ICG Presentation

ICG Overall View – Paco Ybarra

Paco Ybarra:

Thank you, Jane. Good morning, everyone. Thank you for joining our Investor Day. My name is Paco Ybarra and I am responsible for the institutional businesses at Citi. I have been in this job since mid-2019, and before that, I ran our Markets and Securities Services business. I joined Citi over 30 years ago in Spain, and I have had a career that has moved me around the world with roles in Mexico, Singapore, New York, and London. Having now run ICG for some time, I've gained a good perspective on the strengths and potential of our business, and I hope to be able to convey that to you during this presentation.

We will just start by describing our franchise today, the clients we do business with, and our recent financial performance. Then with the help of my colleagues, we will discuss the future of the business and how we will create value for our shareholders. Along the way, I hope we will also be able to show how Citi has transformed into a more focused institution that puts the client at the center of everything that it does, and how we have also connected the businesses in ICG to each other and to our Personal Banking and Wealth Management activities.

Let me go directly to our first slide, which is a snapshot of our business. You have heard from Jane that our vision for Citi is to be the preeminent bank for institutional clients that operate globally and have cross-border needs. Why is this relevant, and why is this different for Citi versus other global or regional banks?

First, you see that we offer a complete set of products and services. This is the result of a deliberate strategy not to exit products or services that met core financial needs of our clients. We offer those products in the broadest set of countries, with a long-term physical presence and a lot of knowledge that comes with it, in 95 of them. Finally, we offer those products and services in an integrated way, as a single institution, treating the client as one global relationship. This is the result of having learned to operate that way in many countries over many years, and it is a differentiated offering.

So why is this so important? It's important because what we offer is precisely what our clients are increasingly demanding. Two very significant things are happening simultaneously. First, large clients are becoming more global, and mid-sized clients are also becoming global in their exploration sooner, including - very importantly - new economic digital clients who are also scaling up much faster. Second, the world's financial infrastructure is modernizing, but not converting, making the financial management of a global business increasingly difficult. So as our clients expand geographically, the complexity of their financial life grows exponentially with the additional locations, products, and services they require.

And that's where we come in for our clients. Our integrated global network and complete set of products and services simplifies operating a business globally. The integration, depth, and breadth of our offering creates value for clients. This is not easily replicable, and we see our role growing in importance rather than diminishing. It's what has made Citi's institutional business such a strong competitive position, producing solid returns. And we believe we have significant potential for further progress.

Let me try to elaborate on some of the things that I just stated. We offer a complete set of products and services that cover the core financial needs of our clients. We do this across three different areas. In our Services businesses, we facilitate our clients' daily financial lives. We help them pay and collect funds, and optimally manage their liquidity. We help them hold, move, and finance securities. In Markets, we provide clients with access to the world's public and private capital, money, and risk markets. We enable them to invest, finance assets, and manage risk in pools of liquidity across the globe. And in Banking, we address the needs associated with the biggest moments in our clients' lives. When they go public or rethink their long-term funding strategy, or when they have to merge or acquire a business, restructure, or sell part of their business, we are there to make it possible.

These areas address all the key financial needs of our clients, and we have strength in all of them. But having the strength individually is not enough. As I mentioned, we offer those products and services in an integrated way, and this reduces complexity for our clients. That integration occurs on three dimensions. First, for our corporate and commercial bankers and our investment relationship managers, we provide holistic coordinated coverage to our clients across everything that we offer them. Second, as you see on the left part of the slide, the majority of our clients do business with us across everything that we offer. A strength in a particular area can be leveraged by us and by our clients to engage in other areas, creating a broader relationship. It is a natural synergy. And third, our products reinforce each other by being manufactured together. We have described those connections on the right side of the slide. They interconnect every one of our platforms to every other.

Let me touch on some examples of that. We have very particular strength in cross-border payments and in foreign exchange. That is not a coincidence. Those strengths reinforce each other with our corporate payments business benefiting from the extraordinary liquidity in our foreign exchange business and vice versa. It's the same with our Banking and Markets franchises. Our bankers have built a leading capital markets business in part because our Markets business' ability to efficiently distribute client securities to investors, and Markets sees greater investor interest because of its role as a distributor of primary flow created by Banking. There is strength in Banking services as an entry point for services, and conversely, TTS serves some banks as an entry point for Banking. So it's not just that the clients buy our products and services together. It is that they are naturally connected and naturally reinforcing as you run them together.

We just said that our clients are becoming increasingly global. How does our network create value for them? The graph on the left shows the distribution of our clients' revenue as a function of the number of countries and products in which they engage with us. As you can see, the business that we do with companies that use us intensely across the network is a very large part of our business, and also the most profitable. The breadth of our network sets us apart. As you heard from Jane, 85% of our revenue is made with companies that have subsidiaries outside of the 60 largest countries. Our clients do business in countries where we often are the only global bank offering services. This is important, but not just because the revenues we make in those countries are particularly large, but because we're uniquely capable of offering coverage to them in those countries. Many times, they will see that as a key reason to choose us not just for business in those countries, but for business across the entire network.

This is a very powerful model for us. It gives us a differentiated offering. Our expertise in bringing our clients to these markets without taking this proportionate local credit risk is one of the reasons why our risk performance in emerging markets has been very strong in spite of our presence in them. So the network is critical. It is what drives profitability in our business, what makes clients approach us. And how does that network operate? How is it evolving? And is it a lasting advantage?

Our global network is not some static or fading historical thing. It's constantly morphing and evolving as we invest and respond to clients' needs. The network was originally developed as a way to facilitate the expansion of multinationals that originated in developed markets and moved into other developed markets or into emerging markets. We had a west-east and a north-south direction. Sometime in the nineties, that network started to be used by investors and financial institutions as well. We responded by adding capabilities, particularly in payments and securities. Then in the new millennium, we found that client demand was shifting to all markets, to all markets configurations. It was not just about developed market companies trying to expand into emerging markets. It was also about emerging markets champions and new digital companies starting anywhere and expanding globally.

