



Host

Jennifer Landis, Head of Citi Investor Relations

Speakers

Jane Fraser, Citi Chief Executive Officer

Mark Mason, Citi Chief Financial Officer

PRESENTATION

OPERATOR: Hello, and welcome to Citi's Third Quarter 2023 Earnings Review with the Chief Executive Officer, Jane Fraser; and Chief Financial Officer, Mark Mason. 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.

JENNIFER LANDIS: Thank you, operator. Good morning and thank you all for joining us. 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.

With that, I'll turn it over to Jane.

JANE FRASER: Thank you, Jenn, and good morning to everyone. I shall touch briefly on the macro environment before reviewing the quarter and last month's organization announcement.

The global macro backdrop remains a story of de-synchronization. In the U.S., recent data implies a soft landing, but history would suggest otherwise. And we are seeing cracks in the lower FICO consumers.

In the Euro-area and the UK, the picture has turned distinctly more negative. The summer weakness in industrial economies is spreading south. And the weight of structurally higher labor and energy costs suggest a more enduring competitiveness challenge for that region.

China's economy may have reached a cyclical bottom, supported by the government's modest stimulus efforts, but it still has to work through weak sentiment, youth unemployment and the pain in its property market.

All of these macro dynamics have clearly impacted client sentiment.

September is always a busy month seeing clients, and I am struck how consistently CEOs are less optimistic about 2024 than a few months ago. The shift in the rates question from how high to how long has catalyzed more client activity, however. Corporates have stopped waiting for rates to come down and are beginning to access the debt capital markets around the globe.

Our multinational clients are adapting their operations to the evolving geopolitical landscape and building redundancy and resiliency. This plays to our strengths and strategy, in particular our invaluable global network. And between our high-quality asset portfolio, strong reserve levels, ample liquidity and diversified earnings base, we are proving to our clients that we truly are a bank for all seasons.



Turning to the quarter, today we reported net income of \$3.5 billion, an EPS of \$1.63 and an ROTCE of 7.7%. Our revenues were up 10% ex-divestitures and each of our five core, interconnected businesses posted revenue growth. We remain on track to meet the revenue and expense guidance we set for the year.

Let's start with our fastest growing business, Services. TTS was up 12% from a year ago. That's the highest revenue quarter in over a decade and it continues to outpace the target we set at Investor Day. Half of that growth was business drivers and the other half rates. Even with impact of the long-expected Argentine devaluation, we again drove fee growth, which is the best sign of the potential of our globally leading franchise.

We keep relentlessly innovating for our clients. Amongst other launches, this quarter we announced the creation of Citi Token Services, which will use distributed ledger and smart contract technologies to deliver a digital asset solution for our TTS clients. This is a first for the industry as it allows us to seamlessly integrate a permissioned tokenized bank deposit network with traditional cash services such as 24/7 dollar clearing.

Securities Services had revenue growth of 16%, with some good underlying fee growth. We took share again and we have grown our AUC/AUA by over \$2 trillion in the last year. This business has considerable momentum and a strong pipeline of clients who are benefitting from the cloud and data investments we are making.

Markets was up 10% year-over-year on the back of Rates & Currencies having the best third quarter in 10 years and Commodities grew nicely. This was partially offset by Equities which was down slightly. Despite this we continue to see good momentum in cash and we have grown prime balances year to date.

Banking had a good quarter with revenues up 17%, with activity playing to our mix. While corporate lending was essentially flat, as we remain very disciplined about how we use our balance sheet, DCM was healthier and the IPO market also showed some signs of life. This helped drive Investment Banking revenue up 34%, albeit off of a low base and a small wallet. Sitting here today, it remains hard to predict when deal activity will sustainably rebound. Still, I am proud of our role advising on some of the biggest deals globally so far this year.

As you know, we are committed to growing our Banking franchise. We have brought together the management of the Investment, Corporate, and Commercial Bank under one umbrella and this structure will help us better drive the important synergies between them. We have been bringing in new talent in key sectors and we have begun to provide more leveraged finance for key clients in the right situations.

U.S. Personal Banking was also up double-digits, at 13%. Cards revenues were strong in both our Branded and Retail Services portfolios. The growth in spending is decelerating and the consumer is more mindful what they spend on. Indeed the affluent, who still have excess savings at their disposal, drove the growth in spending, with a continued tilt to travel and entertainment.

During the quarter, **we introduced "Simplified Banking" to improve the client experience for our Retail Banking clients.** We believe that by tiering offerings and simplifying our fee structure, we will incentivize our clients to deepen their relationships with us. The early reaction from clients along those lines has been very positive.

Wealth revenues have stabilized and were up slightly. Most notably Investment revenues picked up across our geographies. The drivers for the franchise - such as referrals, client acquisition, and net new inflows - were all quite strong around the world. And we won important new mandates for Wealth at Work, an offering we had highlighted at Investor Day.



Andy Sieg has now officially joined our firm. This is a time of massive global wealth creation- and our **franchise is uniquely positioned for it. Andy will ensure we are at the forefront of what's happening around the world.**

In terms of our balance sheet, our discipline of growing operating deposits has enabled us to maintain a stable deposit base over the past five years. We grew loans during the quarter and our credit quality remains extremely strong, aided by our disciplined client selection.

Our CET1 ratio grew to 13.5% which is \$14 billion above our regulatory minimum and still includes a 100bps internal management buffer. During the quarter, we returned \$1.5 billion to our shareholders through common dividends and stock buybacks.

We continue to evaluate buybacks quarter-by-quarter and I expect we will continue to do a modest level in the fourth quarter, subject to approval by our Board. And while the ultimate impact of potentially higher **capital requirements won't be known until the Basel III endgame is finalized, we have been actively working** through mitigating actions.

As you can see on slide 3, we are relentless in executing our strategy. This quarter we closed on the sale of our Taiwan consumer business, the second largest of the Asia consumer divestitures. And earlier this week, we announced that we will sell our consumer wealth portfolio in China to HSBC. This includes approximately \$2.6 billion of assets under management and \$1 billion of deposits.

In the fourth quarter, we expect to close on the sale of our Indonesia consumer business. In terms of the international consumer businesses we are exiting, in addition to the three wind-down markets, we have restarted the sales process in Poland, and we remain on track to separate Mexico next year, followed by an IPO in 2025.

Transformation remains our number one priority. We are deep into the large body of work of automating manual controls and processes, consolidating fragmented tech platforms, and upgrading our data architecture. We are committed to doing this the right way, knowing that it will take time to meet our regulators expectations and to deliver a modern, more efficient infrastructure.

Last month we announced consequential changes that align our organizational structure with our strategy and changes how we run the bank. I said at Investor Day that organizational simplification would follow the divestitures. The changes will eliminate layers, duplication, and complexity allowing us to operate the bank more agilely and freeing our people up to focus on clients and execution.

