

Speaker

Shahmir Khaliq, Head of Services

Good morning. First of all, it's incredibly humbling to begin this presentation after such a powerful message from an exceptionally valued client of ours. Thank you very much to the entire Microsoft team. And secondly, a big thank you to all of you who are here today, who've taken the time out of your busy schedules, to join us for our first-ever Services Investor Day. My name, if you didn't know it, is Shahmir Khaliq, and I lead our Services business. So, first, a bit about myself. Over my 30 years at Citi, I've worked in a number of leadership roles across the firm, including Banking, Markets and Securities Services, Treasury and Trade Solutions, Country Management, Regional Management, before taking on my current role. And over the past 10 years, I've been part of the Services Management Team helping drive our growth agenda forward. Today, key members of our Services leadership team and I will take you through our growth journey, our unique competitive positioning, and the breadth and depth of our network.

What we want to convey to you today can be summed up in four key themes. Number one, our network, which continues to be the foundation of our unique competitive advantage. The next three, as I say it, can be summarized as the three Is, innovation, investment, and integration. We are investing at scale to drive innovation across our network and our businesses, and we are deeply integrated across our product lines to provide seamless solutions to our clients. And combined, these factors lead to a resilient through the cycle business and enhances our position with all our stakeholders, especially our clients. So, let's kick things off with a quick snapshot and an overview of our Services business.

Since we last met in 2022, we combined two key businesses under one Services umbrella. The first one that you see on the left in darker blue is Treasury and Trade Solutions, which comprises Liquidity Management Services, Payments, And Trade and Working Capital Solutions, all of which are highly integrated as part of our offering. The second one is Securities Services, our post-trade and our issuer services business. Now, it made sense to bring these businesses together under one portfolio, as they have strong synergies across our entire institutional client base, and present us with both a significant growth opportunity and the ability to foster even stickier relationships with our clients. And as Mark mentioned, services is often the gateway to Citi for our large institutional clients. And as you can see below, a key reason why we are the market leader in the space.

We sit at the heart of Citi's global network, with an industry footprint spanning 95 countries, including our sub-custody network in 63 of them. We serve 19,000 clients, give or take, including 85% of the Fortune 500 companies. We generate over half of Citi's deposits, and move close to \$5 trillion every day. We are also the number one institutional trade and working capital solutions bank. All of us at Citi take great pride in the important role our business plays in helping our clients achieve their goals and aspirations. Now that you have an idea and a snapshot of what our business is composed of, let me take you through our performance.

As you can see at the top, last year Services generated more than \$18 billion in revenue, delivering an annual growth rate of 20% since 2021. Our fee related revenues also grew by just under a billion dollars during the same period. An annual growth rate of 7%, which is over double the global GDP growth rate. Our pre-tax earnings were also up 18% annually, to just over \$7 billion. Based on these

numbers and our other volume growth metrics that you heard Jane talk about, the Services business has largely met or exceeded the targets that we set during our last investor day. Growth was helped in part by the higher interest rate environment, and frankly, our ability to maintain those client relationships that generate those deposit balances. We hold over \$800 billion of institutional deposits, which support our client's day-to-day operations. These deposits have remained stable through periods of market volatility and global interest rate cycles.

In addition, while we've grown our loan book by 9%, our credit costs have been very well managed. We ended 2023 with 23 and a half trillion dollars in AUC/AUA in our Securities Services business, adding over two and a half trillion dollars in assets on a year-over-year basis, which represents a 13% increase. This reflects the strength and scale of our Securities Services business. We also maintained a disciplined operating efficiency in the mid 50% range, even as we grew volumes, and invested in product innovation, platform modernization, and frankly, client experience. So, our diverse product and regional mix demonstrates the strength of our number one ranked institutional business. Our client mix is pretty broad, we serve clients ranging from large corporates, to public sector companies, to financial institutions, to the investor community. Additionally, we have a substantial opportunity with commercial bank clients, who are going global at an increasing rate, and represent a smaller proportion of our current revenue base. So, in summary, Services is an efficient, high returning business that delivered ROTC in excess of 20% in 2023.

As I mentioned earlier, TTS remains the leading bank for institutional clients, with a number one rank in liquidity, a number one rank in payments, and a number one rank in trade. And as you can see on the bottom left, the total institutional wallet is approximately \$125 billion. We solidified our market leading position with a 10% wallet share, which is at the higher end of expectations we laid out at our last Investor Day.

