Good afternoon, everyone. Well, we've made it to the final presentation of the day. For those of you who I haven't met, I'm Mark Mason. I'm Citi’s Chief Financial Officer. I've been CFO over three years and with the firm for about 21 years. Since joining Citi, I’ve had the opportunity to work across a number of businesses. That includes leading our Global Private Bank and running Citi Holdings through the financial crisis. I've also been the CFO of our Global Wealth Management business and our ICG franchise. In my 21 years at Citi, there have been a number of memorable moments. And now I'll add our 2022 Investor Day to that list. And not just because I caught COVID from Paco, but let me tell you why.

The firm has faced many ups and downs over the course of my career here. And it’s clear, we have challenges that we need to urgently address right now. You know that, and we know that. Today's our opportunity to show you that we're determined to drive that change and that we’re confident we’re ready to tackle the challenges and take on the opportunities that lie ahead. That determination, that confidence, it comes from being surrounded by colleagues who have the drive to compete and win, from having leaders who are willing to be the change agents our firm needs and from having a clear strategy that focus on where we win.

Now, this is not a quick fix. Jane was candid with you about that this morning and I'm underscoring it now. We’re clear-eyed about that, but we’re executing a credible sustainable plan that will allow us to improve our returns over time. And although we recognize our journey won't always be a straight line, we'll be highly disciplined about the progress we need to make in three key phases. Each phase is clearly centered on our long term strategy, execution, and accountability. Each phase builds on the next and they include KPIs we and you will use to track our progress.

As we develop this plan, we challenge ourselves to be realistic about what's achievable given where we are now and the work we have to do, but we also pushed ourselves to be appropriately ambitious, to challenge our firm and our people with goals that will require hard work and new approaches. I believe, we believe that our plan strikes the right balance between the two and that we're on the right path. So let's talk about strategy.

A higher quality earnings mix, stronger returns, a lower cost of equity, a platform for future growth. That defines the scale of our ambition. To achieve these financial goals we'll do three things. First, grow. We’ve had limited revenue growth in recent years. We know we need to change that. And we will. We're investing in our fastest growing highest returning businesses like Services and Wealth. We're strengthening and optimizing Banking, Markets, and Personal Banking where we have a
competitive advantage. And we're also positioning ourselves to benefit from tailwinds as the economy normalizes over the next few years. Second, become more efficient. The investments we're making in the transformation will ensure that we meet our risk and control commitments. Just as important, these investments will upgrade our technology, modernize our systems, and simplify our operating model. That'll make us more agile, more scalable, and well controlled for the digital age.

Third, manage our capital to drive improved returns. This means allocating more capital to support our growth businesses, but it also means improving the productivity of our more capital intensive businesses. And importantly, it means returning excess capital to our shareholders. Let me take you through the three phases of our plan, but first as the old saying goes, you can't really know where you're going until you know where you've been. So I'll start with the review of our recent financial performance and what created the gap between us and our peers. Anyway you cut it, you'll see there's a lot of room for improvement and that's exactly what we've been up to over the past year. So I'll quickly recap what we're doing to address those challenges and what that means for our financial results this year. Then I'll go into detail about what to expect from us in the medium term and beyond.

So let's start with the look back. From 2017 to 2019, we grew revenues by $1.4 billion. We kept expenses relatively flat. And in 2019, we delivered an ROTCE of 12.1%. Then the pandemic hit. Initially 2020’s unprecedented volatility drove strong performance in our Markets business. And that offset the impact of the pandemic on our NII, which dropped to $45 billion. That was a result of lower rates and balances in our Consumer business. As the pandemic continued into 2021, the impact of lower cards balances, and the effect on our interest rate sensitive businesses became even more acute and resulted in NII decreasing by roughly $2.3 billion.

Then our challenges were compounded by the consent orders, which reflected the consequences of underinvesting in our restructure and some of our businesses. You can clearly see that reflected in our expenses beginning in 2020. That’s when we started the work we’re doing to modernize our operations and build a bank that will deliver over the long term. This increase in expenses, coupled with the pressure on our NII, offset by significant reserve releases resulted in an ROTCE of 13.4% in 2021 or about 9% if you exclude those releases.