Elevating the five core businesses to my leadership team will enable me to drive greater accountability and sustainable results. To bring it alive, the actions we have taken in the last four weeks will eliminate over 15% of the regional and functional roles at the top two layers, and 60 committees, freeing up over tens of thousands of people hours annually. We have identified about 1,000, or 50%, of our internal financial **management reports that we won't need any longer and have taken out co-heads and dual reporting lines** to enable faster decision-making.

We are cascading these changes through the organization at pace. We announced the first two layers in September and the next set of changes will be implemented by mid-November, and we aim to bring the entire process to a close by early next year.

When we speak in January, Mark and I will be in a position to update you on the financial and other metrics showing the impact of the simplification, amongst other details. While expense is not the primary driver of the organizational changes, they will help us start bending the expense curve in the fourth quarter of next



year. And at the end of the work, we will have a simpler firm, that can operate faster, better serve our clients and unlock value for our shareholders.

We have made tough decisions here. I want to note how pleased I have been with how the leaders of the firm, especially the next generation, have embraced these changes and are stepping up to implement them. They fully understand that we need to change how we run Citi in order to truly transform it once and for all.

Before I close, I would like to address our people in Israel. We are a significant bank in the country and many of our people have lost friends and loved ones. Others are being called up to serve. Despite all that they are dealing with, they are keeping our bank running in the country. I am frankly in awe of their commitment to our clients and each other. More broadly, the price innocent civilians are paying as this crisis unfolds is absolutely devastating to witness.

With that, I would like to turn it over to Mark and then we would be delighted, as always, to take your questions.

MARK MASON: Thanks, Jane and good morning, everyone. I am going to start with the Firmwide financial results, focusing on year-over-year comparisons for the third quarter unless I indicate otherwise, and then spend a little more time on the businesses.

On slide 4, we show financial results for the full firm. In the third quarter, we reported net income of approximately \$3.5 billion, EPS of \$1.63 and an RoTCE of 7.7% on \$20.1 billion of revenues. Embedded in these results are divestiture-related impacts of approximately \$214 million, after-tax, primarily driven by the Taiwan consumer business sale. Excluding these items, EPS was \$1.52 with an RoTCE of 7.2%.

In the quarter, total revenues increased by 9% on a reported basis and 10% excluding divestiture-related impacts, driven by strength across Services, Cards and Markets, as well as modest growth in Banking, partially offset by the revenue reduction from the closed exits and wind-downs.

Our results include expenses of \$13.5 billion, up 6% on a reported basis and \$13.4 billion excluding divestiture-related costs, also up 6%. Cost of credit was approximately \$1.8 billion, up 35%, primarily driven by the continued normalization in Card net credit losses and volume growth. At the end of the quarter, we had over \$20 billion in total reserves with a reserve-to-funded loans ratio of approximately 2.7%. And year-to-date, we reported an RoTCE of 8.3%.

On slide 5, we show expense drivers for the third quarter as well as our key investment themes. Expenses were up 6% and our level of expenses continue to be driven by a number of factors, including: Investments in Transformation as well as risk and controls, Business-led and enterprise-led investments. Macro factors, including inflation and FX, Severance, which was approximately \$190 million in the quarter and roughly \$640 million on a year-to-date basis. This included actions across Banking, Markets, Wealth and the functions. And all of this was partially offset by productivity savings and expense reductions from the closed exits and wind-downs.

And our technology spend across the firm was \$3 billion in the quarter, up 8%, largely driven by investments in product development, platform enhancements and improving the client experience. Also driving the increase is continued investment in technology for the Transformation as we address the consent orders and modernize the firm.

As we said last quarter, our Transformation and technology investments span the following themes: Platform and process simplification, Security and infrastructure modernization, Client experience enhancements, and data improvements. And we remain in line with our full year guidance of roughly \$54



billion, excluding divestiture-related impacts and the FDIC special assessment.

On slide 6, we show net interest income, deposits, and loans where I'll speak to sequential variances. In the third quarter, net interest income decreased by \$72 million. Excluding Markets, net interest income increased \$332 million, primarily driven by: Growth in PBWM, as we continue to see loan growth and higher loan spreads, a pickup in Services driven by higher deposit spreads, as a result of higher interest rates and active beta management, partially offset by reductions from closed exits and wind-downs. Average loans were up 1%, largely driven by growth in U.S. Personal Banking across Cards and Retail Banking, as well as TTS. Average deposits were down 2%, largely driven by Services, as we saw non-operational deposit outflows, as expected, in light of quantitative tightening. And our net interest margin increased 1 basis point.

On slide 7, we show key consumer and corporate credit metrics. We are well reserved for the current environment with over \$20 billion of total reserves. Our reserves-to-funded loans ratio is nearly 2.7%. And within that, U.S. Cards is 7.8%. In PBWM, 45% of our loans are in US cards and of that exposure, 80% is to consumers with FICO scores of 680 or higher. And both Branded Cards and Retail Services NCL rates are still below pre-COVID levels but are normalizing in line with our expectations. The remaining 55% of our PBWM loans are largely in Wealth, predominantly in mortgages and margin lending.

In our ICG portfolio, of our total exposure, approximately 85% is investment grade. Of the international exposure, approximately 90% is investment grade or exposure to multinational clients or their subsidiaries. Corporate non-accrual loans increased by \$490 million but remain low at 68 basis points of total corporate loans. And we ended the quarter with a reserve-to-funded loan ratio of approximately 1%. As you can see on the page, we break out our Commercial Real Estate lending exposures across ICG and PBWM which totals approximately \$65 billion, of which 86% is investment grade with a total reserve to funded loan ratio of 1.4%. To give you a sense of the macro scenarios that underpin our over \$20 billion of reserves, our current scenario-weighted average unemployment rate is approximately 5%, which includes a downside scenario with an average unemployment rate of roughly 7%.

So, while the macro and geopolitical environment remains uncertain, we feel very good about our asset quality, exposures and reserve levels—and we continuously review and stress the portfolio under a range of scenarios.

On slide 8, we show our summary balance sheet and key capital and liquidity metrics. We maintain a very strong \$2.4 trillion balance sheet which is funded in part by a well-diversified \$1.3 trillion deposit base across regions, industries, customers and account types which is deployed into high-quality, diversified assets. Our balance sheet reflects our strategy and well diversified business model. We leverage our unique assets and capabilities to serve corporates, financial institutions, investors, and individuals with global needs. The majority of our deposits, \$782 billion, are institutional and operational in nature and span across 90 countries. These institutional deposits are complemented by \$416 billion of U.S. Personal Banking and global wealth deposits.