So we had to ensure that the network worked in every direction. And what we're experiencing now is that the network is becoming very relevant for smaller and smaller companies that are born or become global very quickly, including many new economic digital companies. So over the years, our network has become multidirectional, important to an even larger set of clients and more difficult for competitors to replicate.

It's worth stepping back and looking at how this business model, a complete set of products and services offered through the broadest network in an integrated way, has translated into financial performance. This slide gives you a snapshot of our business using average numbers for the last five years, and comparing the largest financial institutions in the industry. Let me highlight a few points. We are the second largest institution in revenue terms. We have a large and diversified deposit base, arising from the strength of our Services business, and in particular, our TTS franchise. Our business mix has delivered solid returns, and a good competitive position through the cycle, across very different macro environments. And very importantly, while we are in a solid position, it is clear to us that we have opportunities to improve that performance in absolute and relative terms across each one of our businesses.

Let me add to that some more specific information about our businesses. In Securities Services, we have already won a path to increase in share, in investor business, and to higher returns. And we are confident that we can continue along that path. In TTS, we achieve 20% plus returns, and we think that we can grow the business materially while maintaining those returns. In Banking, we have been gradually improving our business and expect to continue to build on that moment. And in Markets, we're continuing the improvements we have made in our Equities franchise and are retaining leadership in Fixed Income, while keeping a very close eye on returns and capital.

We will give you more detail on these businesses, but for now we want to show that we are in a strong and relevant position across all our franchises. One thing that we want to make clear is that we use position as a proxy for share and relevance, not as a target in and of itself. What really matters is being relevant, to be able to deliver what our client needs, and be profitable, not being mired in some sort of scale trap where the business cannot make appropriate returns. Today, we occupy a strong, competitive position and produce solid returns across all of our businesses. And we think that we have an opportunity to do significantly better.

Before discussing how we intend to do that, I would like now to present a short video from one of our valued clients, Blackstone, and show how we have worked with them over the last two decades globally, to support their growth.

Jon Gray:

When you're a firm that's trying to expand globally, that's often difficult. You start by flying into a market looking for opportunities, but you need friends. You need trusted advisors. And the fact that Citi is on the ground in every major market around the world was instrumental for us in helping us build those relationships and grow our business. That sort of local storefront they have, that network, it's invaluable. Doesn't matter if you're in Europe, if you're in the Middle East, if you're in Asia, Citi's been there. Latin America, same story. And so they have this unbelievable network. It's something that a firm like ours really prizes, and they provide access. They give us confidence. They provide capital markets expertise, all of that, is so valuable as we try to grow and expand around the world.

Tom Flexner:

Blackstone over the last two decades has moved from North America into Europe, Asia, Australia, and we have been an instrumental partner side by side with them, and making sure that they see everything that we think they'll be interested in seeing in every one of those geographies.

Jon Gray:

Blackstone has taken three public companies with our name on it to the markets, and Citi was a lead underwriter on all three. And that is not a coincidence. Both our firm and Citi, certainly under Jane's leadership, has really focused on the importance of diversity, decarbonization, being a force for good. And I think that's another reason our two firms do have this special connection.

Paco Ybarra:

It makes us very proud to see what we're able to accomplish when we partner with our clients. And Blackstone is a fine example of how we create value for our clients. So grounded in an understanding of value proposition, competitive position, and financial returns of who the ICG is today, we want to focus on where we go from here. Improving those returns is our north star, and it permeates everything that we do, but I want to highlight three strategic priorities that can contribute the most to drive our business forward. They're all interconnected, and will reinforce our ability to serve our clients' needs. The first one is to accelerate our investment in Services. This has to do with leveraging the network and making sure that the strength that we have today remains and improves as the world continues to evolve. Critically, we want to ensure that we capture the potential opportunity in full, which is something that we have not always done in the past.

Our second strategic priority is to grow our Commercial Bank. This determination flows naturally from the discussion that we have been having. Our business fits very well with the demands of a growing number of mid-sized and emerging corporates. We have thoroughly tested this business in the last decade, and we have a coverage model and a risk approach that works, but as Tasnim will show, we're only scratching the surface of the opportunity.

And third, in our Banking and Market franchises, we want to retain our strengths and keep positive momentum in the areas where we have room to improve. We believe we can do that while keeping a very strong capital discipline, particularly in Markets. We will use the rest of our presentation to elaborate on those three strategic priorities, and we will begin with Services. I will briefly touch on our Securities Services business, and then Shahmir Khaliq will give you a more detailed account of our TTS strategy.

Our overall services strategy is to become a key operational partner for our clients as they conduct their business and help them grow and become more efficient in their business. In Securities Services, we deal with financial institutions, investors, and issuers, and we provide them custody, fund administration, middle office, securities lending, and issuer services. In essence, all the key things that they need to administer their investments and issuing activities. This is a critical component of our Services strategy, and a very good story for us.

Let me give you a sense of what we have been doing in this business and where we are headed. Our traditional strength in this business was Direct Custody and Issuer Services as well. Direct Custody is offered to mostly all the banks and custodians, and leverages our unique custody network in 63 countries, the largest in the market. But we lacked in the other side of the business, investors. So we restructured and rebuilt our investor business, where we now offer custody through a global combined window, in addition to fund administration and mail office services.

This is now a very profitable business for us, which is growing and is well positioned for the future. Very importantly, we have made significant progress in building our developed markets' capabilities, USA, Western Europe, Japan, Australia, and we now have a genuinely global offering. Our strengths have been recognized by some of the largest and most sophisticated investors who have been moving business to Citi. You see in this slide what that results in financially. Going forward, we will continue to execute our strategy. We will grow share one client at a time, and leverage our strong overall relationship with asset managers and financial institutions to do so. We'll also modernize our infrastructure to improve our data and analytic services, as well as our client experience, so that the business continues to grow.

