PBWM Presentation

Personal Banking & Wealth Management Overview – Anand Selva

Anand Selvakesari:

Thank you, [Paco], good morning everyone. I am Anand Selvakesari, Selva in short. And I'm responsible for Personal Banking & Wealth Management.

I've been at Citi for over 30 years, mostly in consumer banking and wealth management. I spent the first 27 years building our business across Asia and India. I've lived and worked in many markets, including India, Singapore, China, and Taiwan. I've been here in the US for the last three years, most recently leading our US consumer banking business. Over the course of my career, I've witnessed firsthand the digital disruption and rapid evolution of personal banking. I'm really looking forward to leveraging my learnings to position our business well, as these trends play out in the US and globally.

Consumer banking and wealth management looks very different today than it did just three years ago. Advances in technology and the pandemic have changed consumer behavior. They're increasingly seeking seamless and highly personalized digital experiences, and are demanding choices and flexibility in how they bank, pay, and borrow. And shifting demographics across the wealth continuum, and the inter-generational transfer of wealth have increased demand for new digital capabilities, along with trusted advice, and more diverse teams of advisors to manage wealth.

In Personal Banking & Wealth Management, we are focusing our strategy and our investments to stay close to these trends. We offer a comprehensive range of financial solutions, from credit cards and checking accounts, to investments and capital market solutions, leveraging the power of the entire Citi franchise. And all of this sits on a foundation of award-winning digital experiences. I'm confident that our newly refocused U.S. Personal Banking & Wealth Management business will play an important role in Citi's ability to drive shareholder value.

Earlier, Jane spoke about the importance of shifting our business mix so that we'd have both growth and scale businesses with strong, competitive positioning. She also spoke about the importance of our businesses having clear synergies with the broader Citi franchise.

With the strategic actions we've announced last year, PBWM now consists of two core businesses, U.S. Personal Banking, and Global Wealth Management. That fits squarely into these criteria.

U.S. Personal Banking includes branded cards, retail services, and retail banking, and serves our home market, which has the largest consumer wallet in the world. Personal Banking contributes two-thirds of PBWM revenue.

Global Wealth Management is a fast-growing market, where we are bringing together the full power of Citi to serve the entire continuum of wealth clients, from affluent to ultra-high net worth. Global Wealth Management contributes the remaining one-third of PBWM revenue. In PBWM, we serve 75 million clients, with around 940 billion dollars in client assets across the two core businesses, generating 23 billion dollars in revenue, and 13% ROTCE, excluding the impact of credit reserve releases.

Our ambitions for both businesses are built on strong existing foundations and the connections between the two. Our global wealth management business includes our top five global private bank, and we are already the top three firm in wealth management in Asia. Over last five years, global wealth management delivered 20% ROTCE. Our Wealth business benefits significantly from leveraging the products, platforms, digital capabilities, and client relationships we already have across both the U.S. Personal Banking and institutional businesses.

As we scale the Wealth business, it is clear that we are one of the very few firms that offers such a comprehensive range of wealth solutions to a wide spectrum of clients on a global scale. In U.S. Personal Banking, we are the number two issuer of credit cards, with a broad portfolio of proprietary, co-brand, and private label cards.

Growth in this business is centered in payments and lending, with our cards business generating close to 85% of our revenues. Our go forward plan is to continue to strengthen our leadership in cards, while establishing a full continuum of lending solutions.

Our retail banking is a top 10 deposit franchise in the US, with a well-established presence in six affluent urban centers and strong digital capabilities. We have a targeted strategy to maximize value from our retail bank and to fuel our growth plans in both wealth management and payments and lending.

Over the last five years U.S. Personal Banking delivered 12% ROTCE despite the headwinds from COVID and lower rates. And within U.S. Personal Banking, our cards business delivered 17% returns.

With that introduction, I'm now going to turn it over to our head of Global Wealth Management, Jim O'Donnell, to tell you more about our plans for the Wealth business, then I'll come back and go into more detail with U.S. Personal Banking, and then tie it all together. Over to you, Jim.