We have approximately \$569 billion of HQLA and approximately \$666 billion of loans and we maintain total liquidity resources of \$937 billion. Our LCR was 117%. We ended the quarter with a 13.5% CET1 ratio, based on Standardized RWA, which is our binding constraint. Although not binding, our Advanced RWA did increase this quarter, largely driven by business activity. And our tangible book value per share was \$86.90, up 8% from a year ago.

On slide 9, we show a sequential CET1 walk to provide more detail on the drivers this quarter. Starting from the end of the second quarter. First, we generated \$3.2 billion of net income to common which added 28 basis points. Second, we returned \$1.5 billion in the form of common dividends and share repurchases, which drove a reduction of about 13 basis points, and finally, the remaining 2 basis point increase was



primarily driven by lower DTA deductions and a net reduction in RWA.

We ended the quarter with a 13.5% CET1 capital ratio, approximately 120 basis points or \$14 billion above our current **regulatory capital requirement of 12.3% as of October 1st. Before we move on, I'd like to spend a minute on capital.** We continue to optimize our RWA and capital which we expect to be a tailwind over time. Contributing to this, is the execution of our strategy, such as further diversifying our business mix and simplifying our business model including exiting our 14 international consumer markets. Our investments in the Transformation will continue to enhance our data, analytics and stress testing capabilities enabling continued capital optimization. And of course, in light of the evolving regulatory environment we are also looking at other mitigating actions but those will largely depend on how the final capital rules play out. These actions could include exiting or restructuring certain products, divesting certain equity investments, and reevaluating both how we deploy capital and our management buffer. **We've consistently demonstrated our ability to manage our RWA and capital levels through various macro environments and the evolving regulatory landscape and will continue to do so.**

On slide 10, we show the results for our Institutional Clients Group for the third quarter. Revenues were up 12% this quarter, driven by double-digit growth across Services, Markets and Banking. In the quarter, normal course foreign currency translation impacts drove a net revenue headwind in ICG. On an ex-FX basis, ICG revenues would have been up 15%. Additionally, there was an approximately \$180 million negative impact from the currency devaluation in Argentina on our net investment in the country mainly across TTS, Markets and Securities Services. Expenses increased 10%, primarily driven by continued investments in risk and controls and volume-related expenses, partially offset by productivity savings. Cost of credit was \$196 million, including \$51 million of net credit losses. This resulted in net income of approximately \$2.4 billion, up 12%, driven by higher revenues, partially offset by higher expenses and higher cost of credit. Average loans were down 4%, as we were very deliberate about how we deployed resources across the businesses, including the reduction in subscription credit facilities. Average deposits were flat as new client acquisitions and deepening of relationships with existing clients were offset by non-operational deposit outflows. ICG delivered an RoTCE of 10% for the quarter and 11% year-to-date.

On slide 11, we show revenue performance by business and the key drivers we laid out at Investor Day. In Treasury and Trade Solutions, we recorded our highest revenue quarter in the last decade. Revenues were up 12%, driven by 17% growth in net interest income. Non-interest revenues were up 1%, and on an ex-FX basis, non-interest revenues would have been up 8%. We continue to see healthy underlying drivers in TTS that indicate consistently strong client activity with Cross-border flows up 16%, outpacing global GDP growth. And year-to-date, cross-border flows are up 12% U.S. Dollar Clearing Volumes are up 6%, both year-over-year in the quarter and year-to-date and commercial card volumes are up 8% year-over-year, driven by growth in business-to-business payments and travel and entertainment spend. And year-to-date commercial card volumes are up 20%.

In fact, similar to the last few quarters, client wins are up approximately 40% across all client segments. **These include marquee mandates where we are serving as the client's primary operating bank.** We continued to make good progress on our commercial client strategy, as year-to-date wins more than doubled, driven by expansion into new markets, and growth in multi-product mandates from clients with cross border needs. In Securities Services, revenues were up 16%, driven by higher net interest income across currencies. Non-interest revenues were up 3%. We are very pleased with the progress we are seeing in Securities Services as we continue to onboard assets under custody and administration, which are up approximately 10% or \$2.1 trillion Markets revenues were up 10%, driven by Fixed Income. Fixed Income revenues were up 14%, largely driven by strength in our Rates and Currencies franchise. While volatility remained subdued versus a year ago, we did see overall volatility tick higher relative to the beginning of the quarter Equities revenues were down 3%, driven by a decline in Equity Derivatives, partially offset by growth in Cash and Prime. And we continued to make solid progress on our revenue-to-RWA target. And finally, Banking revenues, excluding gains and losses on loan hedges, were up 17%, driven by Investment Banking,



which increased 34% on a reported basis and 12% excluding marks. Here too, we saw a pickup in activity in the last couple of weeks of the quarter, particularly in DCM but also in M&A as we closed a few deals earlier than expected. So overall, while the market environment remains challenging and there is more work to be done, we are making solid progress against our strategy in these businesses.

Now turning to slide 12, we show the results for our Personal Banking & Wealth Management business. Revenues were up 10%, driven by net interest income growth of 9% and a 20% increase in non-interest revenue, primarily due to lower partner payments in Retail Services and higher investment product revenues in Wealth. Expenses were up 5%, predominantly driven by risk and control investments, and severance, partially offset by productivity savings. Cost of credit was \$1.5 billion, driven by higher net credit losses as we continue to see normalization in our card portfolios. Average loans increased 7% driven by cards, mortgages and installment lending. Average deposits decreased 2%, largely reflecting our clients putting cash to work in investments on our platform. And PBWM delivered an RoTCE of 8.8%, and 6.6% on a year-to-date basis.

On slide 13, we show PBWM revenues by product as well as key business drivers and metrics. This quarter was our 5th consecutive quarter of double-digit growth in Personal Banking, driven by Cards. Branded Cards revenues were up 12%, primarily driven by higher net interest income. We continue to see strong underlying drivers with new account acquisitions up 5%, card spend volumes up 4% and average loans up 12%. Retail Services revenues were up 21%, driven by higher net interest income and lower partner payments on the heels of higher net credit losses. In the Card portfolios, we continue to see the investments we have been making as well as lower payment rates contribute to growth in interest-earning balances of 15% in Branded Cards and 12% in Retail Services. Retail Banking revenues decreased 3%, driven by the transfer of relationships and the associated deposits to our Wealth business, partially offset by higher deposit spreads. Wealth revenues were up 2%, driven by higher investment fees across all regions and segments, the benefit from relationships transferred from Retail Banking and higher lending revenue. We also saw strong net new inflows across all regions. And year-to-date, new client acquisitions were up almost 30% in the Private Bank and over 60% in Wealth at Work. Overall, we are pleased with the progress we are making across these businesses.