Let's talk now about our other big Services business, Treasury and Trade Solutions, or TTS. TTS is the critical backbone that our clients use to access our network, moving money around the globe, and it's a significant business with significant growth potential. Shahmir Khaliq will now join us to present on TTS, and then after a short break, Tasnim Ghiawadwala will talk about the investment we're making in our Commercial Bank. After that, I will return to cover our Banking and Markets businesses. Shahmir, over to you. Thank you.

TTS as the Core - Shahmir Khaliq

Shahmir Khaliq:

Thank you, Paco. My name is Shahmir Khaliq and I am responsible for Citi’s Treasury and Trade Solutions business.

I've been at Citi for almost 30 years, working in a variety of roles. Over the last couple of years, I've been part of the TTS management team, initially running Operations and Technology, and then overseeing the entire business starting this past year.

Prior to TTS, I ran the Direct Custody and Clearing business, and before that the Investor Services business in North America. I have also had leadership experience in banking, in country management, and cluster management in Europe. In all my time at Citi, I've been privileged to manage and grow a number of Citi's franchises across our global network.

A very warm welcome to you all, and thank you so much for joining us today.

TTS is an extremely important part of Citi's business. We historically have not put a big spotlight on TTS, but in many ways, TTS is the reason why we can call ourselves the world's most global bank. And it's going to be a very important part of our future. I want to spend the next 20 minutes walking you through what we do in TTS, how it truly distinguishes us from our peers, and how we're investing in the business to keep it growing and delivering excellence for clients.

Let's begin with a quick overview of the business. TTS enables clients to go global and help simplify the business of managing their treasuries, payments and commerce on a day-to-day basis. We are a business that generated more than $9 billion of revenue in 2021, of which fees were $3.5 billion. Our average deposits total $664 billion in 2021. And TTS generated an ROTCE of 21% with an operating efficiency of 55%.

Our client base is broad and diverse. 18,000 clients operating across 95 countries, covering more than 90% of the Fortune 500 companies. Large corporate, public sector, and financial institutions represent almost 90% of our total revenue. The remaining revenues come from mid-market clients, which we have identified as a significant growth opportunity for us, and we will talk a little bit later about how we're going to build up our position in this segment.

The one thing I should note, our business is diversified and entirely global. There is no regional revenue concentration, and 75% of total TTS revenues are generated by large institutional clients that engage TTS in at least five countries across our network.

In the next couple of slides, I will walk you through building blocks for TTS, along with our financial profile.

So TTS. TTS entails three integrated solution pillars: payments, liquidity management, and working capital solutions. We therefore are in the business of opening accounts, allowing clients to pay their suppliers and employees, collect money from their customers, manage their liquidity and working capital finance and finance supply chains. You can imagine how valuable all of these services have become for our clients. As the world continues to get smaller and more complex, an increasing number of companies expand beyond their current footprint. In fact, these days companies - many, many companies - are born global.

In most cases, we are the front door to Citi for large institutional clients, where we have nearly 10% market share. Our clients typically come to TTS first to open an account and build out their business models regionally or globally. This is particularly relevant and important for the clients we service in high growth e-commerce and digital sectors. All combined, it means TTS is an important generator of deposits and fee revenues for Citi. We represent nearly 50% of the bank's total deposit base and have significant fee income, which represents about 35% to 40% of our top line.

In addition, in almost all cases, our clients will engage with other parts of our franchise, such as FX, where our cross-border payment solution is fully integrated, advisory or capital market activities, including capital raising and hedging solutions.

Now, let me talk about the core capabilities that allow TTS to be successful for our clients. Our capabilities span the three solution pillars that I talked about earlier. With our on-the-ground presence in 95 countries and direct connectivity in almost every major clearing system, we have the largest proprietary payment network in the industry. This network connects into almost 270 value transfer systems worldwide, which is the last mile of our payment network. A payment that settles within the Citi network has the added benefit of richer data, payment tracking, and visibility, creating a superior client experience.

As we expand our network to include alternate payment methods, like mobile wallets and local instant payment schemes, we are enabling our clients to make payments as if there are no borders, currencies, or constraints. This network also naturally protects our clients against external market disruptions.

In terms of liquidity management, virtual accounts, notional pooling and cash concentration are key tools to help treasurers simplify their operating models around cash and operational maintenance. And we continue to expand our offering to additional markets.

We are also investing in our trade finance capabilities, which have become especially relevant during the pandemic, as clients move swiftly to reconfigure supply chains and manage working capital cycles. All of these capabilities come together through our industry-leading award-winning digital platforms, which include CitiDirect, which serves 90 countries across more than 140 currencies.

We also have our Citi Connect platform, which operates our APIs, host-to-host, file-to-file client connectivity, processing trillions of dollars of aggregate payments around the globe each year. These platforms allow us to provide data and analytics while connecting digitally into our clients' enterprise systems, thereby enabling long-lasting and recurring relationships. As a final point, we believe this network, created over decades, is almost impossible to recreate.

Now, let's spend some time reviewing TSS's financial profile over the last few years, starting with revenues. We have seen the resilience of the business throughout this low interest rate environment of the last several years. Indeed, if you exclude the impact of rates, our revenues have grown 25% since 2017. Fees have been an important contributor to this growth. Excluding commercial cards, which were clearly impacted by COVID travel but are bouncing back very strongly, fees have grown 28% since 2017 to $3.5 billion. A significant driver has been the growth of our cross-border business, driven by both clearing and cross-border payment volumes, including FX. With revenues in increasing almost 36% over the same period, from $1.1 to $1.6 billion.

Staying at the top of the slide, as you can see, TTS has a diverse revenue mix across liquidity management, payments and our trade business. Our deposit base has grown almost 45% since 2017.

Net interest income remained flat despite a significant reduction in rates over the last four years. We expect that as the rate environment normalizes, in addition to fees, rates should also drive revenues over the coming months.

