



Citi 2024 Services Investor Day
Full Transcript
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Speaker

Jenn Landis, Head of Citi Investor Relations

Good morning, everyone. And thank you all for joining us here today. I'm Jenn Landis, head of Investor Relations and it's my pleasure to welcome you to our 2024 Services Investor Day. It's been a little over two years since our last investor day, and during that time I've had the opportunity to speak with many of you about our vision, strategy, financial results, and path forward. And at the heart of Citi's vision and strategy is our services business, which is one of our five interconnected businesses and in many ways the backbone of our global network.

So I'm very excited to shine a bright spotlight on the business, which many of you have been asking for, and that's exactly what going to deliver today. Services is the reason why we call ourselves the world's most global bank that has taken well over a century to build, but it's not just our network that differentiates us, it's our innovative product suite of capabilities, superior technology and outstanding talent, all of which help our clients expand and transact around the world. And of course, all of this will highlight why we're number one among large institutions globally.

Now, turning to the day, first you'll hear from Jane who will touch on what we've accomplished over the past few years and where we're focused. Then you'll hear from Mark who will benchmark our financial results against our expectations and how we will achieve the medium-term targets we set out at the 2022 Investor Day. And then Shahmir and his leadership team will share more about what we do, who we serve, and the tremendous value we bring to our clients and the firm. After the formal presentations, we'll open it up for a Q&A session with the services team and Mark, followed by a lunch with senior leaders. Thank you very much for joining us here today. We're very excited. And with that, let's watch a quick video before turning it over to Jane.

Speaker

Jane Fraser, Chief Executive Officer

Well, very good morning to everyone. Step-by-step, we are delivering the full potential of Citi through relentless discipline and focus. And as the opening video showed, not even a world going through tremendous disruption has knocked us off course. Today, we are going to highlight one of the most exciting and innovative parts of our bank, our Services business. And you've probably heard me refer to this as Citi's crown jewel. Well, today you're going to see why.

Simply put, this is a business that is powering global commerce. No one else can compete with our global reach. No one else can match our products, our services, and our digital capabilities. And no one else is bringing innovations to the market at the rate that we are. Because this business, it's vital to thousands of global companies and its high returns are at the very heart of Citi's strategy.

Now, over the course of this morning, Shahmir Khaliq and his leadership team will lift the hood and they're going to show you what we do, who we serve and how we will continue to gain share. The information we're presenting today, it's part of our commitment to far greater transparency into the drivers and into the performance of our five businesses.

At our Investor Day in 2022, we set out a vision and a strategy for a much more competitive Citi, and we have spent every day since working to bring that vision to life. We are no longer the financial supermarket of the past. Instead, our vision is focused. We are determined to be the preeminent banking partner for institutions with cross-border needs, a global leader in wealth and a valued personal bank here in our home market.

We've made significant strides putting in place the foundations for the bank we know we can be. We've rebuilt our firm around five interconnected businesses, Services, Markets, Banking, Wealth, and U.S. Personal Banking. Having nearly completed the exits of our consumer businesses outside the U.S., we now serve a far more targeted set of clients. Our risk profile has fundamentally changed. We've created a leaner, much more agile organization structure, and we are instilling a culture of accountability and of excellence.

We've made meaningful progress modernizing our operations and our infrastructure. We have a diversified business model, and we have high levels of capital, liquidity and credit reserves. Bottom line, our financial position is undeniably very strong. We are continuing to make progress on our number one priority, our Transformation. The firm-wide effort is strengthening our risk and controls and the quality of our data.

Our controls are becoming robust, and automating our processes is making them better and faster. For example, booking or amending a loan in North America takes half the time it did until recently. But we recognize there are places where progress has been too slow. So, we have intensified our efforts in areas such as regulatory processes and the related data remediation. We will continue to be purposeful and disciplined about investments across the franchise and we are fully committed to spending what is necessary to meet our regulatory obligations.

Now, building on these foundations, we're investing in our businesses to capitalize on our competitive advantage and to drive better performance. Each of our five businesses has a clear plan to increase revenue to support our path to our medium-term targets.

First, Markets. Our Markets business remains one of our key profit engines. It's driven by a leading position in Fixed Income. We have fully integrated our financing and securitization capabilities and we are beginning to really see the benefits of a unified spread product offering for clients. We've also been making strides in notably increasing balances in Prime.

Banking. Banking is another area with significant upside. Our Corporate Bank is the best in the world, and as you'll hear more about today, it plays a key role connecting clients to our Services network. In Investment Banking, the investments that we have made in healthcare and in technology have put us in a good position to win business in these high growth sectors. And we're also delighted that Vis Raghavan is now in the building bringing rigor and discipline to our plans to grow the franchise and to take share.

Vis is part of a group of leaders who have recently joined the firm and who are operators with a track record of getting things done. And this group includes Tim Ryan, who is now running Technology and Business Enablement, Andrei Magasiner, our new Treasurer, and Andy Sieg, the head of Wealth.

And as to Wealth. Wealth has potential to be a terrifically performing business for us. Those of you had a chance to listen to last week's Morgan Stanley conference, you'll have heard Andy describe how he's moving with urgency to unleash what's possible in that business. He is putting the right team in place. He's marrying existing talent with exciting new hires that we have attracted to the firm. He is changing the business model to steadily grow investment revenue whilst at the same time right sizing the expense base. Through training, we're increasing the productivity of our bankers and our advisors and we're enhancing the client experience by getting the most out of every technology dollar.

Next is U.S. Personal Banking. We feel very good about our position as a prime, lend-centric issuer. It's a competitive growing space and we are pushing ahead with new products and innovations and deepening our co-brand relationships to drive loyalty and to drive engagement. We're also getting more value from our Retail Bank and adjusting the expense base to increase overall returns.

Of course, today is all about Services. And when we call Citi the world's most global bank, this is the reason why. Between our Treasury and Trade Solutions franchise and our Securities Services franchise, we serve some 19,000 clients around the world. That includes 85% of the Fortune 500. Our network — built over decades by following our clients wherever in the world they go — allows us to do business today in 180 different markets. We move nearly \$5 trillion for our clients each day. That's more than the GDP of Germany, every single day.

In TTS, we are the number one bank amongst institutional clients for liquidity, for payments and for trade. With Security Services, we are the number one bank in direct custody and clearing. And we are one of the very few banks that brings together pre-, during- and post-trade services, bringing them all together for our clients. It's not simply the scale of our business that distinguishes us, it's our relentless focus on innovation and on enhancing our client experience. It's the unique

insights that our global team brings to the table. It's our ability to help clients keep up with the times and support them through the toughest of global environments. It's the synergies Services has with our other businesses. Indeed, TTS is frequently the front door to the rest of the firm for our middle market clients.

Last year was a record year for Services. Whilst this business has undoubtedly benefited from higher rates, we also experienced growth across all key drivers including cross-border transactions, U.S. dollar clearing volumes, commercial card volumes, trade loans — the list goes on. I'm confident that we will continue to see more growth in these areas, even in a lower rate environment. There is just considerable opportunity to win new clients and to deepen relationships with existing ones. And we are continuing to invest in our capabilities to make sure we capture that business.

I'm proud of what we've accomplished. I'm excited about what's to come. We have shown that Citi's diversified business model is built to adapt to this decade of pretty intense disruption, and we continue to demonstrate that we have the discipline to deliver against the strategy that we laid out at Investor Day. Our vision is crystal clear. The strategy is set. All the pieces are in place and a performance intensity is building. So yes, there is still a lot more to do, but as you heard me tell my team, we have simply come too far to let up now. We have a relentless drive to get this done. We know what we need to do, and we just keep going.

Now, I am delighted to turn it over to our CFO, Mark Mason, who will provide more details about our financial performance and our path forward. Thank you.

Speaker

Mark Mason, Chief Financial Officer

Good morning, everyone, and thank you for joining us today. I'm very excited to be here in person with you today. And for those of you who've been with us for a while, you know exactly what I mean by that. The last investor day we had to do virtually because I caught COVID, so my bar this morning was pretty low, and we're winning right out the gate here.

I'm Mark Mason. I'm the Chief Financial Officer for Citi, and this morning I'm going to discuss the financial performance of the firm since our last Investor Day and then walk you through the path to our medium-term targets, including how Services fits into our overall financial path forward. I'm going to kick off by reminding you of the vision and the strategy that we established at our last Investor Day in 2022, and the three phases that we articulated to set up our company for long-term sustainable growth and higher returns.

Our strategy and path forward remain unchanged. We're on a mission to be the preeminent banking partner for institutions with cross-border needs, a global leader in wealth, and a valued personal bank in our home market. And Services is at the heart of this strategy and is highly connected with our other businesses. We've been hard at work over the past two years simplifying Citi and making the necessary investments in the Transformation and in our five interconnected businesses. So here's what we've done so far.

First, we've closed nine of the consumer exits to date and have made meaningful progress on the wind-downs, and we're on track for the IPO of our Mexico consumer business in 2025. Second, we completed our recent organizational simplification, which eliminated multiple management layers and put the five businesses at the center, directly accountable to our CEO. Third, we've made investments in talent, bringing in new leadership, both in Banking and Wealth, and we're building a winning culture that will deliver our Citi to our clients.

And lastly, and most importantly, we've made great strides executing our Transformation work, which is our number one priority. And we've said in the past that this is a multi-year process and is not linear. So this work is going to continue into phase two. So now that we put our exits and our organizational simplification largely behind us, 2024 is the year that we are pivoting to focus solely on the continued execution of our Transformation and driving improvement in our overall performance. With that as a backdrop, let's move to slide three.

I don't think any of us could have predicted what happened over the last couple of years. As you can see on the left, we saw unprecedented global events, such as the war in Ukraine and conflicts in the Middle East. We also saw a macro environment that was very different than our expectations at the time of our last Investor Day. We saw slower growth, persistently high inflation, and significantly higher interest rates. And we also witnessed the collapse in failure of a handful of regional banks in the United States, as well as a dynamic regulatory environment that continues to evolve.

Now looking at the right side, we show our total revenue over the past three years, illustrating how

revenue growth was driven by an increase in NII from both interest rates and volume, particularly in Services and USPB. Banking and Wealth, however, were negatively impacted by macro uncertainty, which led to an NIR decline that you see at the bottom of the slide. But one of the key takeaways on this slide is that, despite the challenging macroeconomic environment, we were still able to deliver revenue growth. This speaks to the diversification and resiliency of our business model.

On slide four we show our diversified combination of businesses supported by our unmatched global network with a local presence in 95 countries. You'll see that we've maintained leadership positions in key areas like Fixed Income, Treasury and Trade Solutions, and US Cards, and we drove strong revenue growth in Services and USPB, which more than offset the declines in Banking and Wealth. Again, this speaks to the value of our diversified franchise and the connectivity that we've established across the five businesses.

These synergies are a powerful driver of growth and, no surprise, Services plays a central role as it connects to all of our businesses. Whether we're providing custody and clearing for family offices in Wealth or fund administration for institutional investors in Markets or delivering our FX capabilities to corporates, the five businesses are truly interconnected and provide important diversification benefits to Citi's overall revenue profile.

Moving to slide five, we provide key drivers of our expense growth since 2020. As you can see, we've invested significantly in technology, with over 20% of our annual reported expenses dedicated to tech spend in each of the last three years. This cuts across transformation, business-led investments, and risk and controls. In fact, we've grown our tech spend by an 11% CAGR since 2021. These investments in transformation to modernize the firm's infrastructure, automate manual processes, and enhance data and analytics are essential to our long-term success.

Beyond Transformation, our technology investments are focused on digital innovation, new product development, client experience enhancements, and areas that support our infrastructure, like cloud and cyber. This is critical work for the businesses and a key driver of their medium-term revenue growth targets, which is something I'll take you through in just a minute.

Before moving on to the medium-term expectations, I wanted to bring some of our recent Transformation investments to life for you. You can see this on slide six. I won't go through each example, but they're fully aligned with our effort to simplify, automate processes, and improve risk and controls. This year in particular we're focused on regulatory reporting, data, and strengthening our stress testing and resolution planning processes. And many of these investments across this Transformation spend will ultimately lead to productivity savings and efficiencies over time.

And as you heard from Jane earlier, we're going to spend whatever it takes to address the consent orders and modernize the firm, as this is an incredibly important body of work and critical to our long-term success. And of course we'll look to self-fund over time.

Now, I want to spend a few minutes highlighting one of the biggest changes that we've seen versus our original expectations at our last investor day: higher capital requirements.