On slide 14, we show results for Legacy Franchises. Revenues were down 13%, largely driven by the difference in one-time gain on sale impacts in the Asia Consumer businesses, as well as the reductions from closed consumer exits and wind-downs, partially offset by higher revenue in Mexico. It is worth noting that **Mexico's revenues were up 32%, primarily driven by Mexican peso appreciation**, higher interest rates and volume growth. Ex-FX, Mexico revenues were up 16%. Expenses decreased 3%, primarily driven by closed consumer exits and wind-downs, partially offset by separation costs in Mexico and Mexican peso appreciation. And expenses in Mexico were up 27%, but ex-FX, expenses were up 11%.

On slide 15, we show results for Corporate Other. Revenues increased, largely driven by the absence of mark-to-market impacts on certain derivative transactions in the prior year. And expenses decreased, largely driven by lower consulting fees.

On slide 16, I'll briefly touch on our full year 2023 outlook. With one quarter remaining in the year, we continue to expect full-year revenues of \$78 - \$79 billion, excluding 2023 divestiture-related impacts. Having said that, based on what we have seen play out year-to-date in terms of US and non-US rates and lagging non-US betas, we now expect net interest income to be slightly above \$47.5 billion for the full year excluding Markets. And we are maintaining our expense guidance of roughly \$54 billion, excluding 2023 divestiture-related impacts and the FDIC special assessment. Net credit losses in Cards should continue to normalize, with both portfolios reaching pre-COVID levels by year-end. And as it relates to buybacks, we expect to do a modest level of buybacks in the fourth quarter. **Before we move to Q&A, I'd like to end with a few points.** We are executing on our strategy and delivering top line revenue growth of 5%, year-to-date. We continue to invest for the long term with discipline while remaining on track to deliver on our expense



guidance. We are focused on simplifying our organizational and management structure, which will further support our speed of execution. We are managing our capital in a disciplined way in light of regulatory headwinds, while continuing to optimize and return capital to shareholders. And we remain confident in our ability to achieve our RoTCE target of 11-12% in the medium term. And again, we look forward to hosting a more expansive fourth quarter earnings call where we plan to share additional details related to the organizational simplification, including expected related severance and expense saves, as well as our outlook for 2024. With that, Jane and I would be happy to take your questions.

QUESTION AND ANSWER

OPERATOR: And our first question comes from Mike Mayo with Wells Fargo.

MIKE MAYO: Hi. Jane, you spoke more about the restructuring that you commented on recently. The real question is, why is this restructuring different than the other 5 or 10 or 15 restructurings we've heard about since Citi's creation in its current form 25 years ago, I think, just like a week ago? So, I'd say, why is this different? We hear the talk about cascading downward and the simplification, reducing dual heads and the committees. But we've heard this so much that why is this time different?

JANE FRASER: Yeah. It's a very important question, Mike, thank you for asking it. As I've said, we view these as the most consequential changes we've made, not just to our organization model, but how we run the bank, in almost two decades. And the first piece is simple, which is our org model was set up for a financial supermarket, that is simply not the bank we are today. So we are aligning the organizational model with that simpler business mix and strategy.

But what's truly different is we're changing how we run the bank. And these are permanent changes that will be driven all the way down through the organization. So let me give you some examples to bring it to life. We talked about delayering the first two or three layers of the bank. That will continue through the organization, through the spans and layers, particularly getting rid of aggregator roles. And let me give an example: HR, we had HR in a region, you had the region head, you had the Institutional Client Group head, you had the Banking head, in addition, you had a North Asia head and a South Asia head. We're just going to have the North Asia head and the South Asia head. And all of those roles collapsed into those two.

We're eliminating activities in the geographies that we just don't need anymore, because we are no longer running local consumer franchises in them. So, let's take the financial reporting, sorry, the management reporting that Mark and I referred to in the opening remarks. We can reduce our management reports by about 50%. That's 1,000 reports. What does that mean? Shadow P&Ls by country, quarterly outlooks, monthly performance updates, all the associated tracking and reconciliations that are there that are effectively for a shadow P&L, rather than the one that matters to our shareholders. And so, that greatly declutters.

It also means we can eliminate processes for our Transformation, where we are looking at how do we automate those processes, automate those controls. If they're a duplicative process, we're getting rid of them so we don't need to do that anymore and it will accelerate the work on Transformation.

We are taking activities out of some of the businesses and centralizing them. A lot of the client activities that will go embedded into a business, we move that up to centralized utilities that the whole firm can benefit from and that will get scale economies. These strategy teams, marketing teams, many of the little cottage industries that build up over time.

We can speed up decision-making with fewer committee layers. We'll take down the number of layers and drive that from some places 13, we're looking to getting to 8 in as many places as we possibly can. We're giving clarity of decision rights and changing decision rights from two or more people to just one. So much



more single points of accountability, again more aligned with our shareholder interests, because those points of accountability are more sitting in the products.

And the types of metrics we are looking at to help us measure this spans layers, revenue producers and non-producers, grade mixes, synergies that we're realizing, voice of the client, but I say that our expectations and our execution of the business strategy is also at the heart of what we're trying to drive here.

Our strength is our global network. I don't want our geographies focused on the full monty of management processes that are a duplication of what's happening in the product organization. I want them focused on delivering to our clients, engaging with our clients and also managing their responsibilities of the legal entities.

The same way for our Banking organization. Putting the Investment Bank, the Corporate Bank and Commercial Bank together will really make it easier for us to realize the synergies across them. So, the cross-sell or the movement of a commercial mid-market company up to a corporate lending company and a corporate banking company, much easier when they're all in the same organization. Or selling our Banking products suite into that Commercial Bank customer and other examples.

So, it's really changing decision-making, freeing up people to focus on clients and Transformation, much greater transparency, changing decision-making and rights, driving synergies. We put a huge amount of work all the way through the summer in design as to how do we want the organization to work. That is now getting driven down into the designing in detail and in depth all of these types of activities through the second and third layers at the moment into the fourth and then until we finish at the end of the first quarter.

So, it's very different. You'll get more flavor of it in the fourth quarter earnings call, but I hope that gives you a sense of why this is really different. This is how we are running the place. It's not just an org restructuring. Both are necessary.

OPERATOR: And our next question comes from Glenn Schorr with Evercore.

GLENN SCHORR: So, I'm curious, you mentioned that you're still marching towards the 11%, 12%, which is good because everyone was going to ask that. My question is a little bit different of, with the denominator going up 25%, in other words, a lot of things are working towards your Transformation, but there's sort of a curve ball in there with upping the denominator by 25%. So, you seem to be a beneficiary of higher for longer for sure. And you also mentioned you're working on mitigation as we speak. So, maybe you could talk about what are the offsets that we don't see that give you confidence still working towards that, because the top line stuff is working?