We continue to manage our trade loan book very actively to ensure appropriate returns and capital usage. While overall average book has been managed close to a flat at $65 billion, our clients are increasingly coming to us for supplier and receivable finance solutions, which have been growing at a 12% CAGR since 2017, and now represent almost half of our trade book. In short, the TTS business has been resilient and growing across the core drivers that we measure and is positioned very well.

Competition. The transaction services industry is a competitive space populated by banks and a growing number of fintechs. As I mentioned earlier, we are the market leader in the institutional segment with almost double the revenues of our next closest competitor. That segment represents $100 billion wallet, which continues to grow. While we have considerable heft in the large institutional client space, we plan to replicate that in the mid-market segment, as clients look to go global and grow their business says cross-border.

In addition to banks, fintechs are a growing segment of competitors. As you can see on the page, fintechs generally tend to focus in specific verticals across the full value chain. But where Citi focuses is on structuring solutions that serve our clients end-to-end across the globe in an integrated fashion.

As a final point, I would add that our industry is unique. Not only do we compete with banks and fintechs, but they're also some of our biggest clients and partners. And I will talk about our business model covering fintechs and e-commerce companies very shortly.

As we work with our clients to develop solutions, our ability to win is grounded in the following five key attributes. First, our length of trusted relationships. Second, our integrated offering across payments, financing, and the broader institutional product sector that you heard about offered consistently across our global network. Third, our teams of talented professionals on the ground with unmatched local knowledge. Then our experience and credibility with local market infrastructures and regulators. And lastly, having fintechs as both clients and partners have truly helped drive Citi's product offering to be truly best-in-class.

Now it's easy to put that on a piece of paper, but let me elaborate with a couple of examples. First, a large international energy company awarded us the mandate to manage their consumer digital collections in several European countries. The incumbent was a fintech company, but we won due to our deep relationship with this client and the strength of our product offering. Including not just collections, but also liquidity, financing, and analytics.

Another recent example is our provision of banking as a service to a large North American bank. We won the mandate with this client over multiple fintech competitors to make cross-border payments in 140 countries using APIs to create a fully digital 24/7 payment experience for their retail consumers.

Now, I could give you more examples, but I thought we would share a video perspective of one of our largest clients and their experience with Citi and TTS.

Ruth Porat:

At Alphabet and Google, we're always focused on our mission to organize the world's information and make it universally accessible and useful. And inevitably that brings a lot of complexity. We're operating new and often emerging markets. We're navigating various regulatory and operating environments on a daily basis. Citi helps ensure that our payments around the world are reliably flowing at the right time and in the right currency.

Scott Damassa:

Citi being connected to the world's financial clearing systems enables Google to get their products and organizing information out around the world.

Ruth Porat:

Citi was a really critical partner when we upgraded and established our global liquidity and in-house banking architecture a couple of years ago. And the expertise at Citi, the knowledge of industry best practices has really helped us implement a new structure that has streamlined our operations and resulted in more efficient working capital and cash management.

The experience and global reach at Citi enable conversations that really sharpen our thinking and how we go about the execution opportunities, which we value greatly.

Shahmir Khaliq:

A big thank you to Ms. Porat from Alphabet Google for sharing her thoughts with us today.

As we look to the future of TTS, we anticipate growth will come from existing clients and capitalizing on emerging opportunities. As I've said, we have almost 10% market share in the institutional client space. These are large and sophisticated clients who continue to grow their business, and we continue to acquire new clients. As a result, we expect to increase our wallet share by 50 to 75 basis points in the medium-term.

We believe that we're in a great position to win, as we continue to strengthen our coverage and service model, continue to build more connectivity across ICG, and frankly expand our banking as a service model, particularly for fintechs and payment intermediary clients. We also see new opportunities to grow our client base in the mid-size corporates, marketplaces and fintechs that serve small and mid-size businesses, or SMBs, as they are known. We believe that many of these clients will become global at a faster pace and will be faced with the same cross-border needs in exactly the same way our institutional clients do.

Over the past three years, we have grown more than 15% CAGR in the number of clients in the marketplace and SMB segment. We will continue our successful partnership with Citi's Corporate Bank and match TSS capabilities to emerging mid-size corporates via our Commercial Bank. We expect that such a strategy should allow us to increase our current 0.5% wallet share in the mid-market space by at least 50% in the medium-term.

To continue our growth trajectory, we're focused on investing capital and resources in five critical pillars. As a reference point, before I talk about those pillars, our tech budget for 2022 is approximately a billion dollars, which is an increase of almost 40% versus 2020.

First, we keep investing in the right set of integrated solutions, including rolling them out in key geographic locations. There are clear synergies between our payment, liquidity management and working capital products, which allow us to serve our client needs end-to-end.

Second, we believe client experience is an absolute must win battle for us. For example, while we've recently won Coalition Greenwich's Best Digital Bank Award for the 16th consecutive, we continue to roll out our reimagined next generation platform and expect to have it completed in the next 18 to 24 months.

Innovation, this is critical to our commitment to choices and payment ubiquity. It is why we are actively involved in efforts around the globe, engaging with central banks on commercial bank digital currencies, or CBDCs. In addition, we're developing proof of concepts in digital assets, including tokenization of deposits and on and off-ramp capabilities in order to provide network interoperability for fiat currencies and digital money. TTS is also continuing its push to connect with all major global, regional and domestic wallets around the globe.

Fourth, tech platforms. We continue investing in our infrastructure to make it far more scalable, nimble, frictionless, and resilient. This is critical, especially in a world where instant payments, 24/7 B2C and C2B are absolutely mission critical and key for our clients.

Lastly, and probably most importantly, talent. We have hired several seniors in the organization over the last few years, and we've promoted a number of Citi high potentials into leadership roles, while also adding senior outside talent with complimentary skills. We feel pretty good with how we are positioned today, and as we look forward, we will continue to add forward-thinking competency to our talent bench.

