



Host

Betsy Graseck, Morgan Stanley Large Cap Bank Equity Research Analyst

Speaker

Andy Sieg, Head of Wealth

PRESENTATION

BETSY GRASECK: Thanks so much. With that out of the way, we are absolutely delighted to have with us today, Andy Sieg, Head of Wealth at Citigroup. Andy, thanks so much for joining us this afternoon.

ANDY SIEG: Well, thank you. I'm thrilled to be here.

BETSY GRASECK: Okay. And I'll just read a little introduction for those of you who might not be familiar with Andy's background. Andy started in Wealth Management in 1992 at Merrill Lynch. And in 2005, you moved over to Citi Wealth. And then you moved back to Merrill BofA to run Wealth in '09, but then a year ago, you returned to Citi to run Wealth here at Citigroup. So, could you give us a bit of some color as to what attracted you back to Citi to reshape the business?

ANDY SIEG: Well, thank you, Betsy. And there are a lot of things, if I had to summarize them in one word, it would be Jane. Jane, for three reasons. Jane is an extraordinary leader personally. She's got just a rare combination of strategic insight and people leadership skills. Second, as everyone knows, Jane is committed to making bold changes at Citi, and it was very clear to me from our first discussion that things that have held back the company in the last two decades, she was going to go right at them and cut the Gordian knot, so to speak, and unleash what's possible at Citi. And then third, really, Jane's vision around how Wealth would factor into Citi's strategy going forward. And she sees Wealth, as we'll be talking about, becoming a much more significant part of what the Citi brand means again around the world.

BETSY GRASECK: Okay. Well, maybe I could ask what your strategic vision is for Citi Wealth. And give us some sense as to how that compares to the 2022 Citigroup Investor Day outlined for Wealth?

ANDY SIEG: Yes. Well, on that point, I think the Investor Day messages in 2022 held up very well in terms of highlighting the potential for Wealth and how it can just play a key role in the future of Citi. When you think about the assets that Citi has to be a force in wealth management and the list would include this brand, which travels around the world, unlike almost any other, the client franchise that Citi enjoys in Wealth and across our other lines of business, our capabilities and our talent. You can't take the seat that I'm in without, in my view, setting a very high bar in terms of over time what success should look like. I mean, this should be the #1 wealth management business in the world over time. And I say that because the global nature of wealth creation plays to Citi's global reach around the world. That's our long-term strategy. But believe me, we have a very disciplined plan step-by-step to get there and on a more near-term, medium-term basis, what we're guided by is what all investors know a great wealth business should mean to the returns of the company. This is a business that should have a pre-tax margin of around 30%, returns in the 20s, strong organic growth. And on a near-term basis, hey, we've got our eyes focused squarely there, delivering the right business model. But over the long-term, we're inspired about what's possible here.

BETSY GRASECK: So, I definitely want to unpack how you go to that end goal from where you are today. And



we'll be doing that through this question list. I guess the first one, though, is you've been running Citi Wealth now for nine months?

ANDY SIEG: Nine months.

BETSY GRASECK: Nine months, okay. And how are you running the business differently? What approach are you taking tactically here?

ANDY SIEG: Well, I think tactically, one of the most fundamental things we've done is refocus what our team sees as the north star of the business. And after 30 years plus in wealth management, I know as investors know, the litmus test around a wealth franchise is, are you generating net flows? Are your clients bringing in more assets than they're taking away? Are you an asset gatherer?

We very quickly set net new investment assets as the guiding star of what our leadership team is focused on. We also, as a team, have been very open to putting the brutal facts of the financial performance of this business right on the table. And after Citi's new segment reporting went in place for the fourth quarter, the returns in this business are very visible to investors. This is a business that's been shrinking as the market has been growing, returns unacceptable, as revenue has been declining, expenses have been going up. So we're taking that on head on.

We're guided by four themes. We know this business has to get fit in terms of the size of our expense base, but also the focus of activities. We've got to have our focus on turning on the growth engine around investments, in particular. The client experience has to be improved substantially in the business. And this business can't operate as an amalgam of subscale businesses. We need to play like a very unified scale, global operator in wealth management. Those have been the four themes.

And then just day to day, I think investors would be happy to see you've got a leadership team here that's flying very close to the deck in terms of what's taking place in our businesses. And so, when I think about something like net new investment assets, and I'll give you a flavor for it. I mean, on a weekly basis, I'm personally running a 90-minute meeting with my direct reports and every other week, the next level down managers, going through line of business by line of business, region by region, are we doing, as I said, turning on the growth engine around net new investment assets coming in. So we've got, I think, eyes on the right metrics, and intensity in terms of how our leadership team is operating, and the routines in place to make sure we can keep that going through time.