MARK MASON: So, good morning, Glenn, it's good to hear from you. Let me make a couple comments on that, and then, Jane, feel free to chime in if you'd like. The first thing is that when I talked about this at the last conference we attended, I mentioned that analysts were somewhere in the 16% to 19% range in terms of a capital increase, and we're likely to be inside of that range, assuming the Basel III proposal as it's structured, as it's written, and obviously that's not the final, there's a period of review that's going on now.

What I'd say is a couple things, Glenn. One, we haven't fully executed against the strategy that Jane has just described. And obviously, continuing to simplify the business, managing through the Transformation, changing that business mix that we have to something that's more consistent and predictable and repeatable as it relates to PPNR, those things matter and impact the SCB. We talked about the exiting of the international consumer businesses. That will be a factor in what our balance sheet looks like and what stress losses might look like as well as lowering the expense base, which we know is an important factor in that PPNR math as well. And so, those things help, I think, to reduce the amount of capital that might be required as we get into that medium-term period.



Importantly, as you point out, there are other elements of the proposal that are going to require that we take a hard look at as well and identify mitigating actions to the extent that they make it into the final. So, think about the increase in operational risk and the fact that some of that is already included in SCB as something of a point of advocacy. But that's obviously a big headwind that we'll have to kind of work through, the FRTB and the enhancement of models. Now, there's a global market shock as well, but again another point of advocacy that we need to work through. The equity investments, and now that they go from 100% risk weighting to 400% risk weighting, I think we're going to take a hard look at whether those are worth keeping in light of the higher capital associated with them. That's going to challenge the returns, that's going to force us to look at those through a different strategic lens, and we're going to do that. And that's not to even mention the credit component that impacts both corporates and consumers as it relates to unfunded commitments, for example.

And so, as we've done with SA-CCR and other types of reg changes, we're going to have to look at what it means for our product mix, the returns associated with those, whether there are opportunities to pull levers like pricing, or whether we have to take other decisions around those. And so, that's what I mean by the mitigating actions that we're dimensioning and putting on paper and working through, but again, want to be thoughtful because the rule is not final yet, and there are more discussions to be had around those important elements that I mentioned already.

OPERATOR: And our next question comes from Erika Najarian with UBS.

ERIKA NAJARIAN: Good morning. You've talked a lot about defense, as I like to call it, in terms of the Transformation that Jane had outlined and bending the expense curve. But I'm wondering, for both Jane and Mark, if you could sort of address what I think is probably the most debated part of your target, which is that revenue CAGR of 5%. You put up a very nice quarter in terms of revenues, both net interest income and fees. And maybe help us sort of look underneath the surface in terms of that momentum and maybe break it down in terms of what's really going well. I think TTS continues to surprise to the upside, are we going to be, two years from now, we're going to be like, oh, well, TTS is continuing to be doing well. So, what are the businesses that really sort of strong secular momentum that you feel is being under-recognized versus how you could position cyclically and higher for longer? And what is still to come as we think about that path to at least the numerator of that RoTCE target?

JANE FRASER: I love this question, Erika, because I have to say I'm really excited about our strategy and the potential it has. And it is, as you say, this is about the revenue potential of the firm and really how do we continue to unlock it.

So, there's a couple of unstoppable trends that we're going to be riding in the next, I think it's decade-long. The corporate client of today, and indeed consumer, has to build resiliency. The multinational client is on a long-term trend of building resiliency, be it because of green, be it because of geopolitics, be it because of regulatory, whatever the different reasons may be, and there are multiple, they're having to build resiliency into supply chains, into their own operations as they operate around the world. We're the bank that is absolutely there for them. And I think you've seen that in TTS, where we've had such strong drivers of growth in the last few years at the beginning of this trend. So, that is an important one. Wherever the clients want to go, we are there. We have been there for decades. We understand the risk. We understand the client base. We understand the opportunities there, at that. That micro level and local levels that someone who is flying in with a suitcase can't possibly deliver. And it's connected globally. So, this thing is just a thing of beauty.

Linked into it is what I think of as a hidden gem amongst our crown jewels is Securities Services. It equally in custody has this extraordinary global network, the connectivity everywhere. We have been investing behind this business. We've been growing our market share in North America in asset managers, where we've been underweight, with a number of material marquee wins. You can see the share gain that we're getting in this



business, the pipeline of deals that we've already won as well as the new pipelines going forward. Very high return. We're investing both in terms of our cloud, our data, our client experience. And this is in a way, let's say, I do view this as a hidden gem with extremely attractive return profile, fee profile, and other dimensions to it. We've quite a long way to run here. So, similar story to TTS, slightly different client base, competitively advantaged because you've got both the pre-trade and the post-trade. We connect the two. Huge efficiencies for clients. That's going to matter.

Next trend that's unstoppable, global wealth creation. And there is just going to be massive global wealth creation. I can't tell you how excited Andy Sieg is now that he's in the building and knows the way to his desk and all the floors his people are on. He's about to hit the road globally. We are so well positioned to deliver against that. And as you can see, we've not been happy with our performance the last couple of years, but this is going to be a very important driver for us.

We'll see the recovery in banking wallet eventually. None of us are calling when that will sustainably happen. That will be another driver. And I'd say cards continuing to go from strength to strength, particularly I think as we look forward, playing to our lending-led model there.

And finally the other one I do love, which is our Commercial Bank. We serve these entrepreneurs all over the world, who are going to be the drivers of many industries going forward. And we're serving them, helping them go international for the first step, tap them into global supply chains and the like. It's almost by definition the fastest growing of the mid-market companies are the ones that tap into what we can offer them. We build great relationships with them. And then our private bankers call on them, and then our investment bankers call on them. We have our capital market teams calling on them. And we help them grow and succeed. And that is going to be a big engine in the medium-term of new client acquisition feeding us.

So, deeper client relationships, more growth in terms of new clients that fit with our proposition fairly uniquely, and some great mega trends that we are going to be riding and pretty uniquely positioned on. And we'll keep investing to make sure that where areas we're behind we get into the forefront of and the areas we are crushing it in, like our win rate is 82% in TTS, and we're going to make sure that we continue to do so and innovate that way. So, sorry to be so excited about this, the 4% to 5% just feels very, very doable to Mark and I.

OPERATOR: And our next question comes from Jim Mitchell with Seaport Global.

JIM MITCHELL: Hey good morning. Mark, maybe on the revenue discussion there, let's talk about NII a little bit. You guys have a very unique deposit base, a lot smaller footprint in low-cost consumer. Betas have been, already been high, so it doesn't seem like there's as much beta catch-up risk for you. It's 50% non-US roughly. How do you think about the trajectory of NII, do you think it stabilizes next year before rate cuts? How do we think about the puts and takes on your NII into next year?