I would like to spend some time focusing on one particular segment and trend, e-commerce. Global retail e-commerce has exploded during the pandemic. As the go-to bank for e-commerce and fintech around the globe, we have been a strong beneficiary of this growth.

As I mentioned earlier, we continue to invest in solutions that are required by e-commerce companies across the entire integrated product spectrum. In 2021, we generated close to a billion dollars in revenue, servicing 250 of the world's just e-commerce companies and around 200 of the largest fintechs. For both e-commerce and fintech companies, our fees grew at double-digit CAGR over the last four years. Our aspiration is to build on this trajectory, given how we see the industry and our pipeline evolving. We have also built out a new global e-commerce solutions coverage team at Citi with presence across all the major hubs and further strengthened our existing fintech coverage team.

In summary, we believe TTS is well positioned to continue to lead in the 21st century. We will continue to drive share with our existing clients, while also adding to our momentum in the e-commerce and mid-market space. We continue to invest in technology and talent to maintain and grow our leadership in the industry. That should result in sustained growth in fees, loans, and deposits, thereby generating high single-digit growth in our top line while maintaining an ROTCE above 20%.

Thank you once again for your time. Now we will go to a short break. And when we come back, you will hear from Tasnim Ghiawadwala, our Commercial Bank Head. Thank you.

Commercial Bank as a Growth Engine – Tasnim Ghiawadwala

Tasnim Ghiawadwala:

Welcome back everybody. It is my great pleasure to speak with you today. My name is Tasnim Ghiawadwala and I run the Commercial Bank, which we call CCB. I recently returned to Citi after a three year stint at another bank. But prior to that, I was at Citi for 21 years, doing a variety of roles in investment banking, in corporate banking, and of course, commercial banking. In fact, my last role at Citi was running the EMEA Commercial Bank. So it's a business that I know, that I love, and I was very excited to return to lead.

As Jane and Paco have already indicated, the Commercial Bank is one of the key growth drivers for Citi. And I'm going to talk about where that growth is going to come from and how we're going to capture it. Let me start by talking about the business that we have in front of us today. We make revenues of $2.7 billion, and we've been growing this business very quietly, and I would say, very conscientiously over the last 10 or so years. We have 1,300 bankers that serve 14,000 clients across more than 60 countries.

We serve two core client segments. The first we call emerging corporates, which we define as companies with sales between $10 million and $100 million. The second segment we call mid-corporates, which are companies with sales between $100 million all the way up to $3 billion. Together, these segments represent a very large and wide target market. I always feel that when you've got such a large target market, the one thing that you must do as a bank is to answer the question, "Why Citi for clients?"

Because if you are able to answer that, then you are going to be able to have longer and deeper relationships with clients, which is what we all want. At the core of CCB’s value proposition or the “Why

Citi?" are three elements. The first is access to our ICG infrastructure. I am able to offer my clients all the same capabilities that ICG developed for the largest companies in the world. Just to pick a few examples that Shahmir talked about, like being able to offer notional pooling in 60 countries, to this segment of clients, it's really different. To be able to offer 140 payment currencies, again, to this segment of clients, is really, really different. So when I go and see my clients and tell them that they will have access to the same products and solutions as a Fortune 500 company, I just love to see their eyes light up. It's for this reason that we do not need to lead with lending. This is unlike a typical commercial bank that tends to lead with lending and the term commercial banking and commercial lending are used interchangeably.

The second element of our value proposition, and you've heard it throughout the morning, is our globality. Citi has an enviable, near hundred country footprint, and we can provide this segment of clients access to this network, which again is totally unique. Other banks try to emulate what we do through correspondent banking arrangements, but this is usually a very difficult client experience and doesn't compare to what we do.

The third part of our value proposition is that we can connect our clients to other parts of Citi. Having these multiple touch points, be it in Wealth, in Banking, in Markets or TTS means we're able to look at clients through multiple lenses and bring clients closer to product experts, so they get the best advice quickly. Now we serve clients in a wide range of industry sectors through bankers that are increasingly industry specialized. And within these sectors, we target those clients with high transaction volumes, complexity and global flows. That's when the "Why Citi?" starts to make sense for clients. The combination of these three elements, our platform, our globality, and our ability to connect clients totally differentiates us from other banks, especially local and regional banks.

We've been scaling this business to reach $2.7 billion in revenue supported by solid growth in our drivers. In the last five years, despite the pandemic and very low interest rates, we still achieved an average revenue growth of 7%, which we're really proud of. We're also able to produce very strong returns for Citi. Last year was a knockout year for us, where we achieved 37% ROTCE. Now, if you normalize that across the last five years, we still achieved an average of 25% ROTCE. I feel confident that as we continue growing, we should be able to maintain our strong returns.

Our risk model shown on the bottom right chart has remained resilient because we take a disciplined approach to our target market. Our credit losses average at around 46 basis points over the last five years. Again, all of this against a backdrop of the pandemic and the worst economic headwinds that our generation has seen.

Let's look at how our value proposition plays out in the numbers. The top left chart labeled "Product Mix" shows how the mix has shifted over the last five years. In 2017, 27% of our revenues were driven by lending. Whereas last year, lending revenues accounted for only 22%. What that shows is that as we embed the value proposition with our clients, revenues associated with solutions that have higher margins like FX and CMO are growing in their importance. The top right chart shows a similar story, but looks at the average revenue per client. Every single year we are increasing and deepening the relationships we have with our clients, evidenced by the growing revenue per client.

Moving to the bottom two charts, again, show the value proposition in action. The cross-border chart on the bottom left shows that 48% of our revenues come from clients who operate cross-border with us. This emphasizes the importance of our global footprint. The bottom right chart is just one example of a focus we decided to take five years ago. We created a sub-segment of clients that have a digital business model or are disruptors. And today over 20% of our global revenues come from digital clients, which is just amazing, and talks to the quantity and the quality of solutions we are delivering to these types of clients.