BETSY GRASECK: Okay. About an hour ago, you announced some leadership changes. Could you walk us through what you announced and why and expectations for that new leadership group?

ANDY SIEG: Absolutely. As I mentioned, there's tremendous talent in this business, but we're also very candid and we're trying to take a very objective view about what caliber of talent is going to be required to reach the aspirations that I just talked about. An hour ago, we announced that we are hiring Keith Glenfield from Bank of America Merrill Lynch. He will be joining us after garden leave to lead our investment products group. That's a significant hire because at the core of what I was just talking about is our ability to not just gather investment dollars, but to create the kind of fee-based revenue streams that investors are looking for in this business. Keith, over the last 15 years, most of that time working closely with me, we built the Merrill Lynch core investments platform. That's an industry-leading UMA platform at its core. It's scaled to over \$1.5



trillion over the last 10 years. So this is the caliber of leadership that we want to make sure we have all around the table. And as a leadership team, that reflects the level of rigor, discipline, the connection between product, technology and operations, it's going to be required to build the foundations for a great business. The existing leader of investment solutions, is by the way one of our most high-potential leaders at Citi, Kris Bitterly, she's moving into what I think is maybe the most exciting, high-growth lines of business for us, which is our Wealth at Work business, where we're in the workplace offering wealth management on a very institutionalized basis to law firms, other professional services companies and the like. And so, it's a great story in terms of internal talent being recognized and asked to step up and a great story in terms of talent joining Citi from elsewhere in the industry.

BETSY GRASECK: And how far along are you in your expectations for putting the right leadership in place?

ANDY SIEG: Well, I think we still, and it's seen in the market, we've got a few key roles that are still open today. But we've made substantial progress. We have a new leader in the U.S. Private Bank, Don Plaus, who had previously led Merrill Lynch Private Wealth. Antonio Gonzales is leading our Latin America Private Bank, he had previously led Latin America for JPMorgan's Private Bank. We brought in talent that's helping us really build the bridge between the Wealth business and our Banking business because as Vis Raghavan joins Jane's leadership team, he's going to bring great energy to Citi's Investment Banking, Commercial Banking and Corporate Banking practice. Hey, that kind of reach, that is one of our great advantages as we build our wealth practice. I could go down the list, but right now, one of the things we're most proud of, this business is a magnet for talent street-wide right now.

BETSY GRASECK: Okay. And so in this process, is there any regretted departures?

ANDY SIEG: There's been very few. We have had a substantial number of departures, but those departures really come through a level of rigorous self-examination of the business. And as I talked about at the top, investors are and should be very disappointed about the returns in this business, and so I don't think it should surprise anybody that, hey, we've needed to drive significant change across the team, and we're making those changes.

BETSY GRASECK: And can we talk a little bit about investments that you might be interested in making perhaps in the technology side or product offering side or any of that, that you're looking to do?

ANDY SIEG: Well, the level of technology investment across Citi has been very fulsome in the last few years. We have a transformation of many of the core platforms of the company that we've been investing behind. Those investments, they are continuing at pace. With the amount of work we're doing on underlying platforms, I think we're going to be able to better connect our wealth strategy to places that we're moving Citi forward. For example, Citi has a very broad strategy across the bank to upgrade the way that we work with and around client data that has enormous implications in the Wealth business in terms of putting us in a better position to serve clients across channels.

Some of these leadership changes that I talked about and organizational changes, they're going to plug Wealth into broader changes at Citi. So, I wouldn't expect to see substantial increases in the technology spend in our business. I think what you should expect to see is to get more out of the technology dollars that we're going to be spending. There were some articles in the press just in the last 24 hours about some of the work that we need to do around our technology and operations platforms.



We're using, I think, every approach that a leadership team should to get our arms around some of the challenges to make sure we're dealing with the brutal facts, including going outside and commissioning some third-party studies to make sure that we've got the right eyes internally and externally around the foundations of the business.

BETSY GRASECK: Okay. Great. So you talked quite a bit about the investment side. I would like to unpack a little bit how you're thinking about driving that net new asset growth.