MARK MASON: Yeah, thanks for the question. Look. I'm not going to give guidance for 2024, we'll do that obviously at the fourth quarter 2023 earnings. But I think it's reasonable to expect that some of the trends that we've seen so far will continue. So, if you think about what's underneath this, we'll continue to benefit from higher rates across currencies. I think we'll continue to see benefits from card interest-earning balance growth.

Recall that when you look at our US dollar IRE position, it's relatively neutral at this point. And interest-earning balance growth is expected to be driven by continued card spend and lower payment rates. And so, I think what's important to remember, as it relates to our business, is that it's global. That we've got, while you're right in that, on the U.S. dollar side, we've seen betas kind of reach, particularly for our corporate clients, reach terminal levels at the end of last year. On the non-US dollar side, betas run lower. They lag. And there's still upside there because it's a different rate curve and a different pace of increases. And so, those



will be some of the puts and takes to think about. Volumes, the rates, the speed of the curve moves, and then how betas evolve, that will kind of factor in.

And then the final thing to remember is that, in our NII, we show it both with and without Markets, on the ex- Markets, we'll have the impact of the drag from the exits of the countries that kind of play out. So, we just exited Taiwan. That's going to impact obviously the next quarter's NII. So, just a couple of factors to think about and obviously I'll give you more detail on 2024 at the fourth quarter earnings call.

OPERATOR: And our next question comes from Ryan Kenny with Morgan Stanley.

RYAN KENNY: Hey good morning. On the capital markets side, I heard the comments around it being hard to predict when deal activity will sustainably rebound. Can you just give us an update or more color on how CEOs are thinking about bringing deals live across M&A, ECM and DCM? And does the market and rate volatility over the last few weeks have any significant impact on bringing deals to completion or on the pipeline?

JANE FRASER: Well, I think a couple pieces. I actually start with Q3 is the seventh quarter of the current IB downturn. So, since 2000, downturns have tended not to last longer than seven quarters because that's often how long it takes for pricing expectations to fully adjust to new realities. And we're starting to see that particularly in the debt capital markets, investment grade markets, where the expectation of no longer how high, but how long for rates, we've seen clients who get off the sidelines and just bite the bullet and get into the debt capital markets in a more meaningful way and no longer waiting on that.

We still think that how our recovery and return to normal wallet plays out, when you talk to CEOs, is largely dependent on the macro environment. That's the main piece for them. ECM, we're seeing increased interest and activity on ECM. You obviously had several IPOs coming to market in September, three big ones that we were involved in. But the market is still somewhat fragile. We're watching it closely. And quite a few questions in Q4, things may move to Q1. We just have to see how that unfolds. But there's a good pipeline. I mean, there's a lot of pent-up demand here.

In debt, we had a big pick-up in DCM. We feel confident that the gradual recovery in DCM and the beginnings of that lev fin one will continue. You're certainly going to see us more active in the lev fin space in the right situations for our key clients.

And then in M&A, a healthy M&A sell-side pipeline. A lot of companies with their industries transforming are really wanting to think big. I think we'll see that unlocking when sentiment improves further, companies do accept the new pricing reality, which will be helped by a rebound in equity markets. That obviously, from our end, takes quite a few quarters to materialize into revenue just given the nature of the product.

So, it's there, but I think just given where everything is geopolitically and particularly from the macro, no one is going to make that call as to when we're going to see that sustainable turn in banking at this point.

OPERATOR: And our next question comes from Steven Chubak with Wolfe Research.

STEVEN CHUBAK: Hi good morning. So, Mark and Jane, I do recognize you'll provide a more fulsome update on expense actions next quarter, but one of the things I was hoping was that you could frame the expense opportunity in the context of your headcount trends. And prior to COVID, as well as the consent order, mind you, Citi was running with 200,000 direct staff. That number is closer to 240,000 today. It's an increase of 20%, even with multiple divestitures that you've consummated. So how should we think about an appropriate target or an optimal level of headcount for Citi versus that pre-COVID baseline of 200,000, and whether the consent order would impact the timing or magnitude of such headcount actions?



MARK MASON: So, look, I'm not going to give you headcount guidance, but what I will say is Jane has talked before about the heads associated with the divestitures that are underway. And obviously as we continue to progress in those divestitures, we've made a lot of progress already, we'll see those heads come down. It's also important to point out that as part of our effort, there's been in-sourcing. And so, we've captured the extended workforce in the headcount that we have here.

And then I think the final point is that as we continue to execute against the Transformation work, and as we implement the org simplification that we've just announced, undoubtedly the technology investment, the automation that we're putting in place, the straight-through processing that occurs, the fewer reconciliations that are required, the streamlining from all of those layers that Jane mentioned we'll be eliminating, all of those things will also work to reduce headcount as well.

And so, while we're investing and hiring on the front-end to capture the upside as markets turn, but also as we position ourselves to grow with clients, we're also going to realize efficiencies that come out of headcount reduction.

One additional point is that you've heard me mention before that we've taken probably about \$600 million or so year-to-date in repositioning charges. And with that will come roughly 7,000 or so headcount coming down associated with those repositioning charges. And so, and we'll continue to do that, by the way, we haven't even begun to take repositioning charges associated with the org simplification that's underway. That will come in the fourth quarter and then the first quarter of next year. And so, we will see heads continue to evolve through this process, but keep in mind that there are puts and takes associated with that as we look at where we need to in-source versus use external parties.

OPERATOR: And our next question comes from Ebrahim Poonawala with Bank of America.

EBRAHIM POONAWALA: Good morning. Just maybe, Mark, following up on that, as we think about bending the curve through the end of next year, maybe if you can talk to around as we think about the puts and takes between investments and expense saves, how much of that cost save or bending the curve is going to happen in Legacy versus PBWM and ICG? Like, just how do you break, how should we think about that as we think about bending the curve and where the savings are coming from?

MARK MASON: Well, look, next year, we talked about expenses coming down from third quarter to fourth quarter. And as we think about that, you'll have some of the benefits of the costs going away from the exits that we would have announced. You have some of the benefit from further reduction in stranded cost, which we've been keenly focused on as we've exited each of these.

And then I think as we get to the medium term, you will start to see some of the benefits from the Transformation spend and investments that we would have made start to play out, as well as efficiencies that we start to get in a lower structural cost base. But again, that's in that medium-term period. So, all of those things will be drivers to getting the bending of the curve. I haven't broken down, I'm not going to break down here on this call how much comes from each of the pieces, but all are important factors to achieving that.

OPERATOR: And our next question comes from Matt O'Connor with Deutsche Bank.