On the upper left we show the progression of our CET1 ratio since 2020. The chart highlights the

increase that we've seen, which was driven by both the GSIB surcharge and stress capital buffer. On the lower left corner we show the progress that we've made on increasing our RWA efficiency. We've exited non-core activities like Munis and Distressed Credit, and we've redeployed capital into higher-returning businesses. This helped to drive a 50-basis point increase in revenue to RWA since 2020.

And as you can see on the right, our balance sheet is in excellent shape. We maintain a robust liquidity coverage ratio of 116%. We have a high quality, stable deposit mix skewed through our institutional deposits from our multinational clients and our Services business. And while most of our loan growth was in Cards, the portfolio was mostly prime, with about 85% above a 660 FICO score as of the first quarter of 2024. So in conclusion, our balance sheet strength positions us to be a source of strength for our clients, particularly in times of stress and uncertainty.

On slide eight we lay out what we've accomplished over the last few years despite an unexpected macro and geopolitical backdrop. We talked about 2024 being a pivotal year, as we put the organizational simplification behind us and begin to see related expense benefits.

And now I'd like to turn your attention to what we expect over the medium-term, which I'm going to go into in more detail over the next couple of slides.

As you can see, on the left side we show our revenue growth since 2021 and on the right side we show the drivers of our medium-term growth expectations. The diversification of our business model gives me confidence in our ability to deliver on our 4% to 5% top line revenue growth. Through the medium-term we expect increased volumes including in Cards, growth in Services, a rebound in Banking, and growth in Wealth to drive overall revenue growth. Given the importance of revenue growth as a driver of higher returns, I'm going to spend a few minutes walking through our current expectations for revenue growth by business on the next two slides.

Here on slide 10, we lay out the expectations for Services, Markets, and USPB. Here we expect growth to moderate relative to the levels that we've seen over the last couple of years. In Services, we expect revenue growth in the low to mid-single digits. This growth will be led by a mix of NII in addition to NIR as we expand our relationships with existing clients and with new clients, which we'll do through our continued investments in client experience and product innovation.

In Markets, we expect to maintain our leadership position in Fixed Income, specifically in Rates and Currencies, and to grow Spread Products financing, while in Equities we expect to increase Prime balances. We're also laser-focused on continuing to increase the efficiency of the capital that we deploy in this business. As we look ahead, we expect Markets' revenue to grow at a low to mid-single digit CAGR through 2026.

Wrapping up with USPB, we continue to focus on improving our client experience, and we're investing to grow our Cards businesses. And as we work to renew and bring on new partnerships, we're doing this with an eye towards growth and appropriate returns.

We're also maximizing the value of our Retail Bank through investments in our digital capabilities and partnering with our Wealth business between 2023 and 2026 we expect revenue to grow at a mid- to high-single digit range as we continue to scale our portfolio of lending products, including

personal installment and point-of-sale loans.

On slide 11 we cover Banking and Wealth, where we expect strong revenue growth going forward. I'll start with Banking. After an industry-wide slowdown of activity, we're expecting meaningful growth in our Banking business as wallets recover. Vis Raghavan joined us earlier this month as head of Banking, and he'll bring rigor and focus to our coordinated coverage across our Corporate, Investment, and Commercial Banking businesses.

The targeted investments that we've made in talent position us to benefit from the recovery in client activity and to gain share over time, particularly in areas like tech and healthcare. We expect Banking to grow revenue at a high teens CAGR from 2023 to 2026.

And in Wealth, you heard from Andy Sieg last week that he's been hard at work putting the right senior leadership in place to grow investment assets and fee revenue through better banker productivity as well as a better mix between the front office and the back office.

The more than \$100 trillion of new global wealth that's expected to be created by 2030 and the \$5.4 trillion in investment assets that our clients hold away from us present a tremendous opportunity to scale this business in the right way. So from 2023 to 2026, we expect Wealth revenue to grow at a high single digit to low double-digit CAGR.

On slide 12 we turn to expenses, which will to the achievement of our medium-term return target.

As we discussed in the past, we expect our expenses to come down starting this year. There are three drivers that will reduce our expenses over the medium-term. The first is the saves related to the organizational simplification, which will result in approximately \$1.5 billion of annualized run rate saves. The second is a reduction in stranded costs, which we expect to drive another \$500 million to \$1 billion in saves. As you can see in the waterfall, the combined benefit is approximately \$2 to \$2.5 billion dollars of annualized run rate saves over the medium-term. The third will be beginning to realize productivity savings from our investments. These drivers will underpin our path to \$51 to \$53 billion of expenses subject to volume-related expenses over the medium-term period.

Looking at capital on slide 13, capital optimization and efficiency remain a top priority in reaching our medium-term targets.

And while it's too early to predict the precise outcome of the Basel III End Game, we do expect to see some improvements from the NPR. Either way, we will adapt accordingly with mitigating actions. And on the right, we lay out our expectations for the individual drivers of how we will improve our CET1 ratio over time. We'll continue to improve RWA productivity, and as we make progress on our exits and the ongoing shift of our business mix, we do expect to improve our capital levels as well as our utilization of our disallowed DTA.

On slide 14 we recap the drivers of our ROTCE target that we gave you today. Business-led revenue growth targets that underpin the overall 4% to 5% revenue growth going forward. Expected medium-term expenses of \$51 to \$53 billion. Cost of credit, which will be a function of growth, and mix, as well as the macro environment. And as we discussed, capital will be subject to how the



regulatory environment continues to evolve. So it's the combination of these things and the diversification of our business model which gives me confidence in our ability to achieve our ROTCE target of 11% to 12% in the medium-term.

So wrapping up, we'll spend most of the day talking about how Services remains a key part of our strategy and a driver of our overall performance going forward. As you'll hear from Shahmir and his leadership team, our Services business is often the gateway for new clients and is highly synergistic, which is a core part of our strategy. It has the largest global network and innovative product suite and is truly integrated in our clients' day-to-day operations. It's also a high-returning business that we expect to continue to grow.

I'm delighted that we have the opportunity to give you a better understanding of Services today, and by the end of the day I suspect that you'll agree that this is not only one of Citi's most valuable businesses, but one of the most valuable in the financial industry.

So thank you, again, for your time this morning. I'm going to turn it over now to Shahmir, and I'll see you later for Q&A and at lunch. Thank you.

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.

Speaker

Stephen Randall, Head of Liquidity Management Services

Thank you, Shahmir. Hello everyone. I'm Stephen Randall, the global head of Liquidity Management for Citi Services. I joined Citi in 1996, and held a number of roles in Finance before moving to Treasury. In 2012, I became the Global Head of Liquidity Oversight and Analytics and then took on the role of EMEA Treasurer before becoming our International Treasurer. I joined TTS in 2020 and I now oversee Liquidity Management across Services. Today I'm very excited to take you through what our Liquidity Management business does, how we support our clients, and the ways in which we help drive efficiency and better returns for both our clients and our firm. So let's get started.

Cash flow is vital for all organizations, and liquidity management is a critical service that is essential to the day-to-day operations of any business. Simply put, companies need to open bank accounts, make payments to employees and suppliers, collect money and manage their cash to support these flows. Liquidity management sits at the center of the client commerce cycle. After clients accept payments into their accounts, then our liquidity management business helps them ensure that that cash is available when and where our clients need it, and in the right currency. Then clients can make their payments with Citi Payments solutions, which Debo will speak about shortly, and also access short-term trade and working capital, which Chris will discuss.

For organizations operating globally and across borders, effective liquidity management is harder to do. When a company has hundreds of subsidiaries and bank accounts around the world, they have to allow for different locations and time zones, comply with different regulatory requirements and transact in foreign exchange. As you can imagine, managing all of this, especially in the midst of global complexities and a dynamic interest rate environment, can be an incredibly complex task. That's why our clients rely on Citi Liquidity Management, the market leader in this space. We are proud to have the number one wallet share in liquidity management, a testament to our differentiated solutions. We are also number one in market access through our proprietary global network, providing liquidity solutions across 90 markets in 85 different currencies. Of these 90 markets, we offer clients the ability to mobilize their cash on a cross-border basis in about 50 markets around the world, more than any of our peers.

Allow me to show a quote from one of our clients. You can see in Juan's own words how we support one of the largest corporations in the world and enable Alphabet and Google to focus their time and resources on strategic priorities.

So let's take a closer look at what makes us the market leader in liquidity management. I'll start with how we work with our clients. With most clients, we typically work with treasurers, CFOs, and heads of cash management to understand their liquidity management needs and provide solutions that support their treasury goals. With banks, we work with network managers and transaction banking heads.

We offer a comprehensive product suite that meets the key liquidity needs of our clients. We see this reflected in the longevity of our client relationships and the stickiness of their deposits.

First, to ensure that cash is in the right place at the right time, in the right currency. Our Target Balancing and cash pooling products help clients centralize their liquidity management and access operational cash that might otherwise be locked up or sitting idle in local accounts.

Second, we provide deposit and interest optimization products to help our clients keep their cash liquid and operational while earning interest on the cash they hold with us.

Thirdly, when our clients have excess cash, we provide solutions that enable them to deploy it through money market funds and other instruments to meet their investment policy objectives.

And finally, our clients need timely information to manage all their cash positions. So we provide powerful reporting and analytical tools that offer real-time visibility, automate their treasury processes, and provide actionable insights. Naveed will touch more on this a little bit later.

Now, all of this is underpinned by the continued momentum we see in the growth drivers for our business, which we'll discuss in more depth shortly. These are the reasons why we dominate the liquidity management space today, and we see continued opportunity for growth.

Even as the market leader in liquidity management, we do not rest on our laurels. We continue to innovate for our clients and deliver through the four strategic pillars that Shahmir highlighted in his presentation. Starting from the left. Faced with a dynamic rate environment, our clients increasingly want locally available and globally integrated solutions. Just last year, we offered more than 25 new products or enhancements to help our clients better manage their liquidity and improve their operational efficiency.

We also see rising demand from emerging corporates as they go global. With fewer treasury resources they need to simplify their cash management operations. One example of the solutions we've offered is Cross-Currency Sweep, which automates both money movement and foreign exchange conversions, helping to reduce the complexities for our clients.

Digital commerce means there is an increasing demand for real-time liquidity management to support changing business models. We already offer a comprehensive suite of real-time liquidity management solutions, and we've just launched Real-Time Funding. In just a moment, I'll go into more detail about the two solutions within the dotted lines on this slide.

We are already proactively building the rails for the next advancement in real-time liquidity management. As Shahmir mentioned earlier, Citi Token Services for Cash is our blockchain solution that uses tokenized deposits to enable our clients to transfer liquidity between our branches on a 24/7, real-time basis. We've received positive input from our early adopter clients on their transfers between New York and Singapore, and we will be expanding to additional branches in the future.

Last but not least, we continue to make investments in simplifying and digitalizing processes for our clients so they can free up their time and resources on being more strategic.

So now let's take a look at one of our foundational solutions, Target Balancing. Imagine that a company has three local bank accounts, one in Australia, another in the UK, and a third in

Singapore, which are all funded centrally from the US. Cash is continuously moving in and out of these local accounts during the course of a business day. And at the end of the day, the account in Australia has a balance of \$100,000 dollars. The account in Singapore has \$150,000 and the account in the UK has a negative balance of 157,000 pounds. Now, if this company wasn't using Target Balancing, they would have to pay fees for overdrawing 157,000 pounds from the UK account. But with Target Balancing, the company can move their cash between the accounts through an automated process. Not only that, they can sweep across different currencies and countries.

By centralizing the funding globally through the US, their balance sheet now shows \$150,000 versus what would've been \$250,000 in cash balances and 157,000 pounds in overdrafts. This gives them a much more efficient balance sheet and improved capital efficiency while also saving them time. And as you might expect, the benefits increase the more global and complex the client is. So let's bring the benefits to life with a real client example, the same large corporate client that Shahmir mentioned earlier. By leveraging Target Balancing over their bank accounts, this client is able to reduce complexities in their operations and save an estimated average of \$500 million per day in liquidity. Now this is a very powerful example of the value proposition of our client solutions.

As I mentioned earlier, we are continuously innovating to remain the leading provider of liquidity management solutions. I want to share an example of how we are doing this to meet our client's evolving needs. With the proliferation of digital commerce models and instant payments, corporate treasurers need to support these 24/7 cash flows with real-time liquidity management, not just at the end of the day like the previous example. So we are seeing increasing need from our clients for real-time funding, visibility and automation of processes.

Real-Time Funding, which we launched last week in Australia, Hong Kong, and the United Kingdom, was a direct response to client needs. It's the latest addition to our suite of real-time treasury solutions and offers Target Balancing on a 24/7 basis. Real-Time Funding works by mobilizing cash automatically between accounts based on the directions set by the client. But rather than end of the day sweeps, as with the Target Balancing example, this happens in real time throughout the day.

