the latest thoughts are on the timing? And why not maybe sooner, just given the positive macro backdrop and successful exit at half?

JANE FRASER: Yeah. Thanks for the question, Matt. We don't expect any additional sales in 2026, and that's intentional. It gives us and the new investor group the runway to drive value creation, and we're already seeing some of that performance kicked in. Gonzalo alluded to it in Legacy Franchises, Mexico has been improving in its performance. We expect to deconsolidate our ownership in early 2027, followed by an IPO as and when market conditions allow and further sell-downs.

MATT O'CONNOR: Okay. And just remind us in terms of how much capital might still be freed up. Obviously, it's a little bit dependent on the valuation, but you also have capital against the business. So, maybe just give us a rough estimate at kind of current valuations, how much capital will be freed up to offset the earnings give up? Thanks.

JANE FRASER: Yeah. And just before we get there, I do remind you when we do deconsolidate, we'll take a big CTA hit, that is capital-neutral. So, I think that very much bears repeating for the beginning of 2027. But, Gonzalo, over to you.

GONZALO LUCHETTI: Yes. Thank you. Now, the short answer on the capital piece is around \$5 billion. And the RWA tied up there is about almost \$40 billion, a little bit over \$40 billion of RWA. Thank you.

OPEARTOR: Our next question will come from Saul Martinez with HSBC.

SAUL MARTINEZ: Hi. Thanks for taking my question. So, just one question, but I wanted to hover on the investment theme as it relates to the Cards business. You've invested there quite a bit. You rolled out the Strata Card, you bought the Barclays portfolio. But when I look at your business versus your best-in-class peers, Capital One, Amex, they're spending, I think, around \$6 billion in marketing. Chase is in sort of that mid-single digit billions in marketing. And I know there's probably some differences in terms of reporting and accounting classification.

But is it an acknowledgement that maybe you need to be more aggressive on promotions, marketing campaigns, benefits? And just how should we think about the magnitude of the incremental investment in the second half that you talked about, Gonzalo? You mentioned expenses exceeding revenues, but that was already the case in this quarter, I think. Is there any way to sort of think about the size of the headwind going forward. Or the size of the investment going forward? I'm sorry.

JANE FRASER: Yeah. Let me kick that one off. Yes, in a short word, we are going to be increasing our marketing spend. And, that's an area with Pam laid out at Investor Day. We're making investments across the flywheel. So, it is investing in our products, marketing for customer acquisitions, it's also in our partnerships, it's in our lifestyle platform, it's also, importantly, in AI to drive scale economics as well. And all of this will translate into measurable growth. But you can expect us to be increasing marketing spend to drive that customer acquisition for the long term. These things don't pay off quickly. And I also want to clarify when you talked about the operating leverage, that's only in Cards, it's not for the rest of the businesses.

SAUL MARTINEZ: Yes. Understood.

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GONZALO LUCHETTI: Yes, Saul thanks. And I don't think I have much to add. I think, Jane was very clear. We're not, at this point, we're not providing guidance specifically on the level of investment in each of the businesses, including Cards. But as you know, and Jane just mentioned, this is a business that is built over several years, and it is what you highlight in terms of competitors really spending a lot. It's a highly competitive space, because, obviously, it's a space that allows you to access good returns. We are pleased to be number three or number four player depending on what metric you look at. On an outstandings basis, we're number three. And so, our focus as we spoke about at our Investor Day is to really drive that growth and make share gains over the near and medium term. And so, we're focused on that.

You can see us playing a combination of the portfolio acquisition with Barclays American Airlines. But also, even if you take that out, you can see us, and you alluded to the Strata portion of that. And there's a lot more behind that, as Jane just alluded to, on the loyalty front and so on. So, we're focused, high returning business, and we know it will take some time. Thank you.

SAUL MARTINEZ: Alright, thank you.

OPERATOR: Your next question will come from Chris McGratty with KBW.

CHRIS MCGRATTY: Thanks for fitting me in. Just on the Wealth business on slide 11, the improvement in the pre-tax margins year-on-year is notable as is the NNIA growth. Maybe a comment or two on what's changing? I know you're investing here heavily. Any shares on recent wins would be great. Thanks.

JANE FRASER: Yeah. Look, I think it's not a lot of difference from what Andy laid out at Investor Day. They're doing a very good job steadily translating growth into returns. So, with revenues up 13% year-on-year, that's more like 16% normalized with those one-timers. You're then seeing this translating into the higher returns. We've got a clear path to the 15% to 20%. And we've got a number of different drivers beneath that, be it the integration of the Retail Bank with Wealth, helping us drive more of the customer conversion from deposits to also having Wealth activity, as well as what we're seeing from capturing wealth creation globally from our global network and the relationships we've got. So, it's kind of firing on all cylinders as we steadily march to improving the returns and margin of the business.

CHRIS MCGRATTY: Thank you.

OPERATOR: Your next question will come from Kunpeng Ma with China Securities.