Global Wealth – Jim O'Donnell

Jim O'Donnell:

Thanks, Anand. And good morning everyone. I'm Jim O'Donnell. I became head of Wealth a little over a year ago after 22 years at Citi. Most recently, I ran Global Investor Sales and Relationship Management for our Markets and Security Services business. Much like Wealth Management, it was truly a people business and having worked closely with asset and wealth managers around the world, I could not be more excited to use this experience to build Citi's Wealth business and I think we have a huge opportunity ahead of us. As you all know, there's incredible wealth creation happening globally, and client demographics are shifting. More and more clients are looking for advice that encompasses their full financial lives. They're putting an increased premium on relationships and personalized service combined with a seamless digital experience.

Integrating our Wealth business gives us the resources, the talent, and the platform to deliver just that. And because of our global footprint, our ability to leverage Citi's network and the strong foundation we already have, we are well positioned to deliver excellence for our clients, grow our market share, and create value for you, our investors. As you heard from Jane earlier, we have all the pieces to build a leading franchise, but we need to pull it all together. We have spent the last year integrating our Wealth business, building a new leadership team, and creating a strategy for the future. We are now in execution mode and we are making clear progress. I'm incredibly confident we will build a winning business in wealth management for Citi.

So let's talk about our business today. We're not starting from scratch. We have strong assets. We have globally recognized brands, strong client relationships, best in class research, and clear synergies across Citi. As you can see on the slide, we are a $7.5 billion business today with revenues evenly split between our ultra-high net worth clients, our Private Bank, and high net worth and affluent clients, Citigold.

We serve over 500,000 clients with more than $800 billion in client assets through nearly 3,000 advisors. Our strong foundation spans across client segments, geographies, and product capabilities. As you've heard, we are already a top three wealth manager in Asia and a top five global private bank. Our Law Firm Group, which is the foundation of our Global Wealth at Work business is the industry leader in providing financial services to the legal industry. As you can see on the slide, we have a global footprint with nearly half of our business coming from outside the United States. This is absolutely a clear differentiator for us. We are one of the few firms that operates and has the physical presence in all key global wealth markets. And we are a major player in all of the international wealth hubs that have significant cross border flows. And we plan to scale in every one of those markets.

We also have a diverse product mix as see on the slide as well. We're particularly strong in banking and lending which account for over 60% of our revenues, but we need to earn more of our clients' investments business. We do have a best-in-class investment platform, which we were able to grow by 27% last year. However, our goal is to significantly grow this over the next few years and achieve a better balance between banking and lending and our investments business. This will very much enhance our returns. And most importantly, deliver more value for our clients. Let me tell you a little bit now about our value proposition. Our mission is to deliver a total wealth solution to our clients, integrating advice and execution across both their assets and their liabilities. Very few firms have these capabilities on a global scale. We do.

As an integrated business, we can deliver comprehensive solutions that range from core personal banking and lending to leading institutional capabilities. We deliver everything our clients need, from a checking account, a credit card, or a mortgage, to investment management and access to global capital markets. And for our wealthiest clients and family offices, we provide all of that plus specialized financing and corporate and M&A services. And we deliver these solutions across the entire wealth continuum, from the affluent to the ultra-high net worth. Now, let me give you a quick overview of our brands. Citigold and Citigold Private Client serve our affluent and high net worth clients. Our Private Bank serves our ultra-high net worth clients and the family offices of the world's wealthiest individuals. Finally, Global Wealth at Work. This is our business that is focused on workplace wealth management.

We have seen that clients across all levels of wealth want their financial lives to be simpler and personalized and rightfully so. They want timely advice and recommendations all tailored to their evolving needs throughout their financial lives. Citi has the capability to deliver this at scale across all geographies and client segments by leveraging our entire franchise.

As Jane said, our global network across retail banking and ICG is a key differentiator for us. It provides client referrals and product expertise. Let me tell you a little bit about our synergies. We generated more than $1 billion between our Wealth Management business and our Institutional Clients Group last year. We expect this to significantly increase as we scale and invest in our businesses. Citi's global businesses have also served as a major source of client referrals. As you can see on the slide, last year, we captured over 50,000 new wealth clients from our retail banking network. And we also generated a record 730 client referrals with an average net worth of more than $400 million between our Private Bank and our Institutional Clients Group. So our partnerships with our BCMA, Markets and Retail Banking teams are already delivering meaningful results. And there's lots more to come.