Other than macro rates, these gains were driven through enhanced client intensity, improve client experience, and frankly, integrated innovation across all our businesses, all of which resulted in an improved share of mind with our clients, leading to increasing win and retention rates.

Our market leadership positions us well to continue capturing wallet share across both institutional client base and emerging corporates in our commercial bank, especially as their needs become more sophisticated and their footprint expands across the globe. On the right side, you'll see the Securities Services wallet of approximately \$50 billion. While we're currently ranked fourth with a market share of 8.9%, we've closed the gap to number three for three consecutive years.

Looking forward within our Securities Services business, we have a healthy pipeline and will continue to onboard assets under custody from new mandates. We also see opportunities to improve our position on a selective basis, both with asset managers and asset owners, which represent a large proportion of that overall wallet. And I'll discuss these growth opportunities in more details later.

So what makes this business so unique? Our global network provides us with a strong competitive advantage that has been built up over an extended period of time, and it is almost impossible to replicate, but it's not just the vast footprint of our network that sets us apart from our peers. A unique combination of global presence, local knowledge, and integrated product capabilities

create unparalleled client solutions.

Our clients across TTS and Securities Services rely on us to deliver standardized solutions across entire global operations, and we ensure our innovative approach can deliver that seamlessly across our entire network while adapting to in-country requirements.

Let me now give you an example of the power of our network in motion. I was recently at a client pitch where a large industrial company had gone through an acquisition by a significant financial investor. The client was looking for the most efficient solution that would drive down their working capital, support cash pooling, make payments just in time, and give them local market knowledge and access across 45 countries.

Thanks to our network, our capabilities, and frankly our global team, we won close to 100% of their cash management business despite not having played a leading role in their financing. That was all made possible by the capabilities you see on this slide. Our ability to make payments to 180-plus countries, provide target balancing across 50 markets, connectivity to 290-plus clearing systems, and trade solutions serving clients in over 90 countries.

As you heard in the Microsoft testimonial, our proprietary network in 95 countries supports large enterprise footprints with the ability to provide solutions across their entire 190 country presence. And over the course of today, we'll deep dive into each one of our business lines, along with a discussion on our award-winning platforms and data for both TTS and Securities Services.

Now let's talk a little bit about how our unique global platform leads to entrenched client relationships. First at Citi, we know that relationships matter. We're exceptionally proud of our deep and lasting global relationships with our clients, both across TTS and Securities Services. We have a proven track record as a trusted and reliable business with an unmatched suite of digital first solutions.

I just spoke about our TTS and Securities Services leadership in the institutional space. This is further exemplified by our leadership with the Fortune 500 companies, which is summarized here on the left.

We serve about 85% of this client segment, and most of them have worked with us for over 15 years. In fact, you won't be surprised to hear that some of them have been with us since before I was born.

You can see that as these clients expand geographically, their relationships with both services and the firm grows as well, creating an estimated two times revenue multiplier. We see further opportunity to deepen wallet share with more solutions and in more markets around the world.

As an example, the case study on the right highlights an industry-leading technology company that we have worked with for over 20 years. And as you can see with the numbers on the page, this is an intricate relationship, where we not only provide advice, but also help manage approximately 900 accounts across 68 countries with more than 200 subsidiaries. They route almost 10 million payments through our accounts annually, participate in a \$1 billion Citi-arranged trade finance program, while maintaining more than \$4 billion in deposits around the globe. That is just one example of how we enable sophisticated multinational clients to transact across jurisdictions

through a single platform.

Clients rely on Citi to carry out their day-to-day operations, and as a result, our solutions are deeply embedded across our client's network. This is also evident by the length of our client relationships and low attrition rates across services. As an example, only 2% to 3% of our annual TTS revenue comes up for rebate each year, and when it does, we win more than nine out of 10 times. These characteristics demonstrate the depth of our client relationships.

Now let me tell you about some of the key trends impacting our Services clients and our priorities going forward. The Services market continues to evolve and respond to both changes in macro factors and client expectations. We have highlighted a few of these trends across the top of the slide. First, it's not breaking news to anyone here that interest rates are expected to soften and will impact some of the top line growth going forward. While I'm sure we'll discuss this during Q& A, I want to note that our diversified book of business around the globe substantially reduces our exposure to U.S. dollar rates, relative to our U.S. peers.