Now, let's take a closer look at how the pandemic affected our balance sheet. From 2017 to 2019, we grew loans by about 2% and deposits by about 6%. We did that as we continue to acquire new clients while meeting the needs of our existing clients and customers. But then in 2020 and 2021, you can start to see the impact of the pandemic play out. During that period, we saw an extraordinary outlay in government stimulus and bed balance sheet expansion. That helped both consumers and corporate strengthen their balance sheets and increase their savings and liquidity profile. For consumers, that translated into elevated payment rates and lower cards receivables. For corporates, it meant a significant shift to debt capital market financing. Consequently, loans decreased by cadence of 3%. And we saw significant deposit growth. As these dynamics played out, we continue to maintain a strong balance sheet with about 83% of our corporate loans in investment grade and 82% of our consumer loans to prime customers.

On the deposit side, we continue to maintain high quality stable deposit as we act as a primary operating bank for the majority of our clients. This is reflected in our LCR calculations you see on the bottom right hand side with a significant portion receiving a haircut of 25% or less. The combination of these factors means we have a strong balance sheet that we can deploy to support our strategy. Over the course of the pandemic, our capital position remains strong too. At the end of 2021, as we prepared for SA-CCR implementation on January 1st, we had a CET-1 ratio of 12.2%. Our other capital liquidity metrics were strong too. As you can see on the right side, we've returned a substantial amount of capital
to our shareholders, about $80 billion over the past five years. And we’ve grown our tangible book value per share at about a 7% CAGR over the past five years.

This slide compares Citi’s performance over the past five years to our peers. Let me summarize the reason for our underperformance using the earlier themes of growth, efficiency, and capital. Our revenue growth has been slower than our peers. And that’s partly a result of our business mix. As you can see, only 38% of our revenue comes from non-interest revenue. Our operating efficiency and absolute expense growth declined 1% until 2019. But as I said earlier, that’s because we just didn’t invest enough. And while we’ve returned a significant amount of capital to shareholders, the productivity of the capital we allocate across our businesses has been low. This is in part due to the amount of capital that we hold in corporate and the fact that we over index to markets. As a result of these factors, over the last few years, we produced returns of 10% on average. That compares to an average of about 13% for our peers. Now, the reality is that and until we address the challenges we face, we won’t meaningfully narrow the gap to our peers. That isn’t a reality we like or that we’re comfortable with. But it is our reality given the work we need to do on our transformation, given what we need to do to make up for the past under-investment in our businesses, and given the time required for our strategy to really start to deliver. It’s the reality of what’s needed to run the bank the right way, to position us well for the long-term, and to deliver better and more sustainable returns over time.

So let’s take a look at how that plays out over the three phases. Phase one is well underway and we’ve been hard at work over the last year. We completed our strategy refresh. We’re executing against our divestitures at a rapid pace, and we’re already implementing our strategy across our five core businesses. That includes investing wisely to reinforce and capitalize on our competitive advantages. And we’re also instilling more rigor and discipline to drive better performance. Very importantly, during this phase, we’ve been doing a meaningful amount of work on our transformation. You heard that from Karen and from Stuart. The work in the investments we’re putting in now will start to show more benefits in the next phase.

In phase two, meaning in three to five years, we believe we can deliver an ROTCE of 11% to 12%. That’s when efficiencies from the transformation begin to materialize, and our investments in our businesses start to pay off with greater revenues. It’s at that point that we’ll begin to see their early benefits of our shifting business mix. Our more fee-driven and capital light businesses like services and wealth will grow and start to become a greater proportion of our earnings. As that dynamic plays out, it should drive a lower cost of equity. And that’s when in phase three, we’ll see the benefits of our strategy in the form of a simpler, more efficient, more focused organization that’s generating higher rep returns. Let’s dig deeper into each phase.