We're excited to build the same type of close partnership with our Commercial bank. As my colleague Tasmin told us a little while ago, more than 90% of Commercial Bank clients are private companies, which represents an enormous opportunity for our Wealth business. Now as an integrated Wealth business, we're also now breaking down more silos. And in the coming weeks, we will deliver our best-in-class research to all of our 500,000 Wealth clients. Doing all of this will allow us to better serve clients and improve our returns. And I think as you can see, the close and successful partnerships we have built, and are building throughout Citi are core to how we deliver value for our clients and our shareholders. And this is an absolutely critical part of our strategy. Now, I'd like you to hear directly from a few of our clients about how we're delivering value for them across all of our firm.

Ida Liu:

With a global network and local expertise, we're uniquely positioned to advise our ultra-high net worth clients, their families, and their companies around the world.

Marc Lasry:

Citi was my first bank. When I got to New York, I was all excited to get my little Citi card. I didn't know you could take money out of cash machines. So I was all excited. My relationship with Citi just became longer and deeper. They're phenomenal. I mean, you wouldn't think for such a large bank that they would be so personal about all the little details. We can break it down on the business side and then on the personal side. Our firm is global and so the things I do are global in nature. So I need a partner who can understand that.

Stavros Niarchos:

Our relationship with Citibank goes back more than half a century with my family at large. Citi as an institution is a truly global one. And it really helps when they want to serve a client who actually also travels, who actually also has needs in different places. And it's something which is taken for granted by many, but it's in my view, something very rare.

Naz Vahid:

We have tried and tested our business model with Law Firm Group for over 50 years. With that as our foundation, we are expanding our business to further meet our clients' needs.

Dan Zubkoff:

My personal life cycle, professional life cycle as a partner of the firm has mirrored my relationship with Citibank. I'm now working with Citibank proactively on my sort of longer-term plans in terms of retirement income and asset accumulation and estate planning. And it's been a tremendous partnership.

Jim O'Donnell:

A huge thank you to our clients who are part of that video. I absolutely love hearing how we help them achieve their goals. These are the type of relationships that define our wealth strategy, and we are focused, just a refresher, on three core client segments. The ultra-high net worth space, our Private Bank, regional strategies in the affluent and high net worth market, especially in the U.S. and in Asia, and our Global Wealth at Work business. Underscoring all of these initiatives is our investment in both talent and technology.

Hiring and retaining talent is one of the most important parts of our strategy. As I said, we're very much a people business, focused on the fastest growing markets. We are significantly increasing the number of our client advisors. And despite the talent war across the industry, we are attracting great external candidates. We added more than 400 advisors in 2021, an increase of nearly 20%. And above all, we're also keenly focused on investing in and retaining our existing talent. We've seen that our own advisors and the ones that we're hiring value Citi's network. That includes our ability to source clients through our retail and institutional platforms and the access to our best-in-class banking and wealth solutions. And across the board, we are focused on creating a diverse talent base that very much reflects the clients we serve.

We are confident we can double our advisor base over the next five years. And as you can see in the slide, we're also building a digital experience that better connects our talent and our technology. Now, this is an area where we historically underinvested. By integrating our Wealth team, we have now created a single technology unit. This will allow us to more effectively invest in three core priorities. Client experience, advisor experience, and product capabilities. For our clients, we're creating an enhanced digital experience with new products like Citi Self Invest, which I'll discuss more in a little bit, and better online tools. For our advisors, we're enhancing and simplifying how they serve their clients through a unified CRM system and improved workstation and easy digital client onboarding.

And finally, we are investing in our infrastructure to improve product capabilities, such as enhancing our separately managed account and margin lending platforms and developing personalized content and solutions. Now, I'd like to take you through our growth initiatives in a bit more detail. Starting with our top five Private Bank, it's a great business with great people. It represents 40% of our revenues with nearly half a trillion dollars in assets and 10,000 clients who have an average net worth of more than $400 million. We've had strong growth over the last few years, especially in client acquisition. Last year alone, we onboarded 800 new clients, a record and grew our assets by 9%. And we've only just begun.