Secondly, in this rapidly evolving digital economy, our clients are looking for eCommerce enabled always-on digital solutions that are supported by data and analytics.

Third, in the Securities Services space, we are seeing secular trends towards ETFs while portfolio fees continue to come under pressure. And finally, wholesale and commercial clients need to reimagine and restructure their supply chains given geopolitical and other trends. So all of these macro trends are both an opportunity and a challenge for banks in the transaction services space. And within Services, these trends form four key strategic pillars, which you see on the slide that will help us best serve the evolving need of our clients, while also positioning us to win. Now let me talk about how we drive growth across our book of business.

First, as we continue executing on our growth agenda, we are focused on three key priorities, and they're pretty simple, growth with our institutional clients, growth with our commercial clients, and helping our clients drive eCommerce flows as a horizontal across the segments. So first, let's start with our institutional client segment on the left where we have entrenched and longstanding relationships. As I mentioned earlier, we work with the largest and the most sophisticated clients in the world and have worked very hard to become their trusted partners, enabling their success as their businesses grow and evolve. Additionally, supply chain diversification and geopolitical fragmentation have impacted critical corridors. For example, in Asia, a number of increasing number of clients are looking to enhance their footprints in the US and in Latin America. Increased demand for cross-border business across these markets reinforces the importance of our differentiated global capabilities.

We also see a tremendous opportunity to deepen wallet share in targeted growth segments that you see up on that slide. Healthcare, banks, investors, technology, and FinTechs, all of which are rapidly expanding and growing. Secondly, we want to be the go-to bank for commercial bank clients as highlighted on the right-hand side of that slide. While our existing position remains relatively small, the growth rate for TTS has exceeded the growth rate of the commercial wallet over the past several years, and we continue to see a tremendous opportunity to win in this segment. Our strategy in partnership with our commercial bank is to target commercial clients with cross-border needs, and we've already seen an increase in multi-country, multi-product mandates.

As rates begin to flatten out, my expectation is that we should be able to take even more share moving forward. Third, the eCommerce space is an unstoppable trend across both institutional and commercial segments highlighted above, and we, Citi, can provide a one-stop shop for our clients' digital commerce needs regardless of wherever our clients stand in their digital journey. We've seen considerable success across both these segments as clients co-create their solutions with Citi, and in doing so, help us craft embedded and sticky solutions that deepen our client relationships. You're going to hear much more about our growth agenda from each one of our business heads across both our businesses. Now, please sit back because I'm really excited to share one of these fantastic success stories which showcases Citi's role in the digital economy.

Video

What an amazing affirmation of how Citi's innovative solutions provide not only treasury management capabilities that we've done for decades, but also enable business strategy in today's digital economy. Thank you so much to Marwan and the team and best of luck in your journey. Speaking of innovation, we are laser-focused on developing innovative solutions with best-in-class client experience across our global footprint, and to empower our clients to compete in an ever-changing market. The top half of this slide touches on the many innovative solutions that we rolled out across DTS in the recent past. While we don't have time to discuss each of these in detail, the essence of our focus on innovation is to continually improve the entire value chain of our client's operating model at scale, beginning with payments acceptance through the liquidity, financing and payouts. The more we can integrate and connect these solutions, the more impact we can have on our client's working capital cycle.

Let's use the recently launched Citi Token Services as an example, which is listed at the top of the slide under Liquidity Management Services. Citi Token Services uses blockchain and smart contract technologies to deliver digital asset solutions for our institutional clients. One of its use cases is to leverage this technology within our Liquidity business to enable our clients to transfer liquidity between our branches on a 24/7 real-time basis. Additionally, this technology will be leveraged across our products, including Payments, Trade, and Securities Services. On the bottom half of the slide, we've laid out some of our innovation priorities in Securities Services, and a significant example of the innovation we're driving within this business is the expansion of our top-tier ETF service proposition with the addition of capabilities to support dual-access, fully transparent ETFs. Within Securities Services, we've also launched a unified global clearing and settlement program for custody business. We expect this program to be the first of its kind in the custody industry.

In short, our relentless commitment to innovation enables us to provide our clients with a broad suite of solutions. You'll hear more from my leadership team on these developments and client use cases throughout the day. And none of this innovation happens without significant investment in technology. Platform modernization is a critical part of our agenda, and we continue to invest over \$1.5 billion annually in platforms representing an approximate 20% increase over the last couple of years.