So let me illustrate with an example. Imagine an e-commerce company with a 24/7 business model that operates in several countries around the world. Now, this client pays sellers throughout the day from their local bank accounts and also manages their global cash centrally through a treasury center in the UK. This company has a lot going on in its treasury operations and Real-Time Funding can help streamline their processes. It can seamlessly integrate with the Citi Payments solutions that they're using and move cash in real-time across their bank accounts in different countries to fund their payments. Based on the directions set by this client, they would see that the payments they made to sellers in Australia were funded in seconds from their central account in the UK.

As you can see, Real-Time Funding meets critical client needs. First, it enables them to release payments in real-time domestically and across borders. It reduces the need for extra account buffers and allows clients to better use their own cash across our global network. And all of this happens on a 24/7 basis, including intraday, after hours, weekends and holidays. We look forward to expanding this product to more markets and seeing our clients take advantage of this differentiated solution.

So hopefully by now you're seeing how our global network combined with our cutting-edge solutions delivers client value. For us, this results in sticky deposits, which are a key driver of Services' overall financial performance. It also means that we're well positioned for future growth. Now this slide is a little bit busy, so I'll take you through the key points. The bars show our deposits across Services, which are overlaid with the VIX Index, the Fed Fund rates, and the M2 money supply. As you will see, our deposits have continued to grow at a steady pace, even through moments of macro volatility. This shows how we are a through the cycle business with steady growth through changing environments. This is ultimately due to the value of our solutions. Clients want Citi's differentiated products and automated solutions to support their cash management.

Now turning to the right-hand side, you can see our client deposits are sticky, with about 80% of our deposits coming from client relationships that span over 15 years. Our deposits are also highly operational. Approximately 80% of our deposits come from clients using Services solutions across Liquidity, Payments and Trade. This shows how deeply embedded we are in supporting our clients' businesses and how Citi is an essential operational partner for them. And finally, on the bottom right, thanks to the currency diversification and geographical mix of our client deposits, our revenue is also resilient.

So as we think about the future, we are uniquely positioned to continue strong and stable growth for the business. As the most global bank and market leader in liquidity management, we have unparalleled access to vast amounts of data that our clients can leverage for growth. We are continuing to focus on modernizing our platforms, digitalizing processes, and enhancing the power of technology to enhance the digital client journey.

Our global network and comprehensive suite of solutions are our competitive advantages, especially in a complex global environment. And this is what makes us the market leader for large corporates and financial institutions. We'll continue to focus on deepening our relationships with these core clients.

Our market-leading position also enables us to invest and grow our wallet share in new client verticals. As Shahmir noted, we are investing to position Citi as the first choice for fast-growing emerging corporates and financial intermediaries with global needs. Financial intermediaries, banks and investors have specialized needs due to their business models and industry regulations. In Services, we're already a major provider for these clients and we'll continue to innovate to meet their unique needs.

And finally, we are responding to the growing demands for truly 24/7 real-time liquidity management, which underpins Services' suite of integrated solutions to support commerce cycles end-to-end and enhance the client experience. As global commerce continues to evolve, we will be there to support our clients and grow with them into the future.

I'm now going to pause to show you a video from one of our emerging corporate clients who streamlined and future-proofed their treasury operations with our Liquidity Management solutions. Let's take a look.

****Video****



This is just one of many clients who continue to benefit and grow with Citi Liquidity Management. To sum it up, our unrivaled global network and market leading solutions enable us to deliver more value and connect the dots for our clients in ways that other banks simply cannot. Don't just take my word for it, the mutual success with our clients shows that we are the global banking partner of choice.

And now I'm going to pass it over to my colleague Debo, who will share more about the synergies between our Liquidity Management and Payments businesses. Thank you very much.

Speaker

Debopama Sen, Head of Payments

Thank you, Stephen, and good morning everyone. My name is Debo Sen, and I'm delighted to be here with all of you today. Let me start with a quick introduction. I'm the head of our global payments business, and I'm lucky enough to have spent close to three decades here at Citi. During that time, I've held a wide variety of roles across Payments, Trade, Liquidity, and our Securities Services business, working in India, Singapore, and now in New York.

Now let's talk about the heart of TTS, our payments business. I'd like to walk you through on this page what we do, how we address our client's needs and the clients that we serve. Simply put, we enable our clients to make and pay receive payments globally to support their commercial and treasury needs. We operate the largest digital proprietary network globally, allowing our clients to make payments as if there are no borders, no currencies or constraints. This makes us the number one payments bank for corporate and institutional clients.

Now, how do we do this? As you can see on the left-hand side, we have a broad suite of products and solutions in four core areas. First is domestic payments and payment acceptance, which supports local payment and collection solutions in about 90 countries and territories, including our instant payments network and our payment acceptance platform, Spring by Citi. Next, our industry-leading cross-border network, which facilitates cross-border, cross-currency payments with integrated FX in over 135 currencies and to over 180 countries. Then clearing, which enables our financial institution clients with timely cost-efficient payments across major currencies. And finally, our commercial cards enable corporates to manage expenses and commercial procurement of goods and services with over 55 local issuance markets. Through this product suite, we are addressing our client's key needs, on the right-hand side, along the full payments continuum of accept, hold, pay and finance – from facilitating payroll payments to gig economy payouts, like paying app developers, to managing receivables from their customers, and so on.

And that brings me to the bottom of the page. We are already number one in payments for large corporates, public sector clients and financial institutions with steady growth over the last several years, and we expect to see continued momentum as we grow our share of wallet. As you heard Shahmir say a bit earlier, our industry is rapidly changing impacted by the shift to digital commerce, which has been accelerated by the pandemic, and therefore we are also extremely focused on three segments which are seeing disproportionate growth. For our commercial banking clients, where the wallet is growing at 25%, we see the opportunity to increase our current share as these clients become increasingly more digital. As you can see on the bottom right, we are expecting double-digit industry growth annually in eCommerce, FinTechs and payment intermediaries, and we serve many of the largest clients through our innovative capabilities.

Now that I've shared where we are investing for growth, I want to spend a few minutes on what this means for our business. Now, as commerce moves increasingly online and our clients' business models shift to scale for digital solutions, we see strong momentum in our core areas. On the top half of the page, you'll see that our cross-border transaction value and commercial cards spend volume grew robustly between '21 and '23, and our USD Clearing volume far outpaced the growth

of the M2 money supply during that period. It's also telling that in the same period we saw domestic instant payments volume grow from close to 2 million transactions a day to around 10 million transactions a day, reflecting the growth of digital commerce. Bringing it all together, as you can see, payments contribute 74% of services NIR enabling the business to deliver strong returns through the rate cycle.

I think we can all agree these are very healthy numbers. Now, we are well positioned to continue this momentum as we invest in innovative capabilities to meet the demands of the digital economy. Our strategy and hence our investments are focused on the three growth areas for the business you'll see here at the bottom of the page. First, we will continue to enable corporate cash management where we will extend our number one position through our increasingly digital multi-domestic network and extensive set of capabilities that I spoke about earlier. Second, we will keep the momentum on enabling our financial institution clients with extreme focus on speed, cost efficiency and transparency that their own clients are demanding from them today. And last, but certainly not the least, we are laser focused on enabling digital commerce. We have already demonstrated significant growth with integrated solutions across the end-to-end spectrum of our client's needs. Over the next few slides, I'll share more on each area and our investments for growth.

First up is corporate cash management. We serve over 17,000 corporate clients, including 80% of Fortune 500, leveraging our next generation CitiDirect® platform, which my colleague, Naveed, will talk about later. Now, I'll go through how we support these clients through the corporate cash lifecycle, what differentiates us today and how we are getting ready in anticipation of their evolving needs.

Now we are often the first port of call for our clients on the end-to-end corporate cash lifecycle across the three phases that you can see outlined here. First, we deliver a global and comprehensive set of receivable solutions, which include both traditional and digital payment methods. Our receivable solutions help our clients manage the first phase of the cycle from when they actually receive an order to then realizing the cash. Then as you heard from Stephen, they leverage our best-in-class liquidity management tools to get visibility to and then manage this cash.

And finally, our global payout capabilities finish the cycle from invoicing to payment across both domestic and cross-border payouts with embedded FX. Our fully integrated payments and liquidity solutions across the breadth of the cycle are crucial to our clients' working capital management.

And how are we doing this? On the bottom left-hand side, we've got the market leading capabilities to support multi-domestic and cross-border needs, including over 290 connections to major clearing systems around the world, access to local instant payments and commercial cards in the most critical market, not to mention a wide range of currencies, but what differentiates us are our end-to-end sophisticated solutions integrated with liquidity and FX at scale across the breadth of our network along with deep local expertise in these 90 countries. This is quite unmatched and not easy to replicate. But we are constantly building on this advantage by innovating for the digital future of tomorrow as you'll see on the bottom right, with solutions like virtual cards, data services, real-time payments across borders, tokenization and many others.

Just as an example, a popular global internet company has been working with us to meet their cash management needs. We not only support the client in over 50 countries for payroll, vendor payments and receivables, but we also help them to pay their app developers in 100 countries, proudly processing more than 10 million transactions a year. This is a truly global cash management relationship, leveraging the breadth and depth of the Citi network. There are many examples like this demonstrating why we are the established market leader in this space and well-positioned to continue growing wallet share.

Up next, we have financial institutions, where we are the trusted advisor and supplier of services to 1,500 FIs around the world, and we serve the top banks and FIs in 149 countries. We are one of the largest wallet shares in this segment, processing over 2 million payments daily. Now our FI clients are under pressure to meet the demands of their customers who want a very different payment experience. Today they've been candid with us that they potentially stand to lose wallet share to new digital players and disruptors, and they're looking for solutions that offer speed, cost efficiency and transparency. In the gray boxes here, you'll see how we are addressing and investing in solutions to address all three. Starting with speed, our 24/7 USD Clearing solutions enables FIs to effectively make USD payments in real time globally with minimal effort on their part. We've seen great adoption to date making this the biggest 24/7 USD clearing network in the market.

We recently announced our first-of-its-kind collaboration with our partner, Emirates NBD, leveraging Citi's 24/7 USD Clearing service to make cross-border USD payments available to their corporate and retail clients at any time, end-to-end, across their branch network. This is an important milestone for us as it marks yet another use case going live on Citi's multi-bank 24/7/365 Clearing.

On cost efficiency in the middle, we also offer our FI clients a one-stop shop for a variety of cost-efficient methods like paying into local schemes, cards and wallets, as well as leveraging 135 plus cross currency network. They work with us through a singular digital platform, which they embed through APIs into their mobile and internet banking solutions.

And finally, transparency is a huge pain point with traditional cross-border payment flows as payments pass through multiple entities have varying currency fees and beneficiaries typically don't have access to payment tracking tools. We have solutions our clients are adopting at scale to offer their clients this visibility. What is gratifying to see is that our clients are quickly adopting our innovations and seeing the benefits.

As an example, a large bank client had lost market share in their domestic market to rival FinTechs for their global payment flows from their retail bank. By partnering with Citi, they've been able to leverage APIs to power a truly best-in-class payments experience on their app and website, combined with leveraging our cross-border FX solutions to expand their currency footprint. Through this partnership, our client has managed to regain the lost retail flow market share. This is why our clients will continue to choose Citi. Between clearing, cross-border and sub-custody capabilities, which my colleague, Okan, will speak about later. We are truly the bank's bank.

Finally, we enable digital commerce, which continues to be a priority area for us. What's happening here? As you know, consumers and companies that support them are increasingly looking to embed finance into the digital journey and transform how goods and services are delivered and

consumed. To do this successfully, our clients need to offer almost invisible payment experiences, as you heard from the CEO of Veem during Shahmir's presentation. For example, when was the last time you used the right-hailing app or bought something on a marketplace in the middle of the night and actually stopped to think about the payment process?

Our clients are looking for fully integrated solutions across the entire continuum of accept, hold, pay and finance as they look to scale quickly and globally. And we have the unique network and platform that they need.

As you can see on the bottom left, we have our acceptance capabilities powered by Spring by Citi and end-to-end digital payment acceptance solution. Our hold capabilities, which include our integrated liquidity and banking as a service offering that allows eCommerce clients to serve their merchants and seller customers. And our payment solutions then enable clients to manage payouts globally, including navigating cross-border complexities seamlessly. And finally, for finance, we offer a suite of options tailored to the needs of eCommerce businesses, including the ability to offer flexible financing options and working capital management solutions, which my colleague, Chris, will talk about shortly.

The entire eCommerce space represents a tremendous growth driver for us. We bank thousands of corporates that are at a different stage of their digital commerce journey, and with our presence in the top 50 eCommerce markets and our comprehensive solutions, we are well positioned to support them. We also bank 90% of the top eCommerce companies and 15 of the world's 20 largest FinTechs, and many more. But let me take a moment to share a video to bring to life how exactly we are innovating in eCommerce.