To build on this strong foundation and capture new sources of wealth, we are scaling across geographies and building new client segments. We are already on the ground in our Private Bank in 50 cities, across 18 countries, including all key wealth markets. Our physical presence ensures we are viewed as both a global and local bank wherever we are. And we're expanding in the fastest growing ultra-high net worth markets, specifically China, which has the second largest concentration of wealth in the world, and significant cross border flows. We're also expanding key markets in the U.S., especially California, Texas, Florida, and here in New York. And in Europe, where we have a limited presence in some markets such as Germany and France. Today, we cover more than a quarter of the world's billionaires and 1,400 family offices. Growing this business is a critical part of our strategy.

Additionally, to expand our client segments, we're very focused on a full family approach to wealth management. This means we embrace the entire family, the spouse, the children, grandkids, and beyond. We recognize the importance of the intergenerational wealth transfer that's occurring. A few months ago, I had the opportunity to speak with a Private Bank client whose family has been with Citi for more than 90 years. His father first started banking with us in Shanghai in 1932. This client is now based in Brazil, has family in Miami, and the Bahamas. Multiple generations of his family are now Citi clients. He proudly told me, which was pretty cool, that his family would not be where it is today without Citi. Relationships like these are the bedrock of our business, and we have many more to build upon and we absolutely will.

We're also focused on strong growth segments, where we see significant opportunity. This includes new economy entrepreneurs, and especially women. Women are one of the most important and fastest growing markets in the ultra-high net worth space and a key focus for us. Going a bit further out, one of our goals is to grow our share of the investment wallet and enhance our advice to clients. We are materially increasing the number of dedicated investment counselors. Now, let me explain that a little. Some of our competitors in the private bank space have a ratio of close to one investment counselor for every banker. We have one investment counselor for every three bankers, far too few. We are committed to significantly improving that ratio to better serve our clients and support our growing focus on investments. So in summary for our Private Bank, I am confident that our strategy combined with our strong franchise, and our team positions us to be the world's leading private bank in the years ahead.

Moving on to our affluent and high net worth businesses, let's begin with Asia, which is the fastest growing market in the world. We are well positioned to capture that growth by expanding in our key wealth hubs, increasing our advisor coverage, and driving digital innovation. Citi is already a top three wealth manager in Asia with nearly $90 billion in client assets, across 110,000 wealth clients. Today, we have 800 advisors, which we increased by 130 in the last 12 months alone.

As Jane mentioned earlier, yes, we are exiting non-core markets in the region, but this allows us to have a sharper focus on the key wealth hubs of Hong Kong and Singapore, two of the fastest growing wealth markets in the world, with a full-service business for both onshore and offshore clients offering our total wealth solution. Capturing the offshore market in China is a key driver of our strategy, especially the Greater Bay area with the industry's role out of Wealth Connect. We have an exciting new partnership with China Guangfa Bank who have 230 branches in the Greater Bay area alone. In addition, we are significantly expanding our sales and market teams on the ground. In fact, we will more than double them by the end of this year.

We've also already been recognized as the best digital bank in Asia, and we will continue to invest in our digital platforms to drive our client experience and client acquisition. Now let's turn to the U.S. As you all know, the U.S. is the largest and most competitive wealth market in the world. We currently have more than $180 billion in client assets and 320,000 clients with significant opportunity to grow. Our focus is on building on our strong presence in Citi's six key retail markets, expanding our advisor base and client coverage, and especially leveraging the client referrals we've mentioned from our branches. We are also enhancing our digital capabilities. We've already seen early success of that with the soft launch of our self-directed offering, Citi Self Invest. Focused on internal marketing, we have seen a 27% increase in asset growth year to date in that product. And 90% of Citi Self Invest users did their first investment transaction with Citi in the last four months.

We have an exciting plan to roll this out across all of our client segments and launch a broader external marketing campaign to acquire new clients. Today, I'm also excited to announce the creation of a new business for us. Citi Alliance, to build new distribution partnerships. With Citi Alliance, we will be providing core banking and lending solutions to independent advisors and broker dealers. One of the fastest growing segments in the United States. We're working with a great digital partner in InvestCloud who will offer our banking and lending products to the nearly 150 wealth management firms on their platform. We're excited that we've already signed agreements with several wealth managers with a very strong pipeline. And we see this as a great opportunity in the months and years ahead.