As we look at some of the key platform objectives, I'd like to share some tangible benefits of the benefits we've realized and we'll continue to see over the next few years. First, we want to ensure that we are well positioned for the future, with platforms that have elastic scalability and resilient

infrastructure. Let me bring this to life for you in a couple of ways. First, our Citi® Payments Express platform enables faster settlements at greater volumes, and frankly, new capabilities for instant payments. Citi Payments Express is one of the ways where helping our clients navigate the requirements of digital commerce, especially as payment characteristics have changed from high value, low volume to smaller transactions at scale. Another example is our investment in our custody platform. This ongoing platform continues to deliver enhanced settlement and asset servicing capabilities across our entire network.

Our second objective: real time. This is critical to how we see the future being driven by client needs. Less than two years ago, we launched 24/7 US dollar clearing, which enables our bank clients to make US dollar payments to their partners, peers, and end customers globally, 24 hours a day, seven days a week, including all holidays, including the 4th of July. This is an industry first on conventional clearing rails, and we have seen great adoption to date, with over 130 banks joining the platform. This likely makes it the largest 24/7 US dollar clearing network in the market today. When coupled with our digital asset capabilities that I talked about earlier, this will give our bank clients 24/7 access to their liquidity.

Our third objective is that we have a strong data foundation, with the ability to deliver insights to our clients. Given the breadth of our network footprint and the global activity of our clients, we produce and consume extraordinary amounts of data through our platform. AI is a significant focus for us, and we believe it will change the way we work. I'm very excited about its prospects.

And finally, on the right-hand side of that slide, we continue to strive for architectural and engineering excellence. Through our investments, we'll continue to retire legacy applications, reduce manual touch points, and create a simpler, more resilient platform. This will significantly reduce the time and effort needed to execute our technology projects and frankly, the cost to maintain our infrastructure.

So in summary, our platform modernization journey will have a number of tangible benefits, including but not limited to improving the way we operate and ensuring we deliver a superior client experience.

So that's a great segue to talk about our Client Experience Agenda. Client experience is central to our strategy and a key client retention and wallet share growth driver. Several years ago, we identified a few key enablers to further enhance our Client Experience Agenda and have since made material progress on driving an improved client experience for our clients across the globe. On the right, you'll find a summary of these identified enablers. We have continued to refine our client delivery and oversight model for our large multi-geography clients, and we are making considerable investments in digitization, and automation to eliminate friction and improve the ease of doing business with Citi. Therefore, we're incredibly pleased to see our 2023 TTS Client Satisfaction Score climb an additional four percentage points with a score in the 90s. We also saw encouraging results in Securities Services, with 89% of clients citing responses that we are well positioned to be their long-term strategic provider.

Our commitment to ensuring our clients have a best-in-class experience is unwavering, and we continue to execute on our strategy. Having said that, we've received multiple awards in the digital space, a fact that we are incredibly proud of.

Now, let's talk about risk and control, which is our license to do business and foundational in the execution of our priorities. It is important to all of us at Citi that all our clients view our business as a market-leading transaction services platform, which ensures the safety and integrity of our clients' financial operations. On the right, we've laid out our comprehensive Risk Management Oversight Agenda, covering operations, compliance and strategic risk types. Some of the work we're doing here includes driving automation, along with restructuring our teams. Processes and platforms to focus on emerging risks driven by new client flows and new client types.

From a credit risk standpoint, as you see on the left side, we have a sustained, low credit loss history in one of the largest institutional trade books in the industry. Our exposure is predominantly short term to high grade obligors, and is well diversified geographically and across industries. We leverage enterprise-wide Credit Risk Management Teams and specialists within the business to manage this portfolio.

Continuously improving risk management through tactical actions, cultural mindset, and long-term technology-based solutions will remain at the heart of everything we do, not only in Services, but also across the firm.

I hope this gave you a flavor for what's to come today and a better understanding of why we are well positioned to gain share, and remain the leading provider to clients with cross-border needs. You'll now be hearing from Stephen, Debo, Chris, Naveed, and Okan, who run each of our businesses within the Services construct. They'll share more about the leading suite of integrated products and how we're delivering unique client solutions through continued innovation, while capturing additional wallet share.

With that, I'd like to hand things over to our Head of Liquidity, Stephen Randall, who will walk you through our market-leading Liquidity business. I look forward to joining you a little later. Thank you very much. And over to you, Stephen.

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