Our Strategy Refresh was an essential part of this first phase of work. And it gives us the strong foundation we need to build from. Our work on the strategy led us to the decision to divest 14 Consumer franchises. But the focus of our work was squarely on the bank we wanted to be going forward, a simpler, focused and connected bank.

As you heard today, our approach is now built around five interconnected businesses and a client segment with high growth potential. They’re all positioned to be leaders in their own right, and they’ll benefit as the macro-environment improves. But these businesses also create value from being part of the broader Citi franchise.

You’ve heard from our team, for example, how our commercial bank is high returning on its own and how it can also be a feeder into the Corporate Bank or into Wealth or vice versa. You’ve heard how our TTS and Markets businesses operate a joint venture to deliver embedded FX services to our clients. That JV generates approximately $1.5 billion in revenues for us. You’ve heard how our retail banking business generated 50,000 referrals to our wealth business just last year. And you’ve also heard about
the $1 billion in markets revenues we earned from private bank clients, and that's just the beginning. By strengthening these linkages, and by sharpening our synergies, we'll open up new opportunities to both serve our existing clients and win new ones. A missed opportunity for us in the past was our failure to take full advantage of the natural linkages that exist among our businesses. Now, those linkages and synergies are central to our strategy.

There's no doubt about it, we have things we need to fix, but the approach we're taking with our investments goes well beyond that. We want to be more competitive to put ourselves in a position to win for the long-term. But to call it like it is, that means we need to invest significantly over the next couple of years. And as responsible stewards of your capital, we owe it to you to explain where those investments are going and what we expect to get from them.

On the right hand side of the slide, you can see the breakdown of our expenses. First, their expenses related to our legacy franchise is in Asia and Mexico. We're going to drive these expenses out of the firm over time as we make those exits. Next, expenses related to our transformation. And I'll take you through that in greater detail in a moment. Then, there are business-led investments, which accounted for 7% of our total spend in 2021. This includes spending on front office talent as well as technology, and in some cases incremental marketing as we launch new product. When it comes to front office investments, our strategy includes continuing to attract and develop key talent and paying competitively for performance.

The next category is volume-related costs, the good cholesterol. These costs have increased recently because of the heightened client activity we've experience during the pandemic. And then there are structural costs of approximately 27 billion. By structural, I mean expenses related to our people, our real estate, operations and functions. These costs frankly are just too high. We're making it a priority to bring them down over time, including by becoming a leader, flatter organization, which Jane referenced earlier as one of our top priorities.

Across most of these categories are investments in technology. In fact, total technology spend throughout the firm was about $10 billion in 2021. That's up about 10% year over year. That splits roughly 50/50 between run the bank and change the bank initiatives. Given how important technology is to the future of our firm, I'd expect our total technology spend and the share of spending change the bank to continue to grow.

Now, let me give you some more detail on our transformation expenses. By now I'm sure you've noticed that we've taken our consent orders and the requirements associated with them and made them the heart of our broader transformation program. That's because we're not approaching this work as just an exercise in remediation. That would not make sense for our firm or for our shareholders in the long run. Instead, we're addressing root cause issues because our safety and soundness and a strong risk and control environment are non-negotiables. And because anything less would undermine the value of the investments we're making. This approach will help us avoid making the same mistakes again. But it'll also make us more efficient and more competitive over time and that'll lead to better performance.

So let's take a look at how we're investing in our transformation. We break it down by technology, third-party, and compensation. I'd like to draw your attention to the shift this year from third-party to compensation and technology. This is because consultants and advisors who assisted us with the planning phase are now rolling off. We needed resources to respond to the consent orders quickly, and that included tapping into the expertise of advisors who've helped other banks with similar efforts. But we're now focused on building the right tools and talent internally to sustain this effort. As this work moves forward, we expect transformation investments to account for 3% to 4% increase in total expenses this year. Over time, we'll see tangible benefits across the firm and that will us easier to manage and easier to do business with.
Now, let's take a look at how we're investing in our businesses. Let's start with the areas where we're trying to accelerate growth. Services and Wealth are high returning businesses that generates significant fee revenue and have synergies with the rest of our franchise. We're already a clear leader in TTS. This is a high returning business, and it has strong drivers, levered towards rising rates, and an improving economy. But we're not taking our leadership position here for granted, not for a minute. We know that our competitors and disruptors are knocking at the door. So we're committed to defending and extending our leadership position here.