The final pillar of our growth strategy is Global Wealth at Work. As many of you know, workplace management is the fastest growing channel in the industry. And we are uniquely positioned to build a winning business here. We know our strategy works because we've road tested it for the last 50 years with our Law Firm Group, where we are the undisputed wealth management leader in the legal industry.

Our 50,000 clients in this segment mirror our focus on the entire wealth continuum. We serve professionals from the beginning of their careers, right through the C-suite, providing the breadth of our services from banking to cards to investments. This is a great model for client acquisition and building longstanding client relationships. In fact, we have Law Firm Group clients who have been with us the whole time we've been in this business, from their time as a junior associate to managing partner through their retirement.

And we plan to grow this business in three ways. First, we will continue to scale the Law Firm Group, where we already work with nearly 1,000 companies. Second, we are expanding this model to targeted new industries like professional services, asset management, private equity, and venture capital firms. This year, we're excited too, that we've already signed agreements with several large firms adding thousands of clients in these new industries. And third, as I've talked about before, in this space, we're incredibly excited about growing our partnership with Citi Commercial Bank, where we see significant opportunity to access their client base.

So in summary, we are incredibly excited about our opportunity to win in wealth management. We are going to succeed by scaling our business, driving the synergies across all of Citi's network, investing in talent and technology, and delivering that total wealth solution for our clients across the globe. We do have ambitious targets over the next few years, but I have no doubt we will succeed. With double digit growth and client acquisition and client assets, we have a lot of work to do, but we have the platform, the people, and the resources to winning wealth management. And as we execute, we will significantly grow our revenue and enhance our returns. And with that, I'd like to hand it back over to Anand. Thank you all very much.

Consumer Payments and Lending – Anand Selva

Anand Selva:

Thank you, Jim, for outlining our strategy and exciting growth potential for the Global Wealth business. Now let's turn to U.S. Personal Banking. U.S. Personal Banking is a large business serving 72 million customers with close to $170 billion in loans and generating close to $16 billion in revenue. About 85% of U.S. Personal Banking revenue and 80% of loans are from our market-leading cards business. Our retail bank is a great feeder to our wealth business driving referrals through the branch network. It generates about $220 billion in deposits, which includes about $100 billion of deposits deported in Global Wealth Management.

Last year, U.S. Personal Banking delivered 27% returns, 13% if you exclude credit reserve releases. As I had mentioned earlier, we do have strong market position in both our wealth management and personal banking businesses. In PBWM, we are a market leader in cards in the U.S. with number two position in card spend and loan balances. We rank fourth in deposits in the six urban centers where we have our branches. And although our retail bank physical footprint is much smaller than it appears, our branches are highly productive with the highest deposits per branch in the country. As you can see, we have attractive assets and leadership in cards positioning us well for growth.

We all know that the last couple of years have been challenging across our industry as the pandemic impacted macro business drivers and customer behavior, so I'd like to go into some depth to explain how that impacted our results and what it really means for us going forward. Before the pandemic, card spend, loans, and revenues showed a clear upward trajectory. In 2020, we started seeing headwinds of COVID with card spend and loans declining. Payment rates increased leading to a sharp decline in our revenues offset by lower cost of credit. The same story played out across our industry.

In 2021, card spend rebounded and is now up 10% from pre-COVID levels, reaching an all-time high of half a trillion dollars. However, payment rates remain a challenge. Savings and stimulus have led to consumers paying down their credit cards at historically high rates and with losses remaining remarkably low, so this has prevented the strong sales growth from translating into loan growth.

We expect cards spend to remain strong and payment rates to normalize over a period of time, and that will lead to loan growth. And as loans pivot to growth, we expect credit losses to also normalize from current historical lows. In retail banking, we have seen strong growth in deposits driven by higher household savings. Apart from higher savings and higher payment rates, we witness other changes to consumer behaviors. We expect many of these changes to be long-lasting, and as these changes were happening, we haven't been sitting still. We have continued to make smart investments to respond to and take advantage of those changes.

The first change, the shift to digital, this has been much discussed, but let me share some statistics. Online credit and debit spending has grown by 30%, and over 50% of consumers started using their mobile banking app more often during the pandemic. So, what did we do about it? We continue to invest in seamless digital experiences for essential banking needs such as account opening, wire transfers, and bill payments. And we created personalized offers driving online purchases that accounted for over 35% of our total branded card sales.