MATT O'CONNOR: Hi. There were some quotes, I think, in the media, Jane, from you talking about some signs of pressure among the lower end of the consumer, and I appreciate the pie chart that you have in the deck showing it's not a huge percent of the card portfolio. But could you elaborate on that? And then also just address the, you mentioned directionally how the payment rates in cards are coming down, but if we look at the growth in spend versus the growth in loans, it is kind of a little disproportionate. I think spend is up a couple percent year-over-year, and the loans are 11%. So, as we think about being kind of later-cycle, is that



something that you're paying attention to as a potential sign of further weakness in credit?

JANE FRASER: Yeah. Look, I think most of the pressure in the lower FICO, we don't have a lot of customers in lower FICO, so, we're seeing it out in the market. We've got, we obviously have some in the Retail Services business, we also, I would say, have the benefit of that loss sharing agreement that really makes a difference there because we're having to reserve fully for that, but we get it back on the revenue line, as you know.

But as we look at the off-us book, as we look at some of the pressures in the market, as we look at spending, we can certainly see some of that pressure for the lower FICO, whereas when I think about the cards business, it's very much driven by the affluent customer. So, the affluent is accounting for almost all the spending growth that we're seeing. And that's similar for the numbers that we saw coming out of the Fed from the deposit side, the excess savings are sitting there now primarily with households with over \$150,000 of income, and it's down in the rest.

So, these are things we're keeping an eye on. I want to be very clear, I'm not that worried about it for Citi given the prime nature of our card portfolio, and then the rest of our PBWM exposure is obviously very affluent.

But when I look out at the market, I talk to our corporate clients, that's where we tend to see them being more nervous about the softness in the consumer. And just, I call it they're much more mindful about where they're spending, right? So, you're seeing them moving down within a category. They're certainly looking more on the bargain front. We've been hearing that from our retail partners. We've been hearing that across the board. So, growth of card loans is good. Our spend is up, but less than loans. I think it's softening, but it's not worrying.

MARK MASON: Yeah. I think that's spot on, Jane. The only thing I'd add is that when you look at the payment rates in Branded Cards, while they've started to come down, they're still above the pre-COVID level. And we obviously have invested in this business. So, the other thing that's driving this is the new account acquisitions are obviously important drivers of that spend volume and ultimately that loan growth. But again, there's nothing that we see outside of what we were expecting in terms of how this portfolio is normalizing.

OPERATOR: Our next question comes from Gerard Cassidy with RBC.

GERARD CASSIDY: Good morning, Jane and good morning Mark. Jane, as you pointed out, you're very excited about the opportunities in TTS. You're winning some new mandates in the custody business. Can you feel is it because the competition is struggling with other issues? What gives you, because Citi has always been well-regarded in this area, so what gives you that added excitement that this is even getting better?

JANE FRASER: Look, I think the added excitement is, a lot of it's coming from the investments that we've been making. So that we are, if you look at it in terms of Payment Express, which is live in the U.S., Thailand, **it's** on track for three more markets, that is really a very differentiating capability. The momentum we have in 24/7 clearing that's been put in place, we've had over \$1 billion processed year-to-date. Putting our Commercial Bank clients onto CitiDirect so they have seamless access to our whole TTS network globally. You heard us talking about Citi Token Services, you can see us innovating with the Fed in new capabilities.

So really across the board, it's that innovation in cutting-edge, first-in-the-market type of capabilities. But you're putting that on top of a network that's just unprecedented in terms of its presence, its local capabilities, its payroll, cash management, liquidity management, its collections, its receivables, all sitting on one platform connected globally. And what that gives a client in terms of efficiency saves, insights on data, what they can do in terms of risk management and how to really optimize their treasury capabilities. I mean, this thing is a thing of beauty. And it's very, very hard, it's very sticky, to extricate from this because it's embedded into how our clients do business, it's that critical and into their technology systems. So, when you



look at where the world's headed and what's going on in the world, volatility, these other elements, it's hard not to see opportunities.

And it's opportunities as well with our Markets business linked in. One of our really differentiating factors that Andy Morton talks about all the time is his partnership with TTS. The fact that one of our major client bases are corporates and they have a different profile, let's say, to an asset manager or a hedge fund. And we uniquely can serve them. So, that's the piece. It's that combination in trends we see.

MARK MASON: I think that's spot on, Jane. The only thing I'd add is that the middle market commercial space is a huge opportunity for us, as you said earlier, leveraging that TTS platform. And then on the Securities Services side, the reality is that we're finally seeing real traction in North America, right? We've always had kind of strength in many of the other regions, but we're really winning some major mandates here in North America, which I think is enough to get really excited about.

JANE FRASER: And I think that, to me, is what then drives a lot of the strategy and what we're trying to do in terms of get to that high quality of earnings, better earnings mix, and other pieces that will help us get to that medium-term return target that we are so focused on.

OPERATOR: Our next question comes from Vivek Juneja with JP Morgan.

VIVEK JUNEJA: Hi Jane. Hi Mark. Want to just clarify the reorganization a little bit. So, Jane, I heard you say that you're keeping North Asia and South Asia heads. So, did you just get rid of the Asia head and get rid of the product heads, where product heads in each country were reporting to a regional product head? So, is that that dotted line is no longer there or what's going on there? And when you get rid of all the monthly management reporting, what are you planning to replace that with from your management, your MIS perspective?

JANE FRASER: So, let me take the second one first. I'm not planning on replacing it with anything. We don't need them. We're no longer running consumer franchises in the countries. Instead, we've got global businesses that are operating very consistently in the individual geographies, so we just don't need to replace them. And it enables us just to have the legal entity, financial management that we need. And then our internal reports get greatly simplified. Same as they get greatly simplified by taking out ICG and PBWM is another, eliminating that layer also eliminates a lot of different reports. So, the wonderful answer is, nothing, a simpler Citi.

The first question was about, okay, help you understand what we've done. So, on the geography front, we have done two main things already. One is we've eliminated the regions and have just put a single international head reporting to me. So, that makes it much simpler for me. I have one international head, and then he will help us manage the geographies collectively.

The second piece is we really narrowed the mandate of geography to delivering to our clients and covering our clients in their countries. And secondly, the legal entity management. And otherwise, before, we had a huge amount of management on shadow P&Ls and different, a lot of very heavy committee structure. That was necessary because the business was still very local, as a retail bank, a local credit card business, a local onshore wealth business. They've gone. It's just serving multinationals. The subsidiaries are multinationals and in some markets the investors and the wealth clients in some markets. And that's a much simpler business to manage. So, we could get rid of the regional layer, and we just jump straight down to the clusters that we have today. They too have less of a mandate than they had before, a much more focused one.

And the bit that I'm excited about is not just, yes, this makes it much simpler to manage, but it also helps us really focus on the global network. Now, our geographies and our banking organizations sitting together on the same management structure are collectively accountable for serving and delivering against our core



client base. And they're in one team to do it. It just makes it much easier. Does that give you a feel? What else, Mark?