What makes us unique? Our solutions embed us into the operations of our clients in a way that allows us to help them with their greatest challenges. But that's not enough. As Shahmir explained, we're going to keep investing. Those investments will go towards improving the client experience. We're also enhancing our technology infrastructure so we can capture more cross border transaction volumes, more U.S. Dollar clearing volumes, and more deposits. In Security Services, we've been investing in our capabilities as well as our ability to add scale. We already have the number one direct custody business, and we're building out our global capabilities to become the only truly integrated global custodian. The investments we've already started to make have given us a lot of momentum. The major custodial mandates that we've recently won from some of our big F.I. clients are just one example. In Wealth, our investments relate primarily to technology and talent. On the tech side, we're integrating our Wealth businesses on a single platform, enhancing our product capabilities, improving the digital experience for clients, and giving our advisors better tools to manage their client relationships.

On the talent side, we're hiring more advisors to drive client acquisition, and we're off to a good start here. As Jim said in 2021, we added more than 400 advisors, an increase of nearly 20% versus the prior year. Overall wealth is a great example of a business where we believe we can get significant upside at high marginal returns. With respect to the Commercial Bank. As you heard, Jane and Tashnim explain, our plan is to expand our share with middle market clients who are going global at a record pace. Those benefits will cut across a number of our businesses. Like Wealth, much of the investments will go towards talent to attract new clients and deepen relationships with existing ones. That's because we already have most of what's needed to service this client segment through our TTS and Banking businesses. As you can see TTS, Security Services, and Global Wealth Management delivered in ROTCE of 20% or above over the last five years.

Next, let's take a look at the investments we’re making in Banking, Markets, and U.S. Personal Banking. The objective here is to maintain and extend our leadership position in these franchises. In Investment Banking, our goal is to grow with clients leading the new economy. We're putting a big emphasis on clients who are in industries that are converging such as tech and healthcare. That convergence creates quite a range of opportunities where our advice and support are needed. The videos we watched earlier featuring Blackstone and Flywire are compelling. Examples of the value we provide to our clients. It's clear this is a relationship business, and that means we need to invest in talent with established reputations in these segments.

Our markets business constitutes a big part of our bank, and that impacts our returns. As Paco described, we’re focused on optimizing our capital while also shifting towards higher margin activity, such as client led financing and stream and other episodic transactions. Overall, we're focused on profitable growth and improving the returns of our Markets franchise over time. But we also recognize that our Markets business adds value to our firm more broadly. Markets is an integral part of our strategy, and it provides critical services to our clients in partnership with other parts of our franchise like TTS, Security Services, and banking. We believe there’s a significant opportunity to get more out of these natural linkages as we continue to become a more client-centric organization.
In our U.S. Personal Banking business, we're investing to stay ahead of our rapidly changing consumer preferences and competitive dynamics. As Anand explained, those investments are about maintaining a compelling and competitive offering for our customers, including more borrowing options and competitive rewards. Specifically, we're investing to accelerate our growth and proprietary cards to deepen our penetration in our six core retail markets and to continue to invest in digital capabilities.

Before I move on, let me give you some sense for how we're evaluating, managing, and monitoring investments. As we developed the strategy for the firm and the businesses, each business was required to bring Jane and me a fully developed business case for their investment apps. Our key criteria included strategic relevance, expected return, and feasibility of successful execution. This approach allowed us to compare priorities and double down and redirect resources to the best opportunities. And that's what we did. Going forward, we will be monitoring the progress on a monthly basis and holding our managers accountable. Importantly, today we provided KPIs for our businesses that link to these investments and revenue performance over time. And we'll regularly update you on our progress on these KPIs, so you can hold us accountable.