ANDY SIEG: Yes. Well, Betsy, it comes in a few fold. Some of the things I talked about already, which is do you have the right metrics that you have put out in front of not just the leadership team, but metrics that drive all the way down to the adviser and the banker level in the business. It's all fine for me to have an aspiration around our net flows, but the real test is, are you aligned top to bottom in the business to deliver it? Therefore, and not surprising, hey, we have a lot of work to do. We've had work to do around what are the incentive systems for our advisers. We've had work to do in terms of what are the expectations around productivity. In many of our businesses, we have some standout performers on the frontline, serving clients and deepening with clients. But we've got others who just haven't really been operating at the level that we need the business to. We've got data around that today. And one of the things that actually is very much a glass half full story, I think, for investors is in areas of our business where we may only have 1/3 of advisers moving at the pace that we think is reasonable to expect in terms of growth, if we can bring that number up to 2/3 from 1/3, that productivity is the equivalent of doubling the size of your adviser force. So there's a lot of power and productivity that is in our business that we think we're going to be able to unlock. It's going to be a combination of day-to-day coaching and leadership, incentives, also training, and there's a substantial amount of, in particular, investments level training that's taking place. I haven't said it square on, but I will. In many ways, hey, the Citi brand is known in wealth management, of course. But around the world, there are many places where we're known more as a lender or a deposit taker than as an investments player. And so, not surprisingly, our training emphasis and development emphasis is going to go into just ensuring that we can be across the table from clients around the world and help them as well on the investment side as we do on the banking side.

BETSY GRASECK: As you know, there are competitors in the field and trying to get assets away from others can sometimes be a long-tailed proposition. Would you ever sweeten that deal with pricing?

ANDY SIEG: Well, it's not the first thing I think of when you ask that question. The first thing I think of when you ask that question, and I think it is the question that's top of mind to investors is, hey, why Citi in position to win here? And if I was going to add to the list I talked about earlier, brand, capabilities, talent, reach, one of the things that is of paramount importance is this business has today about \$1 trillion in total balances, of which \$525 billion are investments. The clients we have today, though, have \$5 trillion invested in other institutions. And so many wealth firms that have a very high share of wallet of their existing clients, the way to grow their business is to drive client acquisition, which is, a full-on takeaway from other organizations. Our challenge is a little different. This is a challenge, first and foremost, around how do we deepen with the clients that Citi is already touching today. How do we ensure that a client where we've had a lending relationship for many years begins to see us as an institution that could help them around investments. We're in front of that client many times a year because of the credit facility that's in place. We just need to show up with a stronger set of capabilities, a confident, well-trained adviser or banker and be in position to begin winning mind share around investments. So it's really a story around deepening and we're very focused on that \$5 trillion our clients have away from us.



BETSY GRASECK: I would also think that, as you indicated, a portion of the assets are in investments, but quite a big portion is also in deposits, right?

ANDY SIEG: Yes. I mean, of the \$1 trillion in balances around numbers, about \$325 billion are deposits. I mean those are, in many cases, exactly the clients that I'm talking about, who have their investment dollars at another institution. I would think about it not necessarily being in a position where we want to see the deposits that are on us today move to investments. It's more how do we ensure that if someone has a deposit-only relationship with us, we're demonstrating the ability to help them more broadly. And I think some of what's required to do that is around the rigor of calling on clients and being in front of them with clear examples of how we can be more helpful today. Some of that's also going to be related to not necessarily pricing discounts, but how do we think about relationship pricing broadly? Citi's balance sheet on both sides should be a tremendous advantage as we think about growing our investments business. And so we're putting in place on our team on that list of some talent additions, people that are going to help us think through how the balance sheet becomes more productive in Wealth. Mark Smith is our new leader of our deposits product area and has a broader remit to think about relationship pricing and balance sheet productivity. Very well suited for this. He was serving as Treasurer of Citi overall over the last year. And more recently, excuse me, before that he was in the services business on the deposit side. I will be leaning pretty heavily on him to think through how to create a relationship pricing construct that really works.

BETSY GRASECK: Well, that could be some low-hanging fruit in working with your clients who are a little more skewed to deposits to help them understand the capabilities you have and unlock a shift into investments, so.

ANDY SIEG: No. I mean you're clearly on to something, which is, hey, they have a trust in this institution. There's a relationship in place. And again, in some context, you would think of the win is the existing deposit dollar becoming an investments dollar. Here, it's more an opportunity to grow the pie in terms of what that relationship looks like with an individual client and see the investment dollars coming in from outside.

BETSY GRASECK: Got it. So could we shift to just thinking about how the revenue growth is anticipated to traject over time. And that's built on net new assets. And I understand there's a building block to that outcome. And I'm just wondering if you have those building blocks in place?