****Video****

We will continue to invest in our client's digital commerce evolution as the video just showed you. Now, a key trend in eCommerce companies is our clients localizing as their businesses scale, and instant payments is a key enabler of this trend. Citi is at the forefront of this movement driven by our platform investments in Citi Payments Express, which is a reimagined 24/7, highly scalable, resilient, and cloud-enabled digital commerce solution. It's built through co-creation with some of our largest clients, one of whom you're going to hear from very shortly. We are currently live in five markets with a goal to deploy it in the top 30 markets globally in the next 30 months, accounting for over 90% of global commerce. Citi® Payments Express is built using Citi's proprietary technology stack using patented components and including our Citi Connect® APIs, which you'll hear Naveed talk about later. This gives us the volume to scale to 100x of volume, ensure high availability, and operate at a much lower cost, while also allowing us to continuously innovate. I'd like to take a moment to share a video from our client, Stripe.

****Video****

I'm really proud of the work we are doing together with Stripe to build innovative solutions to address their needs. A big thank you to Jeanne and the entire Stripe team. In closing, we enable our clients through an increasingly digital global proprietary network with local expertise. We offer seamless, cost-effective and transparent payment experiences, and we support our client needs



through the end-to-end digital commerce lifecycle. We enable payments to happen anytime, anywhere and in any currency, so the next time you make a purchase online, you'll know that Citi is working in the background. I'm really excited about what lies ahead in this business for both our clients and our firm. Thank you so much for your time. Now we'll take a quick break and when you get back, you'll hear from my colleague, Chris Cox, the Head of Working Capital and Trade Solutions. Thank you very much.

Speaker

Chris Cox, Head of Trade & Working Capital Solutions

Welcome back and hello everyone. It's a pleasure to be here with you this morning. My name's Chris Cox and I've been leading Citi's Trade and Working Capital Solutions business now since 2021. Like many of my colleagues here, I've had the pleasure of working for Citi for many years. Prior to my current role, I was Citi's Head of Data, Digital and Strategic Projects in Security Services and led the EMEA Security Services franchise. Before that, for much of my career I spent in Markets with about a third of that time spent internationally.

So, let's start with what we do for our clients in Trade.

We are the leading trade finance bank to the institutional segment and the number one provider of Payables Finance solutions globally. The team in Trade does exactly what it sounds like. We offer a comprehensive set of working capital solutions to global multinationals. We offer clients a unique cross-border vantage point and we support their businesses with the proprietary digital platforms through which we deliver our services wherever they need it.

Everyone in this room will have benefited from Trade Finance. It's a fundamental part of our global economy and let me give you an example whether you are an iPhone user or you prefer Android, that handset that tablet has been through a procurement, production, sales, shipping cycle. As businesses typically procure from the most cost-effective sources and then ship those finished goods to where the demand is, whether that's done domestically or cross-border. That process, however, can be protracted and it ties up a company's working capital and that's where Citi's Trade and Working Capital Solutions business steps in.

The solutions we offer are in the middle of the slide. In Core Trade, we help two commercial counterparties to get comfortable with one another from a credit perspective, we provide forms of credit support so our client can do business with other companies and typically that's through products such as Letters of Credit and Guarantees.

In Supply Chain Finance, through our Payables Finance solutions, we support our client's suppliers with access to capital and that improves the resilience of their supply chains. We also offer Receivables Finance where we seek to accelerate the receipt of sales proceeds to our client by bridging the payment gap for their buyers or distributors.

Trade Loans are exactly what they sound like helping clients, finance, imports, exports or domestic procurement and sales of goods and services.

And our fourth pillar - Export Agency Finance, we partner with government agencies and development finance institutions to fund capital-intensive projects like a recent deal we did in Kazakhstan financing electric locomotives.

And this is a business we recently reset. It's extreme efficient from a returns perspective and we also generate fees when we lead transactions and we're very pleased with the momentum we're

seeing from those changes. As Stephen touched on, we are able to leverage the data we have to provide client diagnostics, insights and benchmarking and you'll hear a little bit more about that later from a client.

The sum of those activities combines as you can see on the right-hand side of the slide into a 9.4% share of the global institutional wallet and that's a share, we successfully grew by 50 basis points in 2023.

Now let's double click into our positioning in a little bit more detail.

Our clients use our products extensively. If you took a snapshot of the firm's Top 300 corporate clients, more than 90% use one or more of our products. Trade is a fundamental part of what they do every day. As you can see from the middle row of this slide, we are the largest Trade Finance provider in North America and Latin America and we're top three both in EMEA and Asia Pacific ex-Japan and that makes us the most complete and geographically balanced partner for clients globally. And by using that network and also being dynamic, we were the only bank amongst our key banking peers to grow our business in 2023. We benefited from nearshoring in Latin America, whilst others were more singularly exposed to slowdowns in North Asia, and that reiterates the value both to clients, and to shareholders, of that network. We're also a leader across our solutions with the largest in the Payables Finance space with a more than 20% global market share.

In fact, we are larger than our next four competitors combined. And this is a business which accounts for 25% of our Trade revenues and one where we have real scale and technology advantages. And we are the second-largest provider of working capital loans and Core Trade solutions globally with these businesses combined accounting for almost 60% of our revenue. And I'm delighted to be able to share with you that we just won Global Trade Review's Trade Finance Bank of the Year for 2024, another checkpoint on our progress.

You heard what we do for Microsoft earlier. Let's perhaps take a look at a couple of other case studies to help bring the business to life for you.

On this slide, you can see the scale of support we bring to a very well-known global telecommunications company. We've exclusively supported this client now for over a decade. The business is programmatic, it's not transactional. We are digitally integrated into their flows and that has allowed us to support them with over 150 billion of frictionless financing over the last four years. We're also their cash management bank, supporting their local and cross-border payments and FX flows. We can accelerate payment to over 500 of their suppliers across 10 countries via our Supply Chain Finance platform, what we call discounting with our client paying Citi upon invoice maturity. Whilst on the receivable side we understand their distributors and that allows us to advance to the client their sales proceeds with the distributors paying us on the due date.

And this particular relationship is a good example of what we call 'Originate to Distribute'. 'Originate to Distribute' is where we use our balance sheet dynamically and, in this case, we distribute more than 50% of the volume financed to investors. That's great for the client because they can access a deeper pool of capital. It's also good for Citi because we can earn fees on that distribution and that increases returns. And it's the quality and integration of our platforms that makes this work so effectively for long-term partners like this client.

Now let's take a Core Trade example. In this instance, we are looking at a leading global industrial components company and here we are the perfect match for this client. Why? Because they do their business through 43 subsidiaries in 38 countries everywhere they need finance. We are there supporting their procurement of parts and materials with the solutions listed. Our network enables a powerful combination of both dedicated central coverage and local expertise, very few banks can do that.

With this client, we also co-designed an improved global guarantee program, and this has led to around 70% of all the guarantees that they need for their business being issued inside of 48 hours. You can appreciate just how much confidence that gives them doing their business.

Why don't I take a pause now and let you hear from a relationship that we've been privileged to support for the last 15 years.

****Video****

I hope you enjoyed that video as much as I did. Brandy did a wonderful job of describing our partnership with Walmart and she touched on the role of technology and how this partnership's partnership benefits both their suppliers and their customers. Now let me share the opportunities and growth drivers we see for the coming years.

You can see on this slide our target client segments - Institutional on the left, Commercial on the right. With Institutional clients we're doing well with that 9.4% market share. I mentioned earlier we believe we have room to grow here given our differentiated offering and global reach and in the medium term we are targeting to grow share to more than 10%. However, we have the most opportunity to grow in the Commercial segment. This is a highly fragmented market where we can leverage our proven institutional capabilities to support our Commercial bankers to win more business.

Importantly, the wallet in the Commercial segment is more than two times the size of the Institutional segment, but where we have less than a half of a percent of market share, the opportunity there is clear and it's to grow to between one to one and a half percent over the medium term. And this would significantly improve revenues and returns. So, we're not just investing in bankers, we are also investing in the technology and sales resources to support that success and we're confident we have all the product capabilities and that's a view supported by our position in the Institutional segment and the momentum that we're experiencing.

Let's keep moving.

In today's rapidly changing global landscape, it is critical to remain on the pulse of the latest trends and focus on helping our clients navigate them. This slide summarizes a few key trends and how we are helping our clients to address them. First, it's the uneven impact of higher interest rates on growth and investment in developed and emerging markets. As you've heard from many of us today, one of our competitive strengths is quite clearly that network. If our clients want to pivot because they see stronger growth in certain locations or simply want to diversify, we are going to be there to support them with local expertise and capital.

Second is the changes in trade corridors due to shifting geopolitics, socioeconomics and the rise of eCommerce. As our clients explore capturing new business opportunities, we have the product suite to support them not just across trade but across services and the firm.

Third, supply chain stress and reconfiguration as Brandy clearly illustrated. Before Covid, it was taken for granted that goods and services miraculously arrived just when you needed them. That has changed forever.

I've talked to our strength in Supply Chain Finance. We lend support deep into client's supply chains and combining this with our strength in Distribution ensures that we maximize access to capital, whilst using our balance sheet as efficiently as possible. As our clients grow, we flex with them.

Fourth, in the wake of what we have and are going through a recognition that doing trade internationally needs to become easier and that requires more digitization and defragmentation of the industry and processes. Which leads me on to Technology.

I want to echo what you have already heard from Shahmir, Stephen and Debo. It's truly a differentiator for us. Providing our clients with an unmatched suite of digital solutions to meet their ever-evolving needs remains a top priority. We benefit from a largely proprietary technology stack, so we are not beholden to vendor development and all of it is highly functional at scale and resilient. Yet we're steadily increasing investment so that we can take even more advantage of those attributes.

Our key priorities include simplifying our offerings, which means we've made the conscious decision to exit some non-core and subscale activities. We want to eliminate as much of the paper as possible and move in the direction of fuller end-to-end digitization. We want to minimize our unit cost-to-serve so we can scale with the lowest possible variable expense and that will increase the leverage in our network further, and we intend to modernize and de-risk.

Naveen is going to talk in a moment about the work being done across TTS from a data and Client Experience perspective, so I'm not going to cover that ground. Suffice to say that we are investing to deliver more of that through our technology and improve product design.

We also constantly horizon scan for new technologies, meet potential partners for co-creation, and we explore opportunities for enhanced services and new business models. Our aspiration is to challenge how things have traditionally been done and we've listed some initiatives on the lower half of this slide. It's not comprehensive, merely intended as a flavor of what we're exploring.

In the Supply Chain space, time to money matters. Last year we completely rethought how we onboard new suppliers, we co-created with clients. The net result? An 85% reduction in supplier onboarding time. Given that we onboard around 10,000 suppliers every year, you can begin to appreciate the benefit this will bring to clients and also Citi.

Middle right, compliance. We are a highly regulated financial institution. We need to comply with the latest sanctions as well as other financial crimes compliance requirements. Trade involves a lot of document processing. We execute around 12 million transactions annually. We used to do this

manually. We now have automated significant elements of this using advanced technologies, speeding up delivery to clients whilst also meeting regulatory expectations.

Bottom left, some document negotiation is unduly repetitive and it's memoryless and there's a particular process that we and others in the industry do thousands of times per annum. So we are co-creating with a big tech partner how we might tackle this using LLMs. We're optimistic we can take a process that sometimes took days to a 'best starting fit' recommendation in minutes.

And finally, bottom right, we are exploring how we can use smart contracts and digital asset technology to automate conditional payments and financing, eliminating all of the manual touch points involved today. And this solution is built on the same Citi Token Services rails, so we can look to offer this functionality to clients within an integrated platform.

To conclude, we have opportunities to grow by deepening and broadening our client penetration. In the Institutional segment, though we are the clear market leader, we continue to see opportunity to pull further away from the competition and gain additional market share.

In the Commercial segment, we are growing rapidly as we introduce more clients to our capabilities. And, we see tremendous opportunity to use those capabilities, our scale and leading technology, to double our share of that large and highly fragmented market.

Our technology is strong. We're focused on improving and modernizing it to deliver an even stronger value proposition to clients, not just across Trade, but the entire Services business. We already have high client satisfaction scores. These can be improved further delivering, better client service, experience and integration, and we will remain very disciplined on capital usage. We have strong tools to support decision-making and our Distribution model should support additional fee growth, balance sheet optimization, and enhanced returns further.

And, we've done well from a risk management perspective. We will remain vigilant here, we do not intend to budge from that rigor going forward.