MARK MASON: The other thing, Vivek, that I think is important here is we really want to spend a little bit more investment in time on the client lens in terms of the financial reporting, right? Because, as Jane talked about, we talked about the synergies across the franchise that we can capture, the ability to leverage the offering we have for those different client segments. So, looking at that P&L, looking at those returns, looking at that growth opportunity through that client lens will be something where we want to enhance the metrics that we have already around that so that we can capture that upside.

JANE FRASER: And around the other piece that I think is also just an important point, globalization is changing and we're seeing these lanes all changing through trade, financial flows, et cetera. By actually having a single international organization and then the different clusters, North and South Asia, Europe, UK, LATAM, Middle East, Africa, the connection points between them are really changing at the moment. And so, this makes us much more agile in our delivery of the global network because I think it's much more in line with how the world is operating today.

OPERATOR: And our next question comes from Saul Martinez with HSBC.

SAUL MARTINEZ: Hi there. So, I wanted to continue on the thread of normalization of credit losses. And you guys have, I guess your guidance is implying that Branded Cards and Retail Services get back to more normalized levels by year-end, which is a decent-sized uptick over the levels you had in the third quarter. So, I kind of want to know what's driving that view. But more importantly I guess, what does that imply going forward? And does it imply that we get to more, something more like above trend losses? Because I would think we still have some seasoning to go on the late 2021 and 2022 vintages.

And not only that, **but we're** talking about this in an environment where we still have pretty extraordinary labor markets. So, if you could just give us a little bit more color on just your expectations on credit losses and whether there's maybe a little bit more risk than we're thinking in terms of losses trending to something that is a bit higher than what we normally, or what are more normalized levels?

MARK MASON: Yes. So, let me start on that, and then, Jane, if you want to chime in, that's fine. I think what I'd point you to is page 24 in the deck that we have because it gives you a nice snapshot of how both the loss rates have been trending but also how the delinquencies have been trending. And you can see that the delinquencies have been trending up, and that kind of gives us a good indication of where loss rates are likely to trend in the next quarter or so.

And so, at 2.72% on Branded Cards and 4.53% on Retail Services, we can see that we're likely to end up at about that normalized rate by the end of the year getting up to the 3-3.25%, 5-5.50% pre-COVID normalized NCL rates. Our expectation is that as we go into 2024, to the point that you've made, depending on the macro environment, we're likely to see this tick up above those pre-COVID normalized rates, as we see a slowdown in the economy, again, subject to what the macro looks like, before then kind of settling down at some point, down the path. And so, yes, we do see that tick up.

This is again as advertised, so to speak, as we would have expected. And we have reserves, significant reserves for both of these portfolios to account for those loss expectations. So, in Branded Cards, we sit with an ACL to loan reserve of 6.3%, and Retail Services, we have 11%. Jane mentioned earlier that the losses in Retail Services ultimately get shared with partners. And so, while we would expect this to normalize and mature, so to speak, we feel very well-reserved for what that might look like.

JANE FRASER: And our portfolio is very prime. I mean, this is not the old Citi. It's very different in terms of our consumer credit exposure. And I think what you're hearing from us is, this should all be very manageable.



We're not, there's no alarm bells going off at Citi around this. We're being prudent. We're being conservative around pieces and responsible on it. But there's no alarm bells ringing. And I think that there may be a bit of a disconnect from some of the questions out there versus how we're feeling. We're just not seeing the data that is overly concerning. This is all very manageable, and we're being prudent about it, as you'd expect us to be.

OPERATOR: And our next question comes from Mike Mayo with Wells Fargo.

MIKE MAYO: Hi, thanks for the follow-up. From your initial answer, Jane, I hear you with the restructuring, deconstructing Citi to global lines, delayering of management, and de-cluttering reporting. And when you add it all together, we'll get some numbers in January. But as it relates to your return targets and efficiency targets for 2025 and 2026, consensus is about one-third below what you target. And frankly, I have not spoken to one investor who thinks you're going to get those targets and maybe you would want to revise those lower in some way or maybe to be determined. Or what's your degree of conviction of getting to those targets or at least getting above your cost of capital?

JANE FRASER: Yeah, look, we remain confident around our ability to hit these targets. We've got, you heard me talk earlier around the revenue growth and what are some of the tailwinds that we've got behind us as well as the core strategy and the drivers that we're in control of and that we've been investing behind to achieve. So, our strategy is unchanged, we're confident it will drive the revenue growth of 4% to 5%. It's not the primary purpose, but the org simplification is the third driver of the expense reductions that we've talked about.

And I would also say that when you look at revenue, expenses, and the targets we've laid out at Investor Day, we've certainly had plenty of headwinds in macro, regulatory, geopolitics in the last couple of years. We have delivered on what we said we would do in the revenue, in the expense guidance, and on the strategy. We've made adaptations along the way as we've needed to. But I think that's the piece that we're also really trying to drive into the firm is a culture of we will do what we say we will do, and we'll adapt accordingly to different areas.

Mark talked about adapting to the capital requirements, depending on what they are. We have other levers that we can pull, capital allocation, management buffer, DTA. But my message to our investors is we're just building a proof point. This is a relentless execution. Look at that strategy scorecard page at the beginning of the deck there. We've achieved a lot and there is a lot going on, and we're getting a lot done. We don't pretend we're at the end of the road there, we're there yet. But we're getting done what we said we'd do and building up those proof points so that you can see us achieve those return targets. Anything to add, Mark?

MARK MASON: As you said, building credibility and being transparent, right? So, we're going to keep delivering on the proof points, and we're going to be transparent about how and when and how we're going to achieve it.

OPERATOR: And our next question comes from Gerard Cassidy with RBC.

GERARD CASSIDY: Mark, you mentioned in the credit section that the delinquencies are rising, and as a percentage of loans, they're still very low. I was just curious on the corporate loans in North America there was an uptick. Again, I know relative to the portfolio, it's not that big. But anything in particular you can share with us in that area?

MARK MASON: On the corporate loans, we saw loss, I think losses were \$51 million in the quarter, so a small amount. We did see an uptick, as you point out, in the reserves. That was really driven by some country rating adjustments that were made. And then we did see an increase in the NALs, the non-accrual loans. And that was really one or two names and one in North America, one in EMEA. Both of them are current. But they drove



the uptick that we saw in the quarter there.

OPERATOR: And there are no further questions in the queue. I will turn the call over to Jenn Landis for closing remarks.

JENNIFER LANDIS: Thank you, all, for joining us. If you have any follow-up questions, please contact IR. Thank you.

OPERATOR: This concludes the Citi's Third Quarter 2023 Earnings Call. You may now disconnect.

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