So let's talk about guidance for the year. In this first phase of our work, we're already starting to drive more value out of our businesses and we're benefiting from improving macro conditions. With that said, we expect first quarter revenues from markets and investment banking to be down as the unprecedented activity we experienced over the past two years continues to normalize. That will lead to a decline in total revenues in the first quarter, in the mid-single digit range. But over the rest of the year, we anticipate that higher rates, continued loan growth in ICG, a recovery in consumer borrowing, and continued fee momentum will drive growth across the firm. This leads us to expect top line revenue growth in 2022 in the low single digit range. That of course excludes any one-time items related to the exits.

Now, I've walked you through the investments we're making across the firm. Those investments contribute to the roughly five to 6% increase in total expenses that we anticipate this year, as you can see on the right hand side of the slide. Excluding the cost of the Korea Voluntary Retirement Program that we incurred last year, this increase would be seven to 8%. Our increase in expenses takes into account some of the revenue related volume growth we're expecting this year as well. Structural expenses, which includes things like inflation and non-transformation risk and controls cost, will decrease slightly largely because of the absence of the $1.2 billion in impacts from last year's divestitures.

For the first quarter, we expect expenses to be up 10 to 12% excluding any impacts from the consumer divestitures. This reflects the annualization of the ramp up in investments we saw in the second half of last year, as well as additional hiring in the first quarter related to the transformation. We're increasing expenses meaningfully in the near term for all the reasons that I outlined. But as I mentioned before, our expenses will normalize during phase two. And I'll go into this in more detail in just a bit.

Turning to our cost of credit. We continue to maintain a strong credit profile in our portfolio. You can see that on the left hand side, where our customers and branded cards and retail services are overwhelmingly prime borrowers. On the right hand inside, you can see that our current reserve levels are quite strong. As the macro environment continues to improve, we expect to release additional reserves this year, albeit less than what we released in 2021. We also expect that payment rates will start to normalize. As they do, loan balances will increase and we'll build our reserves to account for that. And as people begin to borrow again, we'd also expect delinquencies and losses to return to more normal levels.
As we think about our capital generation over the next year, we expect capital to come from earnings, disallowed DTA, exits, and the wind down of our legacy assets. Our approach to managing our capital this year takes into account several key factors. First, we have to build our CET1 ratio to 12% as we prepare for an increase in our G-SIB surcharge to 3.5%. Second, we're prioritizing allocating capital in a way that is consistent with our strategy and accretive to shareholder value. Third, any excess capital will be returned to shareholders. However, the timing and level of return of capital is going to be impacted by the consumer exits, including Mexico, as well as other macro factors. In the appendix, we've laid out a rough timeline for the key transactions we have in play, and you'll see that we expect a number of them to close this year. And, of course, our capital return will be subject to this year’s stress test results. So that's phase one, which is all about executing and investing. Now let's move on to phase two, where I'll cover our path to medium term targets. As you can see from this slide, in the next three to five years, we expect revenue growth to accelerate across all five of our core businesses and to grow 4% to 5% for the firm overall. Banking is expected to grow in the low single digits, markets in the mid-single digits, wealth in the high single digits to low teens, and our other businesses in the high single digits.

Now, I realize these are meaningful growth expectations, so I want to give you some more color on what's driving them. We expect revenue growth to come largely from four drivers, interest rate increases, a recovery in consumer lending, scale businesses where we're seeking targeted share gains, and businesses where we're investing to accelerate growth. Let's quickly go through each. As interest rates normalize, we'll see revenue growth, given the interest rate sensitive assets and liabilities on our balance sheet. We also expect to see a recovery in our consumer lending business, especially around cards. As payment rates decline, balances will start to normalize and the interest on those balances will flow through to the top lot. Growth will also come from those businesses where we're seeking targeted share gains like banking and markets. And finally, our investments in those businesses where we're looking to accelerate growth, particularly services and wealth, will generate high quality revenue growth. As you can see, these four drivers are influenced by both improvements in the macro environment, as well as by our performance.