Now, over to Naveed, who I know is going to do a great job of stitching together how all that technology investment comes together for clients. Thank you very much for your time today.

Speaker

Naveed Anwar, Head of Platforms & Data Solutions

Hi, everyone. My name is Naveed Anwar, Global Head of Platform and Data Services for TTS. And I'm delighted to be here with you today. Unlike my colleagues that you've already met, I'm relatively new to Citi, and I've only been here a little over two and a half years. I started my career in the Silicon Valley with well-known tech companies such as Netscape, AOL, and eBay; and then spent time in the FinTech sector at PayPal. Following that, I led Capital One's digital and data transformation, including strategic partnerships and integrations before joining Citi in 2021. I have over 25 years of experience building and scaling digital and financial platforms. While the banking landscape might be different from the Valley, Citi shares many of the same objectives as tech natives, and that's just one of the many reasons I joined the firm from the West Coast.

I'm very excited to be part of the digital journey at Citi. I've had an opportunity to work on several transformations, and I know what great looks like. My team and I obsess daily over some tough questions. How do we build extensible platforms? What does faster, simpler digital access look like? And what does a consumer grade user experience look like for big institutions? And we've begun to answer these questions each time working backwards from our client's feedback. As I prepared to join Shahmir in the services team, we agreed on some common goals. First, we agreed to bring a consumer-like intuitive digital experience to our clients. Though our digital platform has led the market for decades, we set out to make it even better. We re-imagined our platform to look, feel and function like today's FinTech driven applications.

Next, we agreed to streamline the client onboarding experience, which was too complicated and time-consuming. And third, we agreed to make data the fuel that takes our business to the next level, mining our network to deliver exciting new insights and analytics to our clients. In order to achieve these goals, we brought fresh talent to TTS to help deliver on this journey. These newcomers supplement the world-class staff that we have at Citi, and together they make it possible for everything that I will share today with you. In a short period of time, our team has made tremendous progress and the feedback that we're getting from our clients is off the charts. So let's get into it.

Today I'm proud to say that we operate one of the best transaction banking platforms in the world. All the capabilities that you've heard my colleagues Stephen, Debo, and Chris speak about are brought to life through our digital platform. We deliver solutions to our clients faster than ever before, and with unparalleled global reach. We are relentlessly focused on user experience and enhancing our capabilities to meet the ever-evolving needs of our clients. With access to more than 180 countries, handling 135 currencies, our digital platform serves a diverse set of clients from the largest corporates, financial institutions, FinTechs, public sector, and an emerging commercial segment.

Our award-winning platform is easy to use and offers sophisticated Payments, Trade and Liquidity capabilities that streamline complex and critical treasury operations. In addition, our advanced analytics and reporting capabilities enable our clients to make more informed decisions by unlocking deep, actionable insights. Our global network is one of the key competitive advantages

and has taken decades to build, and our digital platform makes it simple for clients to navigate that network.

Far and away markets can be reached as quickly as local ones with our platform. So how do our clients engage on this platform for their everyday needs? Well, we operate two distinct interfaces as you can see in the middle of the slide, CitiDirect® and CitiConnect®. Each one provides unique solutions to our clients all over the world. Now let me take a minute to dive deeper into CitiDirect and CitiConnect so you can see how we're leading the market today.

So, let's start with CitiDirect and the outstanding capabilities and benefits it provides to our clients. CitiDirect is among the most powerful digital transaction portals for cash management, payments and trade. It serves our global online mobile-enabled banking portal, supporting anytime, anywhere access.

Our clients have been asking for a consumer-like experience that anticipates their operational and strategic cash management needs, so they can achieve more in less time. The great news is CitiDirect is the user interface that does it all. Our user base is very diverse from CFOs, treasurers and operating staff, and represents virtually every industry and geography. It has also been widely adopted by almost all of our top corporate clients who find it tremendously valuable. In a nutshell, our clients can open and maintain accounts, conduct their transaction activities, and gain important insights on their business on one easy to use interface. With simpler screens and fewer clicks, users can perform all tasks they need to perform, but in less time.

We've also built the portal around our client journeys, which is the real ethos of how CitiDirect was redesigned. For example, when a treasurer or CFO logs in, they are presented with tools, data points, and market intelligence that supports the decisions related to business growth, managing risk, preserving capital, and optimizing liquidity and working capital. Now alternatively, if an operational user logs in, they will experience a very different user journey that meets their needs. And the good thing is this experience remains consistent as our client relationships evolve. If you're a commercial banking client today, who becomes the next global powerhouse brand tomorrow, there'll be no additional integration or onboarding required. Movement through our digital ecosystem is seamless.

That said, we never rest on our laurels and are continuously looking for new ways to improve the client experience as we reimagine CitiDirect and co-create with our clients. As Shahmir mentioned, we're always innovating and evolving. Most recently, we've added self-service and new support features in CitiDirect. We've built search capabilities in CitiDirect on par with the best tech companies and are better anticipating client needs. Additionally, innovations such as Citi Token Services have been embedded into CitiDirect; offering real-time liquidity, as well as enabling smart contracts each mentioned by Stephen and Chris earlier.

Now let's move on to CitiConnect. CitiConnect is our machine-to-machine connectivity platform that allows our clients to plug their payments or enterprise management systems directly into Citi's infrastructure. This allows clients to automate key activities including payments, balances, and statements. Our CitiConnect interface is universal. Nearly all industry-leading enterprise management and treasury systems are supported by CitiConnect. With CitiConnect, clients can access our proprietary solutions through their own enterprise and treasury management systems.

CitiConnect brings Citi to the client when, where, and how they want us. And as corporate ecosystems evolve, we also support our clients as advisors every step on the way during their migration to new cloud-based enterprise and treasury management systems.

CitiConnect scales based on client needs. In fact, on a busy day we run 75,000 transactions per minute on CitiConnect. So this means depending on how fast or slow I talk through this presentation, CitiConnect would've processed over a million transactions by the time I'm done. Now most large corporates rely on batch payments for running their day-to-day operations, and CitiConnect allows them to use a single format for all types of payments across more than 180 countries, making the job a lot easier and significantly faster.

For our FIs, CitiConnect can also interface directly with SWIFT Financial Messaging System, supporting many of our largest FI clients. While batch payment processing remains a core capability of CitiConnect, there is so much more that it does. Our clients need support for everything from instant payment to direct, to consumer flows, and new eCommerce models which have prompted the demand for real-time transactions. APIs allow us to enable these real-time flows and the next generation of capabilities that we've begun to deliver. APIs are by far the most differentiated offering when it comes to real time and 24/7 capabilities, allowing our clients to directly access products, services to help provide a seamless real-time banking experience.

For example, when Debo spoke about real-time payments, APIs enable all of these instant payments and provides the required data back to the clients within seconds. In 2023, we had nearly 4 billion API calls through CitiConnect, and that number is rapidly growing. Through the use of CitiConnect APIs, we recently enabled a large multinational client to deliver near real-time refunds to its customers.

Now, how many of you have waited for refunds to come through when your food hasn't shown up? Or waiting for that baggage claim refund? Wouldn't you want that refund to come through sooner? The time it takes, it can be the difference between a satisfied customer and a frustrated customer. One of our client's prior solutions took days to deliver the refund. Now with CitiConnect, it takes seconds. Our objective is to make everything easier and faster for our clients. Bottom line, as our clients look for ways to efficiently handle high volume transactions at a global scale, often in an automated way, CitiConnect is the answer. With that, let's take a look at a quick video to help bring our digital platform to life.

****Video****

I really like that video; especially the way we deliver data insights to our clients on a daily basis. So now let's talk about how we bring data together from across the world and provide a simple way for our clients to understand their full relation with Citi in one place. Given our global scale, we are creating and storing data in 95 countries, some of which have rather strict local regulations. Our goal is to take the complexity out of the system for our clients. If you're one of our clients, I don't think you want 95 account balances, 95 payment instructions and 95 statements.

Our platform brings this information together to provide our clients the visibility they need to manage their day-to-day activities with ease. As Shahmir mentioned, one of our key tenants is investment in platform modernization. Data is at the heart of everything that we do, and we have

invested in these key capabilities for our clients. Our platform has many capabilities, but the most notable ones ensure completeness, accuracy, and speed of our operational data. Our data makes it to the platform within minutes of client activity, which allows us to power client experiences, tailor data products, and deliver that data back to our clients. As an example, we have more than 8 million data exchanges we support daily, like instant notifications and payment statuses.

The testimonial from Wayfair that you watched in Stephen's presentation validates our data strategy. Using data, we give Wayfair unique visibility into global operations and help them optimize accounts and liquidity. The simplicity of our platform allows Wayfair to remain laser focused, delivering a superb experience to their customers.

Now, another way our data delivers client value is through Citi Payments Insights. This solution helps clients self-serve their payment status on demand across the globe. And I'm not talking about a basic payment like the cup of coffee you might have bought on your way here today. I'm talking about billions of dollars worth of payments that hop across multiple continents with many banks involved. This is complex stuff that can lead for clients to wonder where their payments are and when will they clear.

Our data provides clients with unparalleled cashflow visibility, which has helped reduce payment statuses inquiries by 50%. Our data also helps simplify onboarding and account management. Data helps power features such as document pre-fill for account opening. And data also helps clients easily manage authorized account signers all over the world. All of this saves our clients time and gets them moving faster.

Now our discussion on data wouldn't be complete these days without talking about AI. We've been making enterprise level investments in large language model hosting and interface patterns for our TTS businesses, allowing us to put the guardrails in place to safely manage the risks that come along with this emerging space. While the past year has been mostly foundational, we have approximately 150 use cases in the pipeline, and our first use case will go into production in August. Some key benefits include client servicing, client engagement, and operational efficiency.

In summary, our digital platform enables all of TTS businesses. We operate amongst the best digital portal and connectivity interfaces for our clients through CitiDirect and CitiConnect. This platform makes our global network universally accessible. CitiDirect provides our clients with an intuitive and easy to navigate portal, and CitiConnect facilitates machine-to-machine connectivity. Increasingly, we're implementing self-service capabilities to further streamline our client journeys. Our objective includes further reducing client time to market, and we expect to see continued growth among our new and existing very satisfied clients. And we believe our data capabilities are a key competitive differentiator and we continue to make strategic investments to improve our client experience and platform reliability. New tools such as AI will only amplify these benefits.

The synergies across our data efforts will also help us deliver the full power of our digital platforms to our clients. At the start of the day, Shahmir mentioned three I's: Innovation, Investment Integration. Our digital platform is a great example of how we bring each of these dimensions to life, with innovative and integrated solutions and investments to sustain and grow our competitive advantage. Thank you for staying engaged for so long. Now we'll take a 10 - minute break and after

TRANSCRIPT

2024 Services Investor Day – *Full Transcript*
June 18, 2024



when we come back, we'll hear from Okan, our Global Head of Securities Services. See you shortly.

Speaker

Okan Pekin, Head of Securities Services

Hello everyone, and welcome back. I hope you took a moment to stretch your legs during the last break. I'm Okan Pekin, Head of Securities Services at Citi, and I'm delighted to welcome all of you here today. I've been at Citi for over 30 years. I joined the bank in Turkey many years ago, and since then, I had the pleasure of working in various Citi businesses, including Markets and Securities Services.

So far this morning, Shahmir and my partners have covered how Services facilitates commerce globally. I'm now going to take you through the second part of the Services story, which is how we support global investors and issuers to access global markets. But first, here is a short video introducing Citi and the world's largest Securities Services network.

****Video****

To underline what you've just heard, at Citi, to repeat, we run the world's largest securities network for both global investors and issuers and we facilitate investments across all asset classes. Our network includes an unmatched on-the-ground presence that makes Citi critical to the global market infrastructure. Our local insights give global investors an edge, and we also play a key role in the development of local securities markets.

Let me call out a few points that speak to the power of this network. We support clients in over 100 markets worldwide, of which 63 belong to us, they're proprietary to Citi. These cover 95% of the world's market capitalization. No one else comes close to this. We offer securities lending in 75 markets. Across this footprint, in 2023, we grew assets under custody and administration by 13% to \$23.5 trillion. This figure makes Citi the fourth-largest Securities Services provider in the industry.

Many of you may be familiar with Citi as a custodian bank, and that is indeed true given our leadership and history, but our business offers much more than that. I think of us as the connective tissue between clients and global markets. We cover the entire trade and investment lifecycle and drive value for our clients with four product lines. In fact, we are one of the very few banks in the industry that can partner with clients across pre- and post-trade services.

So how do we do this?

First, our Custody business, which safekeeps assets serves clients in 100 markets, including the 63 proprietary I've mentioned. Second, Fund Services, which offers data-driven solutions to support portfolio management. And third, through Execution Services, we optimize our client's investment performance. These three products sum up our comprehensive platform for investors. And finally, in Issuer Services, we facilitate fundraising for working capital, as well as strategic capital needs for M&A and corporate restructuring transactions.