Second, consumers expect more borrowing choices, driving growth in point-of-sale financing, so we strengthened our lending solutions launching on-card Flex Pay and Flex Loans and off-card personal installment loans. We are also embedding point-of-sale and post financing solutions with our partners.

And third, 74% of our customers say that rewards are the main reason they choose credit over other forms of payment, and over 60% preferred cash back as their choice of rewards. We address this by refreshing our rewards portfolio with Rewards+ card and introducing the new Custom Cash card last year. Over the last couple of years, we also invested in our partner network signing a major e-commerce retailer, Wayfair, and extending long-term market partnerships including Macy's, AT&T, and Exxon Mobil. Staying front-footed with investments has given us great momentum heading into this year as we execute on a strategy that clearly differentiates us from our peers.

When I moved to the U.S. to run the U.S. consumer bank in early 2019, we had a narrow set of payment and borrowing options for our customers. We had limited digital capabilities, very little connection with retail banking, and our partner relationships were centered on a credit card-only proposition. Now coming from Asia, I was able to transfer our learning and successes there, where we built market leading digital capabilities and lending products and created a wide range of merchant offers.

As you can see on this page, we now have a comprehensive set of integrated solutions and they have been deployed with very good success. So let me take a minute to explain that. A typical customer journey would start with a purchase. At the point of purchase, a customer has multiple payment options. They can pay with or without plastic, pay with points, or pay using digital wallets wherein Citi cards are a provision. They also have the option to finance their transaction at point-of-sale or post the sale. And for those who need a cash loan, it is available on their card through Flex Loan or through a personal loan off the card.

And as they're making these payments, they earn rewards as points, miles, or cash back. We have made these rewards easily transferable from cash to points, miles to points, and so on. And our Merchant Offers platform delivers attractive offers to our customers creating more value for them while deepening our relationships with our merchants. And all these payment and lending solutions can further be bundled with banking products creating a truly integrated experience. This wide variety of products and partners, and our convenient and flexible integrated solutions, differentiate us from our peers. And that is even more so with card-only or lending-only players setting us up nicely for continued leadership.

As I look ahead, these clear differentiators combined with a strong foundation and the investments we are making to adapt to a fast-changing environment, drive our three growth priorities. First, we will strengthen our leadership in payments and lending, which we expect to be the biggest contributor of our medium-term growth, so what does that mean? That means growing faster in proprietary cards, deepening our partner network, and building our lending continuum both on and off-card. Second, maximize value from our retail bank and further strengthen synergy with wealth management. And third, continue to drive digital leadership to investments in NextGen technology.

Now, let's unpack each of those and let's start with payments and our plans to increase growth in proprietary cards. Over the last two years, we have refreshed our products with more flexibility in using rewards, a fully digital experience, and unique ways to earn cash back. We are committed to that path with a steady stream of refreshes and new products to keep our cards portfolio well positioned in the marketplace. We are constantly enhancing our award-winning rewards program, adding new point-of-sale redemption options. We now feature over 200 partners, such as Best Buy, for our card members to redeem their points. And we are also adding new points transfer partners, such as Wyndham. Our partnership with PayPal offers customers access to a broad ecosystem of merchants. And last year, we partnered with MasterCard to introduce a Merchant Offers platform, which provides exciting discounts to our customers across thousands of merchants.

And the way we've gone about all of this is by powering our product features and offers with end-to-end digitized experiences. For example, our new Custom Cash card was designed with a comprehensive digital-first approach with several new digital features, and it's driving significant digital engagement as you can see on the page. Just like proprietary cards, co-brand and private label cards also have an important role to play in our growth plans.

Partner cards in the form of co-brands and private labels give us scale and drive sustainable returns, and they help us add significant value for customers, partners, and Citi. For customers, we offer choice and convenience in how they pay and borrow right at the point-of-sale with their favorite brands. For partners, we are able to deploy integrated solutions that drive sales and build loyalty. And for Citi, we gain access to sales touchpoints, 200 million consumers and nationwide footprint across the partner ecosystem.