The best part of my job is meeting clients. And with commercial clients, the owners, they have such a passion for their business, and they all have a fascinating story to tell. There is nothing more rewarding than a client acknowledging the part that you played in their journey.

So let me introduce you to our client, Flywire, a digital payments company. Flywire, essentially built their business over the last 12 years on Citi's global infrastructure.

Emily Watson:

Our business was launched in 2009 with one simple idea of making cross-border tuition payments simpler and easier. Now over 12 years later, we've publicly listed and have over 600 employees in 12 offices around the world. Citi has been with us since 2009 when we opened our first bank account. Our founder walked to into Citi's offices and luckily got a meeting with Stephanie, who's been with us every step of the way.

Stephanie Epkins:

I think the impressive thing is that Citi is able to open that one account, but then when the time comes and you need to access public debt, private debt, any of the things that we do in the corporate and investment bank, we have those capabilities too. So, I view my job as to bring the globe and bring Citi to my clients.

Emily Watson:

We leveraged Citi products like low value payment processing, wires, foreign exchange, to offer a seamless end to end experience for the payer of a transaction, but also our client who's ultimately receiving those funds. One of the things we love about working with Citi is that through a single access point, working with Stephanie, we are able to immediately get access anywhere Citi has a local presence. Poland, Brazil, Vietnam, I mean, pretty much any market you can imagine.

Tasnim Ghiawadwala:

We are thrilled to support these types of clients and enable their progress. Commercial Bank clients like Flywire are not only attractive to Citi because of the results we're achieving, they're attractive for Citi because they transact across all of our product lines and traverse across segments from Wealth to Banking. We fit neatly into the Citi infrastructure and utilize the common product platform. This means we benefit greatly from the innovation and the investments that our product partners are making. From a Citi perspective, by scaling CCB, we're simply generating more volume for our existing pipes, capitalizing on both our past and future investments. That's got to be a good thing for the firm.

Another reason why this client segment is so attractive for Citi is because of the adjacency it has to other client segments, in particular Wealth and Banking. With Wealth, we're establishing a robust partnership because we see personal wealth inextricably linked to business wealth. Around 90% of our clients are privately owned, so there's an enormous potential for us to work together and ensure we're looking at both sides of the client relationship. Because when you look at both sides of a relationship, you are able to come up with far better solutions for the clients.

Our adjacency to Banking is also valuable because we act as an escalator. Because when our clients grow, we're able to move with them. As Paco mentioned, we are there for each corporate milestone for our clients and we ensure they get the right experts advising them on the breadth of possibilities they should be considering. Commercial clients may also be suppliers or distributors of our large corporate clients, so we're able to serve the entire supply chain using our innovative solutions. I want to emphasize how easy it is to scale this business. The base infrastructure like product and technology platforms or country footprint, it's already there. So our focus is on expanding our client base. We are, however, investing in client experience and I will touch on what we are doing there a little bit later.

This is a great business with a good foundation. You're probably wondering how we're going to grow further. We will grow by leaning into three trends. The first, and it's been a recurring theme today, is the unprecedented speed at which clients are going global. Many are born global, but there are others that are going global at breakneck speed, and that's really good news for us. Today, we're able to support clients in around 60% of the countries Citi is in. By the end of this year, we expect to get close to 100%.

The second trend I see is that clients are more sophisticated than ever. Gone are the days when a banker could show up to a client and wow them with basic banking product. Clients are very knowledgeable and have high expectations. They're easily able to differentiate commodity banking product, which becomes a price negotiation versus real tailored solutions that help our clients serve their clients better. Being away from Citi over the last three years, I realized just how much we take our capabilities for granted. We assume that other banks have similar capabilities, but they just don't.

What I need to do is ensure that bankers know that, and that's why we're investing in our talent. Our bankers need to be strong and not only deliver industry expertise, but go one step further and deliver industry specific solutions that really add value for our clients. We want to ensure that each and every one of our bankers is trained in the power of the solutions and tools available to them. It's not just about the competency of our bankers. It's also the mindset that Jane talked about to deliver the full power of Citi.

The third trend I see, and it's another recurring theme, is the speed at which clients are accelerating their own digital capabilities. I saw many clients, particularly in the last two years of the pandemic, pivot their business model entirely. For example, going from brick and mortar to fully online. That plays very well to Citi's strengths and to the value proposition we've been discussing. The investments we're making in our digital services will ensure that when clients want to interact with us, they're getting the best client experience and can connect with us seamlessly as well.

As we mobilize around these trends, we'll be well positioned to capture more of the commercial bank wallet. The global wallet is around $500 billion. So it's enormous. Now, because we take a selective approach to our target market, we're focusing our efforts on about 30% of that and that 30% we call the addressable wallet, which is around $150 billion. Which is still very large. We currently have a 2% market share of this addressable wallet. Therefore, the runway for us to grow is really, really long. We have decided to prioritize several specific opportunities.

The first we'll focus on is developed markets. And one of our key priorities is the U.S., where we are seriously underpenetrated. We are going to be stepping up our efforts considerably here. Another is the UK. We launched the commercial bank in the UK only three years ago, and in such a short period of time, the UK has become the largest country in our EMEA CCB business. Thirdly, we're expanding in Western Europe where we are just getting started. And in the last 12 months, we've launched in seven additional Western European markets, and our deal pipelines are beginning to build. But what delights me the most is the strength of our brand in the new markets we enter. There are no clients that refuse to meet us and each client that we call upon wants to hear from us.

Another priority are large developing markets, where we already have a presence. In countries like China, India, or Brazil, the sheer size of these economies means that there's a huge opportunity for us to grow our client base. These are big economies where a lot of the GDP is driven by global flows, and we want our share of that. And finally, we will continue to deepen the relationships with our existing clients. We've already got 14,000 clients in the Commercial Bank and whilst we're doing well with them, I don't want to be complacent as there are many more things we can be doing with these clients, either through enhanced solutions or by working with Wealth and Banking.