Moving on to clients. Who do we serve? We are the industry leaders with banks and issuers.

We also serve high growth client segments of asset managers and asset owners, and these include pension funds and sovereign wealth funds and insurance companies. We see a tremendous growth opportunity here as together these segments represent more than three quarters of the \$50 billion of wallet for Securities Services globally.

Our network is at the heart of what we deliver. This gives us a pulse on emerging trends and changes so that we are at the forefront of our clients' needs. With this advantage, we have cemented deep and sticky client relationships. Many of our clients have been with us for multiple decades and we expect this to continue.

As Shahmir mentioned earlier, 89% of our clients believe that we are well positioned to be their long-term strategic partners. I'll tell you more about how we've built these relationships and our momentum. Our global platform is a key client differentiator because of its scalability and ability to meet evolving client requirements. This global platform has enabled us to capture the lion's share of the market with banks and issuers.

With banks, we count 65% of the world's top 100 financial institutions as our clients. Among issuers, we are proud to be the go-to bank for 72% of the Global Fortune 100. We serve seven of the top 10 global asset managers with significant potential for growth. And with asset managers, we generated around 12% growth last year.

As you can see, our platform has driven consistent growth and share gains.

To summarize, we've delivered an extraordinary 14% compounded revenue growth over the past two years annual, outpacing our peers. This strong growth momentum has led us to a market share gain of 120 basis points, taking us from 7.7% in 2021 to 8.9% in 2023, a very substantial gain indeed. While we are currently a top four player, these market share gains have helped us to materially close the gap to our top three competitors.

Currently, around 50% of our revenues are generated in custody, but looking ahead, we expect all of our four product lines to grow as we address client needs with our fully integrated offering.

We are producing compelling returns on equity and we are doing so with execution discipline.

Let's now move on to technology. To keep this momentum, investments in technology and our platform are critical to success.

The industry is facing more consolidation every day and our clients are telling us they're under pressure, on fees, but also on investment returns. Over the last few years, we've seen a significant flow into ETFs and private assets as investors have shifted portfolios around the world, and data is growing exponentially in volume.

Data management is key to achieving efficient and low data delivery, supporting alpha generation for our clients.

In an environment of shifting local regulatory and geopolitical changes, our unrivaled global connectivity and our ability to understand local markets are truly compelling competitive

differentiators. So how do we intend to keep growing in the medium term? First, we will extend our leadership position in Custody and Issuer services. Second, we will grow share with asset managers and asset owners, and third, we will continue to invest in leading data and digital capabilities that are critical for the future.

Let's talk a little bit about Custody. Custody continues to be our foundation. We want to deepen existing client relationships and win new ones. Let me begin with the growth drivers on this page. First is the structural growth of the pool of investible assets around the world.

Second, we can capture growing portfolio flows effectively with our network and platform. The higher the velocity of the change of these assets, the more that flows through our books.

And third, many clients have been telling us about their growing interest to outsource their middle office activities. This trend will create new revenue streams not only for Custody, but also for Fund Services and for Execution Services.

Let me now remind you just how far ahead Citi is in Custody. Our 63 proprietary markets put Citi in the number one spot in direct custody and clearing, with a dominant 26.8% market share. With the largest proprietary network in the industry, Citi facilitates execution flows and safekeeping of assets for the world's largest custodians and banks in markets where they're not present.

In custody overall, we hold the number four position, and we are closing in to the top three spot, having gained 120 basis points market share since 2021.

We will continue to capture these growth drivers by expanding our share of flows with asset managers and asset owners given the growth potential here, and defending the edge we already have with banks.

Through our platform-as-a-service model, we will enable access to our custody platform for clients who do not necessarily own a global custody platform themselves, offering an end-to-end solution with consistent delivery across all markets.

Moving on to Issuer Services, where we are a top three provider, there are several growth drivers in this space. First, secular growth in capital market issuance presents a structural, not a cyclical opportunity, and there is a lot more here our network can do.

This is followed by the uptick in corporate market-driven corporate actions. This is where the unique opportunity to connect TTS and the broader Services franchises makes a huge difference. Our cash platform, coupled with our Securities Services network and our fiduciary capabilities, makes Issuer Services truly compelling to clients.

Finally, we are bringing these strengths into the future for efficient access to capital through digitized debt issuance and tokenization.

As a relevant example, in 2023, Citi acted as the issuing and paying agent for a digitally native note issued by the World Bank. It was the first such issuance under English law and was done via Euroclear's DLT platform.

Citi's network and the strength of Issuer Services have contributed to an over 20% increase in revenue CAGR since '2021. Here too, we are closing the gap with our competitors. We hold a number two position in global structured finance as well as depositary receipts, enabling clients to raise capital and diversify their shareholder base. And we are ready for the future of this business, with plans to do much more with technology.

Let me now come to the largest segments. The global Securities Services wallet is expanding, having grown 13% since 2021. This is a significant long-term source of growth for us. We will capture our share of that opportunity with target market discipline based on where our proposition is strongest.

As we target to grow our share of Custody with asset managers and owners, we will deliver integrated product solutions. This approach is complimentary to the two other growth drivers you see on this slide.

The outsourcing of middle office functions is particularly relevant for our Fund and Execution services businesses, as is the ongoing shift from mutual funds to ETFs. Let's look at how we are going to capture this market share.

We are deepening our capabilities in response to increased demand for outsourcing. As an example, we entered an alliance with BlackRock's Aladdin, making Citi one of the first movers to provide a single tool for middle office operational workflow. Combining Citi's infrastructure and the powerful Aladdin platform, we provide outsourced functions on a client's instance of Aladdin for seamless integration.

We are also continuing to enhance our ETF servicing capabilities, working closely with our Markets franchise to capture these funds. In just three years, from 2021 to 2023, we have added \$425 billion in assets under administration to this platform.

And we are scaling Execution Services as clients seek out value-added services. To give you a sense, active FX volumes rose 76% in 2023 compared to 2020, while passive FX increased by 26% in the same period. Our securities lending program was around 41% higher in 2023 compared to 2019.

Next, I'll share a more detailed overview where we are investing in technology and how we are innovating.

We are modernizing our core platforms to support our global operating model and to deliver greater efficiencies, consistency and resiliency. We will retire legacy infrastructure and move to common platforms using the cloud.

We are building a delivery model that integrates our global and direct custody platforms, collapsing these layers into a single, unified global settlement platform. Already live in six markets, this is a game-changer that only Citi can make a reality. With this unified platform, clients make quick decisions on corporate actions, realize new process efficiencies, and reduce risk.

Next, we are continuing to invest in data, which is the engine of our business and powers our

clients. We will support our clients in their structural transformation and offer a core set of modern-day capabilities. Our consolidated data platform will offer frictionless data on demand via the cloud and APIs, driving transparency and decision-making.

And finally, our technology investments are focused on innovation that have the greatest potential for groundbreaking chain.

Blockchain and distributed ledger technology are making tokenization a reality, enabling high automation and processing efficiency at the same time. As an example, we've recently completed a proof of concept for the tokenization of a private fund, bringing us closer to liberating assets, making them tradable and creating new distribution channels. Ultimately, we want to deliver a best-in-class client experience characterized by the ability to produce customized data and insights that are supported by resilient and adaptable platforms.

To conclude, our business is firmly rooted in leading capabilities across Services, leveraging the deep and the close connectivity and integration of product lines between TTS and Securities Services. We are set on building where we already have an unmatched foundation, as well as breaking new ground where there is scope to innovate at scale.

We will capitalize on our leading Custody and Issuer Services franchises as a critical driver of continued growth. Second, we will drive share gains with asset managers and asset owners. And finally, we will continue to invest in leading data and digital capabilities that set us apart.

I look forward to what's in store and sharing our story of continued momentum in time to come. Until then, there is no better way of bringing that story to life than through the experience of one of our key clients so will leave you with Mike Tumilty, Global Chief Operating Officer of Aegon Asset Management.

Thank you.

****Video****

Speaker

Shahmir Khaliq, Head of Services

Well, that was fantastic and a big thank you to Okan, Mike and Aegon Asset Management. So today, you've heard from our Services management team on what makes us the leading Transaction Services Platform.

As we wrap up, I want to highlight some of the key messages that you've heard today.

First, this shouldn't be a surprise, we're client centric in everything we do. Our clients are the center of our strategy, and we're hyper-focused on delivering world-class solutions with an unparalleled client experience.

Second, our global network. We offer a unique combination of global presence, local access and expertise, with integrated product capabilities across almost 100 countries around the world.

Third, we're executing today while preparing for the future. We're focusing on the three "I"s – Innovation, Investment, Integration.

We are creating innovative new client solutions across all of our products, such as Citi Payments Express, Citi Token Services in Liquidity, Supply Chain solutions in Trade and our new ETF proposition in Securities Services. We're investing heavily in technology, modernizing our platforms and further enhancing our operational resilience. We're building an integrated data foundation, which will allow us to deliver even better insights to our clients. And finally, we're seizing our growth opportunities.

We're uniquely positioned to leverage our global footprint and leading solutions to support commerce across high growth corridors and in high growth segments. And lastly, we're investing in our CCB franchise, which will launch us further and deeper into a larger and growing wallet.

A lot has happened since we spoke at our last Investor Day in 2022. We've surpassed the goals we set for ourselves two years ago and did so ahead of schedule – having delivered 20% annual growth since 2021.

Now, we're well on our way to delivering against our medium-term targets including low to mid-single digit revenue growth and mid-20% RoTCE.

I would also like to acknowledge and thank the team of talented individuals across our entire Services organization who fuel all of this incredible work around the globe including our partners in Banking, Markets, USPB and Wealth to bring the full power of our firm to life for our clients.



This Is Our Citi, and today, you’ve heard directly from a number of our clients, who turn to us to help them navigate a world that’s becoming ever more complex, ever more global and ever more intertwined.

The world is coming to Citi – and we’re ready for it.

And with that, we will be commencing Q&A shortly along with Mark and our senior Services leadership team on the stage. Thank you so very much once again, and look forward to seeing you very, very shortly.

Host

Jenn Landis, Head of Citi Investor Relations

Presenters

Mark Mason, Chief Financial Officer

Shahmir Khaliq, Head of Services

Stephen Randall, Head of Liquidity Management Services

Debopama Sen, Head of Payments

Chris Cox, Head of Trade & Working Capital Solutions

Naveed Anwar, Head of Platforms & Data Services

Okan Pekin, Head of Securities Services

MARK MASON: Good afternoon. I hope you all got a lot out of that today and we look forward to your questions here. Before we jump in, I would imagine there's at least one question for me, so I'll go ahead and answer it, which is what do we think about the quarter? How are we thinking about the quarter?

And I'd start by saying, I'd start with kind of NII ex-Markets since there's a lot of talk about rates and what have you, and as we look at the quarter for NII ex-Markets, it's a lot consistent with what we've said for the full year, so we expect that to be modestly down. And that's, frankly that's less about rates as the full year is less about rates and it's more around some of the tailwinds and headwinds that we see outside of rates.

So, things like Argentina FX and Argentina rates that have played through. Things like the exits that are playing out. Things like late fees that flow through our NII line, Betas outside of the US. Those are the things that kind of impact both the full year and that are playing through a bit in the quarter. So, first guidance for the second quarter, NII ex-Markets modestly down.

The second thing I'd say is for Markets, when I look at kind of activity there, remember we skew towards fixed income more so than equities from a size point of view. But Markets should be down or flattish, I should say to down a bit. And so, think about Markets flattish to down a bit.

Investment Banking fees and we talk a lot about kind of the wallet recovery and the importance of that. We are still seeing good activity from a DCM point of view and ECM point of view, M&A announced deals look, continue to look pretty good, healthy I would say. And so, for Investment Banking fees, we're looking at up about 50% year-over-year. And so, that's kind of the businesses, if you will.

Expenses, expenses consistent with our full year guidance, generally consistent with what's out there from a consensus point of view. So, think \$13.450 billion, or so, \$13.45 billion or so for the quarter.

And then cost of credit as well is pretty consistent with consensus at about \$2.6 billion or so. So, that'll give you some sense for the quarter. I think generally consistent, as I mentioned with the full year guidance that we've given and just want to kind of get that out on the table. So, you all have that to work with.

So with that, I'm happy to kind of open it up, or turn it back to you, Jenn for questions.

JENN LANDIS: Great. We'll start with Mike and then Betsy.