Now let's talk about expenses. As I mentioned earlier, we expect expenses will rise in the near term and normalize over the medium term. It's during this medium term that our transformation will start to pay off. Starting in the second phase of our plan, we'll have strengthened our own bench of talent and started benefiting from our earlier tech spend. And we'll start to see some efficiencies play out as well. That should translate into an efficiency ratio that is less than 60%. As we execute against our strategy, we'll allocate capital to areas of the firm with the greatest growth potential, or we'll return it to our shareholders. But as you can see on the bottom of the slide, we have a significant amount of capital that's tied up in unproductive uses. This includes disallowed DTAs and other assets, as well as our legacy franchises. We're focused on freeing up this capital, and reducing its impact on our returns.

I've given you some of the highlights on this slide already, but let's go into a little more detail. We're building to a CET1 ratio of 12% as we prepare for our G-SIB surcharge increase. That said, we continue to feel the prudent level to run our firm is approximately 11.5%. Our exits will help ease upward pressure on our G-SIB score. Specifically, we expect our G-SIB to go down by 25 points as we close those transactions. We're also shifting our business mix through both our growth strategy and our divestitures, which will ensure more durable PPNR over time. And that should fundamentally help bring down our SCB over time, recognizing that stress scenarios and the Fed's modeling are unpredictable in any particular cycle. That said, for the medium term, we've not assumed that we get back to the 11.5% fully. Rather, we assume a CET1 target range of 11.5% to 12%. And as we have the opportunity to return capital to you, we'll continue to prioritize share repurchases.
Now, let's put all that together to lay out a walk to our medium term return target range. The starting point of our normalized returns is roughly 9% for 2021, which excludes the ACL releases. Over the medium term, we expect ICG to contribute between 180 and 215 basis points of improvements to our RoTCE. That will come through a combination of NII and NIR growth, reflecting the benefits of our investments and services as well as continued fee momentum. We expect PBWM to contribute 110 to 130 basis points of improvement to our RoTCE. That will come primarily from a recovery in consumer lending, but also from our investments in wealth. All of this assumes a healthy economic backdrop, a combination of loan growth and higher rates, offset by some normalization in the cost of credit, and steady execution against our strategy. Taken together, the revenue growth, the expense trajectory, the early benefits of shifting business mix, we believe there's a credible path to achieving higher returns in the range of 11% to 12% in three to five years.

Before I wrap up, let's take a look at the longer term outlook, phase three. We've made bold choices about the firm we want to be going forward. We've launched our transformation, our highest priority, which will give us the agility and scale to better compete. We've identified our growth engines, and as we invest behind them, they will capture more share and increase in scale and we will grow their profitability and their contribution to our overall earnings. And in banking, markets and personal banking will take share, drive profitability, and create more shareholder value. In this third phase of our plan, the strategy we're executing will shift our business mix and lead to faster growing returns. Bring those pieces together, and you have our longer term outlook for our firm, a global bank that's centered on a very strong mix of growing, interconnected businesses that drive higher returns, lower our cost of equity, and increase shareholder value.

I hope you now have a full picture of the journey we're on. As you can see, it's going to take some time before we fully achieve the ambitions that we have for Citi. But there will be progress during each of these phase that I've taken you through. The plan is appropriately ambitious, and at the same time, it's realistic. We're determined to earn your confidence in our plan, which is why we've given you all the metrics you need to track our progress and hold us accountable. We strongly believe in our strategy and in our ability to meet our medium term targets. And therefore, we believe there is significant upside. I've been at Citi for many years. I've been here for some of the best of times and some of the toughest, and I'm truly excited by this moment. I don't think we've ever been clearer about the bank that we want Citi to be and what it'll take for us to get there. We have the vision, we have the conviction, we have the right plan. And step by step, we're to proving that to you.