Over the last two years, we've onboarded 1,700 clients and produced more than half a billion of incremental revenue from these new clients. That's what makes me really confident about our value proposition. Our goal is to double our market share in the addressable wallet to 4%. And if we are able to achieve all of that, we would generate over $3 billion of incremental revenue for Citi.

An enabler to capture this growth is client experience. And we have several areas of investments. The first is for our bankers who are such a key part of the client experience. As I mentioned already, we're going to continue to develop our bankers and invest in their skills. But on top of that, we're going to hire a further 400 bankers over the next three years to increase our capacity in the markets that we want to grow.

Secondly, we're investing in a digital portal to provide a single way for clients to access Citi's products and solution. We want to make the way into Citi as easy as possible for clients to execute their everyday tasks, whether it's an FX transaction or making a payment or managing their loans. The portal will also make onboarding clients and other self-service tasks easy.

The last great differentiator for Citi is the host-to-host connectivity and the level of automation that we can facilitate. I think Shahmir has already explained it very well. We are going to be exposing all of these capabilities to this set of clients. So with a combination of investments in our bankers and our digital tools, I feel we are in pole position to back ourselves and accelerate our growth.

So, let me conclude and summarize. We have successfully grown our business over the last several years and proven both our business model and our value proposition is attractive for clients. Our business has stayed resilient despite some of the worst economic cycles and still produced very strong returns for Citi. Our focus now is to drive growth and scale this business up. We will achieve scale by accelerating our investments in developed markets and large developing markets, leveraging the ICG infrastructure. The marginal cost to do that is fairly small and we can produce strong returns and revenue growth on the back of that.

We will focus on deepening client relationships through investment in our bankers and our digital channels. And we'll provide them multiple touch points into the rest of Citi for our clients. My priority now is to unleash the power of Citi to this client segment. And if we do all of this right, we should drive growth for Citi and double our market share to 4%. As I said at the beginning, what we have at Citi is something unique. My recent time away from Citi has just strengthened my conviction even more. This may be a business that you've not heard much about in the past, but I hope that this gives you a flavor of our ambition and our future potential. Thank you, and now I would like to hand it back to Paco.

Banking and Markets – Paco Ybarra

Paco Ybarra:

Thank you, Tasnim and Shahmir.

I will now talk about our third strategic initiative, driving value in ICG's core profit engines, Banking and Markets.

Strategically, we think of these businesses together. They deal respectively in the primary and secondary sides of capital markets, and they come together to provide solutions in episodic situations. They require each other and they reinforce each other.

We will see that in Banking and Markets, we have scale today. And with that, we produce high revenues and solid returns.

What drives our plans for these businesses is the conviction that we can improve from our current position in a returns accretive way.

I will start with Banking first. This is a $6.6 billion global underwriting and advisory business with a diversified clientele, consistently strong globally and highly profitable. We have a strong market position across all elements of our Banking franchise

In recent times, we have improved our shares in M&A and ECM. We have suffered somewhat in our DCM franchise because of our conservative approach to the leverage finance market. Overall, we have kept up with a very strong performance of the market.

This is where we sit today.

With this market position, while not the largest, we have critical mass and we're relevant to our clients, capable of providing competitive offerings across all asset classes. And we're producing very solid returns.

So, where do we go from here?

The basic message is that we want to give positive momentum and gain shares by making judicious targeted investments.

We have three key strategic priorities. The first one is to keep investing in talent and to redirect our coverage to key growth sectors. The second one is to recalibrate our franchise in recognition of the significant shift toward private capital. Sponsors and high growth private companies are going to be big drivers of the banking world. The third one is making sure that as we grow our Banking business, that we capture the cross-sell opportunities offered by our larger ICG franchise and by the growth in our Commercial Bank.

Starting with talent and coverage alignment, our critical goal is to add franchise-impacting talent to our team, and to direct that talent and our homegrown talent toward the critical growth sectors.

On the left, you will see the strategic investments we have made in our senior talent in recent years. In doing that, we operate in a very competitive environment for talent. This has required us to be especially nimble as we navigate losses in talent while seeking to add strategic hires.

We continue to seek talent that has significant franchise impact versus merely growing numbers. But we're decisive when the opportunity appears. And we're happy with the caliber of the talent that we have been able to bring in.

On the right side of this slide, you can see the importance for us to invest in growth sectors, where we're still underweight versus our top competitors.

To do that, apart from building our talent, we have to ensure that it's directed at the right opportunities. That is why we have redrawn our long-established industry sectors to reflect what we believe is driving change in the economy: digital disruption, health and wellness convergence, sustainability revolution, and energy transition. We're trying to give our bankers the right perimeter so that they can be most helpful as our clients adapt and try to take advantage of those changes.

You can see in this slide, the four super sectors that we have created.

So, we have brought talent in, shifted talent internally, and we'll continue to do so whenever the opportunity arises to focus our Banking resources on growth and returns.

Our second strategic priority is to recalibrate our franchise in recognition of this significant shift toward private capital.

As you can see on the left part of this slide, our share with the sponsors is disproportionately small and particularly our share of the leverage finance wallet. This should be an area of natural strength for us given our footprint and our strength in financing and securitization and private debt. But our share has deteriorated and impacted our overall DCM share over the last few years because of a very conservative risk stance versus the leverage finance market.

Recapturing share in leverage finance and capitalizing on the private asset opportunity will require us to increase our capital allocation to these sectors. We believe we can do that while retaining a prudent approach to risk and staying within our risk appetite.

The third pillar is making sure that as we grow our Banking business, we capture the opportunity offered by our large ICG franchise and by Citi more broadly.

Starting with Commercial Bank as has been noted, our clients already have a significant Banking wallet, and we already have a sizable business with them. These days, you don't have to wait long for a company to generate Banking wallet in its life cycle. As our Commercial Bank business grows globally, our Banking business will grow with it. And this will be a differentiating feature of our franchise.