MIKE MAYO: Hi, since we have the whole panel there, it's Mike Mayo with Wells Fargo. You know, you talk about some tech features that seem pretty unique for your business line compared to a lot of the other parts of Citi. Real-time 24/7 US dollar clearing, cross-border instant payments, Payment Express, which you said had 100 times more volume capability, own a proprietary tech stack, right. I always thought of the back office of Citi being like a bunch of people with slide rollers and duct tape and stuff. But maybe each one of you can highlight another concrete metric or reiterate what you said during the presentation that really differentiates your technology when you go to market, maybe just go through the panel, perhaps?

SHAHMIR KHALIQ: So, Mike, I'll start off. I think your points a really valid one. I think the point you made was that we've got a unique set of technology capabilities across all our products and services that we've developed over the last three to four years. This is not the first time we're developing these capabilities. We've been on this journey to develop this network and capabilities over time. But as you heard, we fast-tracked and expedited a lot of this development over the last three to four-year period.

So, I'll start, first of all, with Okan and his business. I would say that single custody platform that we talked about from a settlement standpoint, bringing that together, effectively collapsing a direct custodian, i.e. a sub-custodian and a global custodian operation, bringing that together is, as Okan said, a game changer. That is absolutely unique to Citi. There is not too many custodians who can actually get that done. As Okan said, it's already live, I think, in five markets, Okan, and the game plan is to increase that.

I think if I go to Stephen's business, you heard about Target Balancing and you heard about Real-Time Funding. It's an integral part of the proposition. I think whenever the market talks about payments, I think one of the things that they forget about payments is liquidity and financing support that business. So, bringing balance sheet and the ability to move money around the world seamlessly on a 24/7 basis is a game changer in that business. So, it's important that the market understand it, the investor community understands it, because our clients definitely understand it.

The other thing I would say on Debo's business is the 24/7 clearing. We've been a big believer, there have been lots of solutions out in the industry, which I have talked about blockchain solutions,

building a particular mousetrap. What we've really focused on is both sides. We've said, how do we take conventional rails on which 10,000 banks operate, how do we take those rails and actually take those rails into the next century? And secondly, how do we think about new technology like blockchain and drive that towards what we want to achieve? And there today you heard the marriage we're making between conventional rails and between new rails. And it's really important that we understand that there is not one single solution that's going to win the day for anybody in the industry. It's going to be a unique set of solutions that we construct, put together, integrate and drive to scale, that's going to be the winner. And therefore, we feel that with the network that we have, with the 24/7 clearing solution we've created, we think that between the 24/7 solution and with the blockchain solution, we think we have a winner on our hands.

And lastly, on the Chris' side of the business, I would say, as I think about supply chain finance, where we have a preeminent market share, we'd seen competition from FinTechs and we'd lost deals. And so, what we did was, we went back to the drawing board and said, we have a solution. How do we take this and make this compete with FinTechs at scale? We rebuilt the front end, we rebuilt the entire solutioning process. And within a very short period of time, we had our own solution called Nirvana, which is now winning and competing against the FinTech community.

So, the way I would position it is across the board, including what Naveed talked about, reimagining CitiDirect and our API connectivity. Across the board, the goal, the aspiration for all of us across Citi is to build operationally resilient platforms that enable us to win not just now, but also for the future.

Hopefully that gives you a little bit of an idea. The journey doesn't stop now to be honest with you, because we're still on a journey to challenge ourselves and make sure we're doing the best we can for the business, as we think 5, 10 years into the future. I hope I addressed your question.

BETSY GRASECK: Thanks so much. Betsy Graseck, Morgan Stanley. We've been writing about banking at the speed of light for the last two decades, and I am so thrilled to hear about global settlement at T, because FinTechs have been on our case for a long time and you guys are winning. So, that's great. Nice to see. I have two questions. One is just on how, if you could give us a little bit of color around how you're planning on taking share in the Commercial Banking side in the TTS business, because that seems to be a key area of market share gain that you're looking for. And I'm asking in part because Commercial Banking, yes, you have not as strong as some of your US domestic competitors. So, help us understand how you're going to take that share in that space.

And then my follow-ups for Mark. This business model has been viewed to be a rate sensitive business model. When rates moved higher, revenue growth soared. As rates go lower, help us understand what we should be expecting in the revenue trajectory here? Thank you.

SHAHMIR KHALIQ: So, Betsy, first of all, very good question. Thank you for that. But I would just add, I think first and foremost, FinTechs are our clients, as you saw some of them and you heard it

from some of our business heads. We really value our partnerships with FinTechs. We value it because we partner with them to create the right solutions. Secondly, we partner with them to give them the right solutions, so they can run their business as well. And sometimes we'll compete, and so be it.

But I would say as I think about Commercial Bank, the journey started for us quite a few years ago, right. We used to have a Commercial Bank. And then over the last three, four years, under Jane's leadership, we rebooted the leadership and we brought in Tasnim, who runs the Commercial Bank for us. So we've been on a journey to invest further. And so we've hired bankers, we've hired some product sales teams both in trade and cash. Also, the Commercial Bank is a fantastic feeder into our investment banking business in our episodic business. So there's been a lot of investment that's happened from a people standpoint in Commercial Bank.

The second piece of that puzzle is that we're also investing on the platforms that we used to service Commercial Bank. So as we think about the go-forward, we're not going to build those platforms, unfortunately, I'd love to if I could in two years, but we can't. So this is a journey that we're going to be on for the next 5, 10, 15 years, similar to the journey we've been on with the large institutional clients. And as we think about the capabilities we're going to build, whether on the front-end, CitiDirect for Commercial Bank clients, that's one critical front-end platform that we're building that is largely powered by our institutional CitiDirect platform. Coupling that and making that a unique, singular platform that our clients can use, and then adding the right products and services, which we've been on a journey to build out. So as you saw and as I mentioned, we've been growing faster than where the wallet's grown at.

So as you think about the next 3, 4, 5, 6 years, given our relatively small market share, we will be focusing a lot on multi geography multiproduct clients, where truly, as Jane mentioned right at the start, where we are going to provide, so to speak, the gateway to Citi for these clients. So when they come in extending capital, extending liquidity, extending payments, FX solutions and building four or five products as an out-of-the-box proposition for our commercial bank clients. That is what we're already starting to see on a multi-geographic basis for those clients. So you should see good news over the next three to four to five years with this business is going to grow through the cycle, we just need to be careful around how we invest and build out this business. But we feel very, very good about where we're at today and where we see the next three to five years. So lots of good news to come.

MARK MASON: So let me make a couple of comments on your second question, Betsy, and then Stephen, if you want to chime in, you can feel free to chime in as well. So the first thing I'd say, and this is true not just for the Services business but more broadly as well, which is, I hope one of the things that you walk away from today with is that the momentum that we've seen in Services is not just from the benefit of rates, but also good underlying NIR growth as well. And that is going to be an important driver in the future. And you heard us talk about, you heard the team talk about

payments, you heard the team talk about clearing commercial cards, cross-border activity. All of those things contribute to the NIR part of the equation as well.

In terms of your question with regard to NII, we certainly did benefit from rates without question. And as we look forward, we actually still expect for rates to be a bit of a tailwind (sic) for us. And they're couple of drivers underneath that I think are important to point out here. One is volume growth, right. And we expect to see, as we talk about winning and doing more with clients, we expect that to contribute to NII. And the other is, if we think about the investments that we make with the deposits that we have, those tend to be five year in duration or so. And so as those tend to roll off, they'll still be rolling off into a higher rate than they were in. And so as a result, we expect the yield on those securities to contribute to NII as well. And so as I look at the horizon, those two factors will be important contributors to, albeit not at the same rate of growth we've seen in the past, but continue to benefit from the rate environment that we're in and to the NII line. Stephen, anything you want to add to that?

STEPHEN RANDALL: Yeah, I think I have two things to add. One is back on the graph that I put up of the diversification. So we're very diverse in terms of dollars and non-dollars. So if you think about the rate environment, you think about that rate sensitivity, it's a split pretty much 50/50 across that international space as well. So that plays into the resiliency and our sensitivity. Other thing as Mark said, the way that we've invested those deposits, as those investments mature, we will see a tailwind from that. But I think what also hopefully you've taken away from today is the platform that we offer our clients and with that becomes the operational nature of those deposits. And so we are very focused around making sure that the clients that work with us leave operational balances with us. And we make sure that as we think about the overall relationship with that client. That is how we think about the pricing of those deposits, et cetera. So I think, I'd add those two points, Mark.

EBRAHIM POONAWALA: Ebrahim Poonawala from Bank of America. Maybe for you, Shahmir, I think the question is, you did a good job talking about the technology, the investments, what we often hear is competitors are catching up, gaining share. Talk to us maybe anecdotally, what drives market share loss, like what are the events where you actually lose a customer to a competitor bank? Is it technology? Maybe some of the regulatory constraints that Citi's been operating under, that would help in terms of just contextualizing how impactful the competitive threat is.

And Mark, for you, you talked about increasing the intensity on the regulatory stuff. I guess in our seat, the assumption was it was already extremely intense. Just give us some perspective around what's changing? Is there sort of target moving in terms of what you needed to do today versus two or three years ago? Thank you.

SHAHMIR KHALIQ: So Mark, I'll begin, so firstly, I think, if you think about our share, we talked about shares across most of our businesses. We gained share in Securities Services, we gained

about 120 basis points of share. We gained share in TTS in the institutional space. I think we hit double digits, a number that we had set for ourselves when we did Investor Day. So I think we feel pretty good about where we are at from a competitive standpoint. We're gaining share. And as Mark and Stephen just mentioned, I think as you think about the interest rate environment softening a little bit, given some of the investment portfolio we have, we should think, we think that as part of the book business that we have, we should look to continue to gain share as we go forward. So I just want to put that out there very clearly that our expectation is to continue to gain share as we go through the rest of this year and next year.

Why do we lose clients? I talked about when we look at our clients and the size, scale, scope of our businesses, we're either a number one or number two bank for most clients that we bank with. When we bank clients, we back them with heft. We back them with the full breadth and power of our network. So when we get to a certain scale, sometimes clients will look to balance their book of business, it's not like we lose business, but clients may look to rebalance their business across their entire book of business. So that's the only situation where we sometimes see some business where we might pick up business in Latin America and we might give up business in North America, or vice versa for that matter, depending on who the competition is at that point of time.

But we track our wins, our losses, our rebids very actively. It's a daily, weekly, monthly process. We know why we lost a deal. We know why a client rescheduled or repositioned their book of business. And generally, a lot of the innovation and investment that we've shown to you today and the scope and size of that innovation investment. And I would tell you that probably there's no other player in the space who've done that kind of work and that innovation over the time that we've done it in.

So we feel particularly comfortable, given the work we've done, given what we see, given what we're building, we should continue to gain share as we think about the go-forward. Mark over to you.

MARK MASON: And Ebrahim, that your question was around the increasing the intensity of the remediation work that we're doing? So I guess I'd say a couple of things. One is we've been making, I think, good progress against the consent order remediation and the broader transformation work. But the reality is that we want to move faster, right. The entire leadership team wants to move faster in that effort in terms of remediation, remediating data as it comes into our systems so that we have less reconciliation work to do along the way. As it relates to improving the quality of our regulatory reporting that we do on a daily, quarterly basis as it relates to overhauling that infrastructure and automating things more rapidly as it relates to our ability to stress test the organization and address things like resolution and recovery type planning processes that we have in place. We want to accelerate our efforts, and that's what that intensity is about.

ERIKA NAJARIAN: Hi, Erika Najarian from UBS. My first question is for you Mark, I noticed in the capital slide that you said the GSIB could be flat to up as you support clients. And when we look at the first quarter GSIB score, it would imply that you would move barely to the 4% surcharge bucket.

And so, as you know, as you think about the revenue targets that you put out and some of the revenue growth that may require a little bit more balance sheet intensity, how do you balance sort of the shareholder feedback that they'd like greater buybacks with the reality is some of your peers that have pretty hefty, tangible book multiples have grown their GSIB surcharge, but have kept a higher RoTCE. How do you balance that as we look forward?

And for Shahmir, in that last summary slide, I noticed that you're targeting going forward the same change in RoTCE about let's say 300 to 500 basis points under a low to mid-single-digit revenue CAGR environment as you achieved in a higher revenue environment. And just confirming that perhaps that's some expense optimization or capital optimization that you're expecting?

MARK MASON: Yeah. So let me start. So I think there are a couple of things. So one, over time, we expect to see some benefit from the exits that we've done. Right. So the nine exits and as the rest of the businesses kind of close out, we expect to see that impact the GSIB score, we expect to see that impact the stress capital buffer. We also expect to see a benefit from the mix of our businesses and what they contribute from a revenue point of view to play out in the strengthening of our PPNR. And we think those things will ultimately help that capital stack, notwithstanding some of the regulatory changes that may come out of Basel III.