We are extremely proud of the partnerships we built with about 40 strategic partners across a diverse set of industries, including five of the top 10 e-commerce retailers in the U.S. This positions as well to capitalize on the opportunities from the significant growth we are seeing in e-commerce. We also continuously review our partnerships for growth and the returns they drive for us and explore opportunities to extend existing partnerships, as well as add new ones. As of today, partner agreements covering 97% of our cards receivables extend to 2024 and beyond ensuring continued growth and stability.

In the past, our partnerships have been mainly focused on cards. Over the last couple of years, we've expanded those relationships into lending, rewards, and banking. For example, with American Airlines, we started our relationship decades ago with a co-brand card. We've evolved that relationship over the last couple of years into multiple offerings from savings accounts to installment loans and making the miles more dynamic with the ability to transfer them to ThankYou Points.

And as we continue to grow our partner portfolio, not all successful strategic partnerships need to be a co-brand or a private label card. With Amazon, for example, we started our relationship with Shop with Points and have now extended to point-of-sale financing and payment options such as Pay with Palm. As you can see, our partner network is very valuable to us and a source of pride for our firm. We have been privileged to work with American Airlines. They've been great partners to us for about 35 years now. I would now like you to hear a bit more from them.

Robert Isom:

American has a longstanding relationship with Citi. After 35 years, we know each other pretty well. Over that time, we've done remarkable things to take care of our customers innovating every step of the way. There's been a long line of evolution starting with just the co-brand AAdvantage credit card, all the way to things like Citi Flex Pay. The Citi and American relationship is one that has expanded in many ways, so everything from capital markets advice to actually doing something that was incredibly essential to American Airline's future, supporting us in a $10 billion capital markets financing transaction that used the AAdvantage program as the basis for it. So our relationship, it's personal, it's long, it's deep.

Pamela Habner:

What makes this partnership so strong is that we work together to constantly innovate on our core co-brand card, while at the same time, finding new ways to expand our relationship into new territories, like our Citi Miles Ahead Savings accounts. Together with American, we keep evolving our partnership over time.

Robert Isom:

Everything we do stems from knowing each other really well, knowing what's valuable at Citi, and also knowing what's valuable at American Airlines. That creates an incredible relationship.

Anand Selva:

Thank you, Robert and Pam, for bringing to life the power of our partnership.

Next, let me switch to lending. We are very excited with the opportunities and growth potential we see in lending. Historically, lending on cards was built on traditional revolving lines of credit. That remains the bulk of our interest income and will continue to be a prominent contributor of revenues going forward. To that, we have added new installment loan products, Flex Pay and Flex Loan within the card. Flex Pay is buying now and paying later and is available as a financing option in both at point-of-sale and after the transaction is done.

And now we are expanding our lending solutions beyond credit cards to offer point-of-sale financing and personal loans without a credit card to complete the lending continuum. We started by focusing on existing customers to target over $50 billion of personal loan balances they have with other lenders.

Point-of-sale financing is not new to us. In our retail services business, we have offered point-of-sale financing promos to our customers for over a decade, and we have significant experience in our international markets with such offerings. With our strong expertise through credit cycles, we will ensure that we offer these products responsibly and with sustained profitability.

Our lending solutions have been very well received by our customers. As you see on the right side of the slide, card customers who take lending products from us bring new balances and drive higher revenue compared to transactors. In addition, they have meaningfully higher NPS and maintain strong credit performance. So, summing up payments and lending, we have a leadership in cards and loans, emerging scale in installment lending, strong digital capabilities, and attractive growth potential.

Our second growth priority centers on retail banking. As Jane mentioned, our approach to retail banking in the U.S. has been and will continue to be different from other banks that have a large retail presence. That said, there are clear opportunities for us to maximize value in retail banking, and we have made some changes over the last three years that will help us do that.

As you all know, we have a light physical footprint supported by a large ATM network. From 2016 to 2018, our retail deposit book was flat to slightly declining. However, from 2019 to 2021, we have grown our deposits by over a third to around $220 billion. That was because we focused on higher productivity from branches, modernizing our branches, and building digital capabilities. These efforts dramatically improve our branch NPS from 68% at the end of 2018 to over 80% by end of 2021.