KUNPENG MA: Good day. It's Kunpeng, China Securities. Thank you for taking my question. I have a follow-up on the Services business for the very strong TTS net interest income growth. I believe, besides the deposit volume growth, there must be some tailwinds from the higher-for-longer rate environment, right? So, if we look forward, if it is not higher-for-longer for the rates, how can they forecast the mix of the TTS revenue growth in the future?

And also, can we have more detailed breakdowns geographically of the performance of the Services business, beyond the U.S., ex-U.S. scope, because, I'm based in China, I can feel the very strong demand directly and personally for years. But the market is also very competitive, a lot of competitors here. So, it'll be super helpful, if we can have some color on how Citi is growing your market share here, yeah? Thank you.

JANE FRASER: Yeah. Look, we're not going to give a breakdown geographically for the business, but it's very fair to say that this is clearly with the growth you're seeing, business is firing not only on all cylinders, but also in all geographies. And what we, if you look at the institutional market share gain, we're up 120 basis points year-over-year. And I'd also point to client wins, client wins are up 36% year-over-year. We've been focusing on increasing share with asset managers, that is up 250%. And we've been increasing our share with fintechs, we've had growth of 20% there. And a lot of the growth beyond the movements in rates has come from the innovation that we've been making in the product suite.

And our clients choose Citi because we lead with innovation. And as we lean into disruption, AI, blockchain, digital commerce, they're all opportunities for us to lead. They're not threats to us. And so, AI is opening up many new vectors of growth and also competitive edge. So, in terms of, as you're thinking about this

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business going forward, I think you can be feeling a lot of confidence about our continued momentum in fees, our continued momentum in volumes. And then the rates curve will be what the rates curve is.

KUNPENG MA: Thank you, Jane.

JANE FRASER: Thank you.

OPERATOR: Our next question will be a follow-up from Mike Mayo with Wells Fargo.

MIKE MAYO: Hi. Let me try again on the investment question. And the real question is, is this accelerated second half investments been for defense or is it for offense? And the bigger context is, look, you've spent the entire decade on restructuring. You're almost done except for reg data with modernization and part of Mexico out of the 14 country exit, and org simplification is done. You did all this restructuring. And it sounds like, is this like another sort of restructuring? Are you repairing some lost market share? Are you doing more with legacy systems? Is it defense or is this offense where you're spending more for AI and Stablecoin and trying to gain even more share in payments or something? But if you can get some context, this is the debate of the day.

JANE FRASER: It is 100% on the offense. I was really clear in my opening remarks, this is a firm on the front foot. We laid out at Investor Day a very clear path for us to drive our returns further forward in each business. We have done so in the first half, yeah, and some. We've laid out a clear path of what are the investments and detailed them as to what it is we're going to be investing behind to continue to drive the growth for the near term and the medium term. I will reiterate again, those are all organic.

I'm excited about what lies ahead for this firm. This is a firm that is much easier to manage. It is much easier to run. Mike, I can't tell you that it's impossible that we will exceed the 11%. We're just not going to box ourselves into that, given that we see opportunity to take actions on the offense, which are accretive to shareholders and support our path to our medium-term targets. That is an easy decision for us. And this is a firm that is growing nicely, as you can see. We're proud of what we're doing and we are just going to keep going. The momentum is behind us, but we're going to take advantage of opportunities to bring investments forward and not just manage to short-term numbers. We're playing the long game here.

OPERATOR: For our final question, we'll return to Gerard Cassidy with RBC.

GERARD CASSIDY: Thank you. Gonzalo, just a real technical question on the second half incremental investment expense. Can you ballpark what might be tied to severance expenses in that number? Is it a half, a third, a quarter?

GONZALO LUCHETTI: Thanks, Gerard. No, we're not giving guidance on the severance for the second half. What I can tell you is I'm just going back to the first principles, right. Sharp focus on returns, right, as you heard from Jane, not only in the waypoint, but also in the near term and medium term. Secondly, as I mentioned last quarter, very tight discipline on expenses on a tactical basis. So, you can expect us to be continued to be very disciplined on expense management. And the third piece is leaning into the structural efficiencies, right? And so, as I mentioned a little bit earlier, only if we see opportunities for that acceleration, when we look at those 100-plus processes that we're looking to further automate on an end-to-end basis, if we see opportunities for that, we may lean into that. But at this point, we're not providing guidance on that. Thank you.

OPERATOR: There are no further questions. I will turn the call over to Jenn Landis for closing remarks.

JENN LANDIS: Thank you. And before we conclude, I would like to thank Jane, Mark, Gonzalo, Ed and the entire Investor Relations team, especially Tom Rogers, for their trust, partnership and support during my time leading Investor Relations. It has been truly a privilege to represent Citi and work with such a dedicated team across the firm. And I thoroughly enjoyed the insightful conversations with our investors and analysts over the past five years.

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I'm delighted to welcome Margo as she takes on her new role. And I know the team will benefit greatly from her leadership and perspective. Thank you again for your partnership and support, and I'm sure you'll have lots of questions, so we look forward to talking to you this afternoon. Thank you.

OPERATOR: This concludes the Citi second quarter 2026 earnings call. You may now disconnect.

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