ANDY SIEG: Yes, we do. Maybe I'll start more broadly and then come down to the building blocks. When we go back to Investor Day, we talked about what's the revenue potential across the lines of business at Citi. In Wealth, we talked about high single digit to low-teens revenue growth in the Wealth business over time. When my team and I are thinking about kind of medium-term possibilities in this business, we're very comfortable with the low end of that range first and foremost. We see an opportunity outside the medium-term over the next few years to be into double digits in terms of the potential. And I think the range overall that was put in place at Investor Day is a range that investors should expect over time in Wealth given \$100 trillion of wealth creation happening around the world over the next decade, intergenerational transfers that are happening. Wealth is a great business. My team is, of course, taking those overall opportunities and trying to break them down into building blocks. Our investments business, we'll be growing through a combination of the organic growth. That is the flow story that we talked about. I think over time, we're going to see the investments activity with our clients reflect the asset allocation that clients have overall.



Today, some of the revenue that comes from our investments business is lower than investors might expect because we've tended to be more of an adviser around the fixed income part of the portfolio rather than the equity part of the portfolio. And then in some areas where we have tremendous capabilities like our alternative investments team, we've got great capabilities and solutions that have returned for clients, but the offerings themselves haven't scaled. When you think about the reach of Citi's Wealth business, we serve 25% of the billionaires in the world, but we only have a \$20 billion alts footprint in our business. It's very easy to think about that as a \$100 billion alternatives business over a 4 to 5 year period of time.

If we kind of move to other areas of the revenue picture, I think we should have a clear focus on the balance sheet, as I talked about, and in particular, a \$320 billion deposit base there's substantial opportunity, I think, for us to ensure we've got a deep understanding of the client profile, the price elasticity that is there in terms of the deposits that we serve. That's a place that Mark Smith and team are highly focused, and I think it's going to be a contributor to us going forward in terms of how do we think about the pricing of deposits across our lines of business and across regions. Those are the two largest drivers of the revenue picture and the revenue growth. I think that you can, of course, double click one more lever. You can think about things like adviser productivity and what's happening at that level. We've got great confidence here. As I said earlier, there's a lot of productivity to unlock in our existing adviser force. And increasingly, an understanding of where we should be investing in the front lines to bolster coverage.

BETSY GRASECK: And could we talk a little bit about that pre-tax margin where you're highlighting 30% pre-tax margin is what you anticipate this business should be able to do over time. How much of that improvement in the pre-tax margin comes from revenues versus expenses?

ANDY SIEG: Great question. The expense base has been, in some ways, the first thing that my team and I have been focused on. I think investors would be happy to know, we have an understanding. We're in much more direct control of the expense base than we are the revenue trajectory in the business, and we want to get our arms around first things first. The expense opportunity in the business has several facets. One important aspect has been to ensure that we've got a team that's focused on core activities. We've got some non-core initiatives, which while well-intentioned, ultimately, to our team after some tough analysis, we came to conclusions that they were more hobbies than core lines of business for us. And we've shuttered those so we can really focus on what's going to matter over the long-term to our core clients and growth strategy. We've made similarly some good decisions, I think, about how we can run this business on a global basis with a singular unified global product organizations and global functions and the road there kind of illustrated there's a lot of duplication and overlapping resources and we've been able to address those and consolidate teams over time. It's produced a lot of savings for us.

And we've also taken a very sharp eye to the productivity of our front line and where our bankers and advisers are positioned to succeed and where they're not. And so we've reduced the size of our adviser footprint in the near-term in an effort to ensure that those who are in front of clients are as productive as we expect them to be. In aggregate, this is going to be a significant change in the expense base. But ultimately, reaching the 30% target pre-tax margin, it's not going to be cutting our way to greatness. It's going to be ensuring that we've got expenses set at the right level. But then over time, our revenue growth is where we will see the margin expansion. And so investors should expect to see immediate progress but progress that is accelerating as revenue growth is coming online in the medium-term.

BETSY GRASECK: So you're suggesting expenses are flat in the near-term?



ANDY SIEG: No, expenses are coming -- they'll be coming down.

BETSY GRASECK: In the near term?

ANDY SIEG: Yes.

BETSY GRASECK: Okay. And that's where the progress is happening.

ANDY SIEG: Correct.

BETSY GRASECK: Okay. And when you say medium-term, what does that mean in terms of number of years?

ANDY SIEG: '26.

BETSY GRASECK: '26?

ANDY SIEG: Yes.

BETSY GRASECK: Okay. So it's only 2 years away.

ANDY SIEG: Correct.