Our retail bank is now well positioned to drive growth in our two strategic priorities. One, retail banking has strong synergies with our wealth business given that it is concentrated in six urban markets where our affluent customers reside. In fact, approximately 70% of our wealth management client accounts in the U.S. were opened or referred from the branches. And two, retail banking serves as a very good source of lower-cost funding to support payments and lending business. Around 90% of our deposits are in checking or low-cost savings accounts.

And we continue to build out our digital capabilities to acquire retail accounts and deposits through our digital channels. That focus on digital has allowed us to grow our digital deposits nearly 3X since 2019 accounting for 20% of the growth in total deposits. Half of the digital deposit sales come from customers outside of a branch footprint, while we continue to expand our multi-relationship customer base by deepening our existing cards customers. And we will continue to grow digital deposits ensuring they make economic sense and deliver value for the franchise.

With all that said, profitability in our retail banking business has been challenged. Despite strong growth in deposit volumes, the low interest rate environment has put pressure on our deposit margins and revenues. In addition, our investments in enhancing our risk and control environment, and modernizing our technology, further impact profitability. So where do we go from here?

We evaluated various options and we concluded that we should focus on maximizing value from our retail bank in the medium-term, by delivering even more from our current infrastructure and assets while we benefit from rising rates in the coming years. First, we will target a top-six deposit market share nationally with sharper focus on deepening share in our six core urban markets. We will do that by continuing to refresh and right place our branches while modernizing technology, including implementing a new customer relationship management platform.

Second, we will continue to grow deposits through our digital acquisitions. We expect digital to drive over 30% of our deposit growth in the medium-term. At the same time, we will drive value from increased relationship lending in mortgages and small business through our branches. And third, we will continue to build on the strong synergies with wealth management using the retail bank as a powerful feeder of wealth management clients.

We firmly believe that investing in retail banking to maximize value and drive our PBWM growth priorities in the way we have laid out today is the most optimal and responsible way to use capital and investment dollars in the medium-term. And this will contribute meaningfully to delivering our targeted returns in PBWM in the medium-term.

Our third strategic priority to drive growth is investing in digital and technology. We have been on a journey with our digital-first approach over the last few years, and we continue to invest in building digital capabilities. Given our light physical footprint, our focus on partnerships and the demand we see from customers, digital is critical to our success. We are seeing strong digital take up across the business, be it in customer acquisition, online spending, or customers using our digital channels for transacting and servicing.

We are spending about $2 billion in technology each year for PBWM. Besides the Citi-wide transformation effort that Karen will be talking about shortly today and the investments going into wealth management that Jim mentioned, a good portion of that investment will be in U.S. Personal Banking. We will be investing in modular platforms that enable us to plug and play with our partner systems using APIs and create seamless, secure, and resilient digital experiences driven by data. And our investments will help us improve speed to market and reduce tech development costs.

While we have more to do as we continue to innovate and build new capabilities, our increased digital engagement is driving both revenue growth and efficiency. Specifically, our digital users drive higher deposits and investment balances, higher revenue and lower attrition rates than non-digital customers with the cost to serve being much lower. We expect to see improved cost efficiencies in revenues as we automate, drive straight-through processing, and continue to replace analog processes with digital.

So to summarize our path forward, we are going to strengthen our leadership in payments and lending, maximize the value from retail banking, and deliver seamless, end-to-end, digitized experiences with a modern tech infrastructure. We are truly excited for our future. We have a leading market position in payments and lending with tremendous scale, attractive assets in retail banking, strong capabilities, and exciting growth opportunities.

In the medium-term, subject to macroeconomic trends, we expect to attract more wealth management clients through our branch network, build our digital deposits, and pivot from the pandemic-driven headwinds in loan balances. We expect that will drive continued growth in deposits, ANR, and revenue.

Now, let me bring it all together across personal banking and wealth management and what our strategy will deliver from a growth perspective over the medium-term, guided by the priorities Jane has outlined for our firm. To track our progress on this plan and hold ourselves accountable, we have outlined KPIs detailed on the slide. As we deliver against these metrics, I strongly believe that our well thought out, prudent, and focused strategy will deliver strong revenue growth in both Global Wealth Management and U.S. Personal Banking in the medium-term.

I know the team across PBWM is truly excited about what we can do together, and I am very excited and very confident. Thank you once again for joining us.