Furthermore, as some of our commercial bank clients grow into very large companies, the fact that we will have been with them from the beginning will give us a privileged position for the future. To capture this opportunity, we have aligned our Banking strategy with our Commercial Bank.

As we grow our Banking business with our traditional large corporate clients, we will also enjoy significant cross-sell opportunities. For instance, episodic derivatives of risk management transactions around events or sourcing of Private Capital that may be necessary for those events to happen. There may also be custody and agency opportunities around this. And TTS may be critical in situations where companies are significantly changing their operating model.

Realizing these cross-sell opportunities is the natural mandate of our very strong Corporate Bank.

In conclusion, connecting with the rest of ICG and Wealth can provide a multiplier of the growth in investment banking revenues. And we are determined to capture it.

So, through these three priorities that I just discussed, we believe we have a very good opportunity to grow our revenue and our share in Banking.

Let me now move on to Markets.

In our first slide, we take a broad look at our Markets business.

Let me highlight a few things. First, we note the size of this business, $18 billion of revenue in 2021, a very significant part of ICG. Secondly, we have a strong competitive position in the industry, ranking second in Fixed Income and fifth in Equities, a significant improvement in recent years. Our franchise has a diversified client base with particularly strong relationships with corporates, a concentration that is unique in the industry and one that drives the stability of our performance. We have solid returns and efficiency given a still-evolving, complex and rather punitive regulatory capital regime.

As we will discuss, managing capital intelligently has been essential to running a strong Markets business, always.

Finally, in recent years, we have become more client oriented. And so our revenues are more correlated to activity than to market direction and therefore more stable.

So, where do we go from here in Markets?

Our general direction is to increase our relevance to our clients and our profitability. Of course, we want to retain our leading position and growth share with this opportunity to do so, but only while keeping a close eye on returns.

How are we going to do that?

Our number one goal is to continuously improve the productivity of the capital that we deploy as we adapt to changes in the regulatory framework and in the market environment. Our second goal is to direct our attention and resources toward higher margin businesses. And thirdly, we must constantly make our core flow businesses more efficient via automation and digital solutions.

Let me spend a few moments on each one of these.

First is capital management. This is a very complex topic. I will try to give you a sense of the challenge and what we're doing about it.

In this analysis, we used the ratio of revenue to risk-weighted assets as a proxy for capital intensity. To help you connect these two returns, all else equal, a 10 basis point change in this ratio corresponds to a 60 to 70 basis point change in returns. So, 4.5 to 5.5 in this ratio is a significant range in returns. Getting toward the upper end is critical for the business.

What drives that capital intensity?

On the left side of this slide, we have tried to collapse a complex set of variables into four key drivers. The first one is regulatory changes, especially to the definition that is binding for us at a particular time. Another is market variables, such as credit ratings or implied volatility, which are used in some calculations and have a significant impact on capital. The third driver is business performance, which naturally affects returns. And finally, capital efficiency actions, which are adjustments in our types of business activity.

The left column shows what happened to each of those drivers during the COVID crisis. And the right shows what we expect going forward. Regulatory changes and market circumstances are something we will have to live with and adjust to. Obviously, we can control our business performance and we will talk about that in the coming couple of slides.

What can we do other than that? What is in our hands?

We can change or reprice activity, sometimes with help from the market. We can develop hedging and distribution capabilities and we can improve our data and analytic capabilities, which allow for more intelligent decision making and more accurate calculations. We have been doing this for some time, but we have to adjust to new changes and we have to become better at it.

The second thing that we have to do in the Markets business is to continue to direct our attention and resources to higher margin business.

You will not be surprised to find that these activities are interconnected with other ICG priorities as well. One is to increase our business with the sponsors and private capital asset managers. We have referred to the extraordinary growth in private capital in recent years. You can see it on the left part of this slide.

As in the case of Banking, this creates huge opportunities for our Markets business and in particular for our leading Financing and Securitization business. As you can see on the right part of this slide, our diversified balance sheet makes for that business.

Here, we lay out our third goal for our market business, which is to transform our flow businesses.

These activities are very important to our clients, but always subject to intense margin pressure, so we need to be constantly improving our efficiency.

Here, we use our FX business as an illustration of what we're experiencing to some extent across all asset classes. As you see in the graph, voice FX, saw over the years a deterioration of margins, which ultimately forced changes allowing scale players to significantly recover those margins.

How did that happen?

It took to two steps. Of course, the first one was electrification, getting computers to do more of the job. The second was a change in approach from a focus on the transactional moment to one of solving the end-to-end needs of our clients, pre-, at, and post-trade, with the transaction happening automatically and embedded in the client's own operational processes.

It is, in a way, the convergence of Markets and Services as we try to illustrate on the right side of this slide.

We will retain our relevance in flow, but we're very aware of how automation and connectivity will transform these activities into something akin to what our Services businesses are today.

So, that is our direction of travel. Our aim is to retain our leading position in Fixed Income, improve our share in Equities, and increase our returns.

As we conclude the ICG presentation, I just want to recap. We have described our strategy and touched on our three core priorities: heavily investing in our Services platforms, building our global Commercial Bank, and continuing to improve relevance and returns in our already strong Banking and Markets franchises.

So, what will this all mean for our revenues and returns?

As the ICG team executes against these priorities we have just discussed, these are the key metrics we plan to use to assess and direct our efforts. And importantly, we'll be sharing these outcomes with you to similarly gauge our progress. Mark will elaborate on these and provide visibility into drivers of the rest of Citi.

Together, progress against these business metrics underpins the financial performance we plan to deliver.

Thank you for your time this morning. I hope we were able to provide you with additional insight into the nature of our ICG business and our strategy for the future.

I have been fortunate to lead various businesses here at Citi, sometimes through challenging periods. That experience has given me confidence in the resilience of our franchise and belief in its potential. And I don't think the opportunity has ever been better for us.

Next, you will hear from our Personal Banking and Wealth Management business. I will see you at the end of the program for Q&A.

Thank you. Anand, over to you.