It is a balancing act and I think the importance of the balancing act is that we remain returns focused. And so when we look across the franchise and we see growth opportunities driven by client demand or an ability to differentiate ourselves, like what you heard about from this team here, those are unique opportunities for us to invest and deploy capital against where that's required because they're going to generate a return that's well above the cost of capital and they're going to allow for us to bring to bear the breadth of everything else we have to offer across the franchise. And those types of areas get the investment, the incremental investment first because it has that outsized impact, but it's constantly going to be a tradeoff. I recognize we traded 0.6, 0.7 times book, most of the peers are trading north of 1. We've got some upside to capture there, but I don't want to turn down good client driven opportunity that's high returning and really speaks to the longevity of the franchise because that's really what this is about.

ERIKA NAJARIAN: You were looking to target a RoTCE improvement in your business that's in a lower revenue growth environment as you achieved in a higher revenue growth environment. And I just wanted to understand what the expense assumptions were on the surface.

MARK MASON: Yes. So as you know, Erika, at the top of the house, we've put out a target of \$51 billion to \$53 billion at the end of the medium term. We're on track to that. We gave guidance to kind of bring down expenses this year. That's going to be fueled by the three things that I mentioned earlier, including the benefits from the org simplification, the exits that have taken place as well as we think about the investments that we're making and those starting to yield benefits. And all of those things at the top of the house ultimately trickle to the different parts of

the business, including Services, and ultimately at some point contribute to the funding of the investment that's required. Because one of the things that I'm sure you heard Shahmir and others mentioned is the importance of investment. And so, the top of the house and those efforts across the firm ultimately play out and are contributed to from the businesses.

SHAHMIR KHALIQ: Yeah. And I would just add to that that as the top of the house, overall expense comes down as part of the overall transformation that Mark just talked about. Obviously, we expect to see continued momentum from what we are building and have built already. You saw some of the drivers. So we feel particularly comfortable about how we see the world playing out. That should play to the strengths of what Services has built out. So I think both with the combination of the revenue line, expense line and then very active capital and TCE management from our side, which we've again demonstrated as part of this conversation, the idea is for us to continue to improve that RoTCE towards a number.

The last thing I would mention is there were some significant one-offs during 2023 that you know about, Argentina and others, which were part of our numbers as well, which are not intended to be or not expected to be recurring to the extent that they were during 2023. So, as you think about normalizing for that, coupled with expenses, coupled with revenues, I think you should arrive at that number that we talked about.

MATT O'CONNOR: Matt O'Connor, Deutsche Bank. Just Mark, a clarification on the guidance for 2Q. When you talked about banking being up 50%, 5-0, that's year-over-year, the Markets flat to down was year-over-year. And then the net interest income commentary, was that versus 1Q?

MARK MASON: Yeah, the net interest income was ex-Markets was a year-over-year as well, down modestly year-over-year. And it happens to be sequentially as well. And just to be clear, the Markets was flat to slightly down.

MATT O'CONNOR: Thank you. And then just separately, you talked about rates still being beneficial, given the repricing of fixed rate assets and volumes. And as we think about kind of more medium term and rates start shifting down, what's the sensitivity to Services revenue like maybe a rule of thumb, a 100-basis-point drop and every rate magically would impact revenue by 1% or 2%, just some way to frame that?

MARK MASON: Yeah. Look, I'm not going to give it specific to Services. But let me kind of point you to the IRE analysis that we have in our Qs, right? And again, you've got to remember, it's a static balance sheet, it assumes a parallel shift across currencies, right? So the likelihood of that scenario happening is very low, but it's the best proxy or way to kind of think about it. So, if we see a 100-basis-point drop across currencies again and across the curve, it would be roughly about \$1.6 billion of a reduction in revenue, right? And about \$300 million of that would be US dollar related and about \$1.3 billion, the balance of it would be non-US dollar related, right? But again, a lot of

assumptions in there, including that static balance sheet. We're talking about volume growth and things like that, but that's kind of the rough math for a 100-basis-point move.

KEN USDIN: Ken Usdin from Jefferies, thanks. Shahmir, I wanted to ask you, when you talk about the top of the house segment revenue growth outlook, low to mid-single-digit near term, mid-single-digit long term. I'm wondering if you or maybe the segment leaders can talk about the specific that underline that in terms of TTS growth potential versus Securities Service potential? Obviously, they have a different mix of NII versus fees. We asked about rates already. So, are there different underlying growth rate assumptions between those and can you kind of detail those? Thank you.

SHAHMIR KHALIQ: I think we can give you a little bit of a flavor on the drivers. And just as we think about the interest rate environment that we just talked about. And we can kind of go through it. And if you don't mind, Okan, if you can just start-off and just give a view, as interest rates soften a little bit, what do you think are the positive drivers from your standpoint across both custody, issuer, the overall end-to-end Securities Services space?

OKAN PEKIN: There's a natural healing effect priced into our financials. As rates drop, if you assume markets would react favorably to that and there is a rebound in markets, our AUC would bounce back and our AUC bounce back would increase our deposits. So interestingly the quantity of deposits would increase offsetting the rate component. Very importantly, with the improvement of markets, you also get a fee benefit of these assets on the other side, on the fee line. Also consider the effect of inflows of assets into our clients' books, which is a very important component. Also consider the effect of our efforts to gain new client business ourselves, signing up new portfolios with existing clients or signing-up new clients. That's on the investor side a multifactor help to support us in a soft rate environment.

In addition, if you follow my logic of risk assets bouncing back, that would help our capital markets activity, which would then help the issuer business, which I've tried to describe. So you have five, six factors that are countercyclical to rates and we tend to feel very good about those in a soft rate environment as long as the overall GDP growth environment is half-way friendly to us as well as risk assets and markets behaving themselves, that gives us a very positive picture for our business going forward.

SHAHMIR KHALIQ: And I would also add, I think on the TTS side, I won't request any of the other leaders to speak, but just very quickly, I think generally, if you see that as pro GDP growth from a rate reduction standpoint and you see that that spurs GDP growth levels, that is by definition a core driver for our payment volumes and what we see on the payments side, it's a core driver for what we see on the supply chain and clients engaging and interacting to see how they grow and improve and increase the size of their business, which is again, helps out Chris' business and reduce overall funding costs within the supply chain side. And lastly, on Stephen's side, I think

Okan addressed it partially. But I think deposit levels are helped as well, coupled with the fact that, our book relative to our US peers is a bit more diversified, coupled with and lastly, the investment book that we have as part of our overall proposition. So, that's why we've given the numbers and the expectations we have laid out.

GLENN SCHORR: Hello, Glenn Schorr, Evercore. Two different types of threats that have come up over time for these businesses are, what you're doing to safeguard on cyber and how you protect your clients' money and their businesses and maybe get a feel for what's going on? Because I know there's a lot going on. And the other one is different and it's more digital currencies like a US stablecoin and maybe that's more threat and opportunity and how, what you're doing to potentially adapt to an environment that's more accepting of that? Thanks.

SHAHMIR KHALIQ: So just very quickly, I won't get into details on cyber, but cyber is at the, it's a top firm level priority for us. And obviously as a business within the five interconnected businesses that we operate in, Glenn, we obviously work within the guardrails laid out by the firm at the top of the house. So all of our platforms, applications, systems coding is all part of the overall process and therefore we're hypersensitive about the fact I talked about it, risk management oversight. We're very hypersensitive that our clients see us as that integrated partner for themselves. So that's mission critical for us to making sure we're doing all we can from a cyber standpoint.

MARK MASON: It's one of the most rapidly growing expense line items.

SHAHMIR KHALIQ: Having said that, you've talked about digital currencies. Clearly, you know, I think if you think about digital currencies, a lot of what you've heard today, if you think about 24/7 clearing, for example. A lot of what you've heard today is, we are basically making sure that banking rails as we take conventional banking rails, we want to uplift conventional banking rails so we can play on an even footing with any other potential solutions that may or may not include digital currencies that effectively offer real-time or 24/7 as a capability that purports to take inefficiency out of the banking system. So our aspiration is to take inefficiency out of the banking system and therefore provide conventional rails that look, sound and act on a 24/7 basis and effectively allow us to compete on an equal footing, while being in a regulated, overseen environment, which we think is a competitive advantage for us. So that's how I would position it.

CHRIS KOTOWSKI: Chris Kotowski from Oppenheimer. Just a question on the competitive dynamics that you're getting into, starting with Ebrahim's question. I'm curious. I mean, I'm sure from the point of view of a Fortune 500 corporate treasurer, they look at their investment banking wallet and then they look at their TSS, trade service solutions wallet. And just like in the investment banking world, a certain portion goes to lead left and then there are co-leads, and then all the regional players. How, in terms of competitive dynamics in a general way, do you see kind of that wallet divided up? Who's gaining share and how do you pick off what's the most low hanging fruit, I guess?

SHAHMIR KHALIQ: That's a pretty broad question. So let me try and address that. But I think, as I mentioned, our institutional clients, we want to grow with them. I talked about three growth drivers for us, institutional clients, how do we grow with them. And as I said, there's Fortune 500 companies, we bank with 85% of them, we want to bank the rest of the 15%. But as we think about these clients evolving, growing, it's natural for them to come to Citi and ask for advice in how they drive their treasury or how they drive their e-commerce solutions for them.

And if they're an investor, by definition, that's a conversation to be had with Citi as we think about what we could do for them across our custody or our fund admin network. The same decision center obviously makes decisions on the issuer side as well as they think about go forward. So these clients will look at wallet, but they will also look at strengths and capabilities. So, aspirationally, when we commit capital to these clients, we want to make sure we put our best foot forward across all our products and services and make sure we get a fair share of the wallet. And that's something that our banking team as the tip of the spear drives that engagement agenda towards. So coupled with account planning, a very focused client engagement model, and the fact that we've got the right sets of products and capabilities that attack that wallet, that's how we drive that engagement model across those clients. So whether it's institutional, commercial, e-commerce that's how we're driving that agenda. Hopefully I've answered your question, but happy to take it offline and later in the lunch.

MARK MASON: I think the other thing I'd add is that while we've deeply penetrated this universe of multinational clients, there's still significantly more business that we can do with them, right. And it's not just more we can do with them in the multitude of countries that we haven't yet partnered with them in.

SHAHMIR KHALIQ: And even in the countries we're in.

MARK MASON: Even within those countries and then you put a chart up that said, I think it was 70% of them do business with us in Markets in another part of the business, there's another 30% that really aren't doing business with us across the rest of the platform.

SHAHMIR KHALIQ: That's exactly right.

MARK MASON: And this this business serves as that gateway to that dialogue. And when we're doing this the way we intend to do it, that dialogue around any number of the different services we offer whether it's M&A or DCM or ECM or whatever the case may be, is going to be tag lined with what more we can do from a TTS point of view, right. So I think there's a really unique opportunity with an embedded client base, as well as with a new target market when I think about the commercial middle market space, right. And I think we're uniquely positioned to get after that.

VIVEK JUNEJA: Thanks, similar to what Ken just asked, take another slice, Shahmir, at your outlook for low- to mid-single-digit revenue growth, given your and Mark's comments about NII still having a tailwind. So if you can slice that into what's your outlook for NII growth versus fee revenue growth as you look out for that?

MARK MASON: Yeah. We really haven't disclosed kind of the breakdown of that, but I think if you think about what we've been talking about all day today, as well as, frankly, at Investor Day was how does the business mix and the revenue that we generate evolve over time. And that mix was meant to frankly skew more towards fee revenue in the early years. But we saw this dramatic change in what happened with rates, so much so that you were able to outperform in kind of the early part of this medium term. And so what you should expect to see is not the same level of growth from a Services point of view, because we won't have the benefit of that rate of that rate environment, but you should expect to see fee growth contributing as a major driver while NII or rates being a moderate tailwind, if you will, as we kind of play into this low- to mid-single-digit revenue growth for Services.

VIVEK JUNEJA: How much of your revenues is what you'd call sub-custody fees and how have those done in the last couple of years?

OKAN PEKIN: As I said, we have a dominant market share in direct custody of 26.8%. Our overall market position is fourth, very, very close, inching towards the third. Watch out for our numbers, we are very, very pleased with our momentum, but we do not disclose the specific breakdown of what we do with whom. We disclose one, the broad custody number. I think look at the points I've made with respect to our growth momentum; very clearly focusing on asset managers and asset owners and maintaining our dominance with banks. And the combination of these factors makes us feel really, really good about the custody business coupled with our technology. So I can't give you that specific breakdown, but we're very positive about the growth momentum we have going forward.

JENN LANDIS: Thank you, everyone, okay thank you, everyone, for joining us.

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