BETSY GRASECK: And could we talk a little bit, I know that got a chuckle in the room. But I suppose the question is when you think about the return target, 15% to 20% RoTCE, is that right?

ANDY SIEG: Yes. Now, let me take a couple of things apart. I talked about medium-term, which when we talk about medium-term at Citi, we're really talking about 2026, and that's consistent with the way Mark has tried to talk about some of the go-forward guidance around the company's overall objectives. The several things I talked about in terms of, hey, we are comfortable with the range that we've talked about in terms of a high single digit to low teens revenue growth for Wealth over time. In the medium-term, we expect to be at the lower end of that range.

BETSY GRASECK: Okay. And on the expenses?

ANDY SIEG: And you'll see expenses coming down in the business.

BETSY GRASECK: Right. Okay. And so getting to that 15% to 20% RoTCE target in the medium-term has been driven primarily by revenues, but also by expense discipline?

ANDY SIEG: Correct.

BETSY GRASECK: Okay. Anything I didn't ask you that you wanted to make sure investors are aware of and understand in the business?



ANDY SIEG: Well, I think this has been pretty thorough across the board. What I hope investors are seeing is this is a consistency in terms of the commitment to Wealth, a consistency with regard to the themes that we talked about at Investor Day, but a doubling down in terms of the rigor and intensity with which we're pursuing this opportunity in Wealth. Then we've got the talent coming online to ensure we can follow through on what you hear Jane and Mark and me talking about in terms of our intentions. And you're going to see, in the immediate term, the impact of changes that are happening here over the last nine months. Those will be visible in the quarter.

BETSY GRASECK: And we have a few in the quarter, meaning in 2Q?

ANDY SIEG: You'll begin to see this impact on expenses as we talked about.

BETSY GRASECK: Okay. Great. That's fantastic. We do have a couple of minutes left. And one thing I did not yet touch on was the global nature of the footprint. You indicated in the beginning, global several times. And can you take us through how you're thinking about the repositioning of Citi Wealth? Is it U.S. first followed by different geographies? Or is it all at the same time?

ANDY SIEG: One of the most powerful differentiators of this business relative to many that we compete with around the world is the global reach of the business. And that's so synonymous with Citi that we may have, I may have skipped over it even in the earlier part. So thank you, Betsy. When you think about wealth creation over the next 10 years, \$100 trillion of wealth creation, that wealth creation is happening in all corners of the world. Asia showing the fastest growth rate in terms of wealth creation, the largest quantum of growth happening here in the U.S. There is almost no wealth business around the world that has the global positioning that Citi does. Today, our franchise in Asia is the strongest and fastest-growing part of our Wealth business, not surprisingly. We're going to play to that strength. You're going to see us across our lines of business, lean into the global reach of the company in different ways. In the Private Bank, in particular, I mentioned we serve 25% of the billionaires in the world today. One of the primary reasons that they look to us is we're uniquely positioned. If you are a successful individual who is living and has built your wealth in Hong Kong, but you've got kids who are going to school in the U.S., you've got businesses that you're thinking about acquiring in Europe, Citi is the partner that can put a single team in front of you and have a global conversation in a very seamless way, ensuring that the areas of the world that we're talking about are places where we are present on the ground and have very deep roots. And again, we're leaning into that global coverage as something that is really an only at Citi capability to offer.

But as you would expect, even in a market like the U.S., which is just the largest, deepest wealth market. There are many areas of the U.S. where the businesses our clients have are reaching around the world in ways that they couldn't have imagined 10 years ago. And therefore, opening the opportunity for Citi to be a very relevant bank for them to consider today. We didn't talk much about the Citibank retail presence in the U.S. But if I think across the six markets where we have Citibank presence, this has enormous relevance and potential for building our Wealth business. Citi today has an average customer with almost 2.5x the affluence of other banks. While we only have 600 branches, they cover over 40% of the high-net-worth market in the U.S. And as we think about growing Wealth, the relationship between Citibank Retail and Wealth, even in the U.S., this is going to be a substantial part of our growth story. Today, our Citigold business in the U.S. is showing almost 10% organic growth in its investments footprint. And it's coming through this partnership where we can show our wealth capabilities to our retail bank clients, and they're responding to that by bringing in more dollars.



BETSY GRASECK: Super. Well, thank you so much for your outlook, your strategic vision, and we look forward to watching your results in the near-term and medium-term.

ANDY SIEG: Thank you. Betsy, thank you very much. Very much appreciate it.

BETSY GRASECK: Thank you, Andy.

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