TRANSCRIPT

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Speakers
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PRESENTATION

GERARD CASSIDY: Citigroup really doesn't need much of an introduction, nor does Mark, but with us today is Citigroup, has total assets of about $2.4 trillion. The company is obviously one of the largest global banks, headquartered here in the United States with over 229,000 employees. The market cap, I know this was priced a couple of days ago, so the market cap is down a little bit, but about $150 billion. And more importantly, it's CET1 ratio is a very strong, healthy 13.6%. So with us is Mark Mason, the CFO of Citigroup. Mark became CFO in 2019 and he joined Citigroup about 24 years ago in 2001. So Mark, thank you again for coming. Really appreciate it.

MARK MASON: Thank you, Gerard. Great to be here. Good to see you.

GERARD CASSIDY: The timing for a global bank to be with us today couldn't be better from what's going on in the market.

MARK MASON: There is a lot going on, yes.

GERARD CASSIDY: So maybe with your unique footprint, can you talk about the current macroeconomic environment that you guys are seeing in the U.S. and globally. What are you hearing from clients, both companies, consumers and so on?

MARK MASON: It's interesting when we entered the year, we looked at kind of global growth being generally consistent with what we saw last year, maybe a tad lower as we thought about what 2025 would look like. And if you take a step back, the U.S. and corporate balance sheets are very, very strong. The consumer has proven to be quite resilient.

There certainly was, and still is I think, a pro-growth agenda as we've thought about the opportunities in the U.S. and how they're likely to play out. Europe was kind of a mixed bag. Southern Europe probably had some prospect for growth opportunities as we thought about the year. And then in parts of Asia, like emerging markets seem to present some growth opportunities as well. China is kind of subject to how the stimulus and other things kind of play out. So we came into the year with a positive outlook, growth probably trending a bit lower than what we saw in 2024. The big wild card as we entered the year was how policy would likely play out and evolve with the new administration coming in. Everything from regulation to taxes to immigration to tariffs, and what all of those things might mean for that growth trajectory in the U.S. and outside of the U.S. And so that's still kind of the big category of uncertainty even as we sit here today and see some of the tariffs that were just announced this morning or last night.

GERARD CASSIDY: In fact, talking about the tariffs, do you have a sense of the potential impact and how you guys are viewing with, like you said, it came out last night and how you're trying to navigate through this kind of environment?

MARK MASON: Yes, you know it's interesting. So we spend a lot of time and have spent a lot of time talking to clients, as you alluded to in your first question, and they too shared that intimate kind of leading into where we are now in terms of concern around what tariffs ultimately look like, right? And so obviously, the U.S. has taken a position on tariffs, but we're also seeing a number of retaliatory actions continue to come into play. There's still the prospect for even additional tariffs to evolve over the course of the balance of the month. And so as we sit here, there's still a fair amount of uncertainty as to how all of that plays out.

From a client point of view, the conversations we've been having have been around everything from near-shoring to changing the direction or corridors that they rely on for trading, to investing in the U.S. in some instances, deciding to hold off on investing in the U.S., a whole range of perspectives from clients, depending on how they're positioned. I bring that up as I answer your question because we're part of those conversations. And if you think about what we do at Citi and in particular, our Services business, our Treasury and Trading Solutions business, TTS business, that is around covering large multinational clients in over 95 countries and providing them with trade financing, working capital needs, their liquidity needs, their payment needs, et cetera. And so as they think about what tariffs might mean for their footprint, as they think about what tariffs might mean for their trading partners and counterparties, we're part of that conversation. And more than being part of it, we're in the countries where they're likely to reconsider how their business model needs to evolve. And not only are we in the country, we have banking licenses in those countries. We not only help them do business in and out of those countries, but within those countries. And in many instances, we've been in those markets for over 100 years.

The final point I'd make on this is that there are aspects of this that aren't new, that aren't foreign to us, right? We've been in environments before just a number of years ago, where we've had a number of tariffs that were introduced. How they ultimately evolve we have to see, but we have the playbook, so to speak, on how we serve and engage our clients in these types of environments. And so while we run all types of scenarios at Citi, and we think about risk, and we think about what it might mean for growth, and what it might mean for our revenue trajectory, and what have you, what's really most important right now is that we're in dialogue with our clients as they're trying to think about how they're going to navigate through this. And so from that vantage point, we are well positioned to help them through this.

GERARD CASSIDY: You bring up TTS and how successful you guys are in that business. And you mentioned that you're in over 90 countries. Is there any country that you need to, or would like to expand into, or no, the table that you have is pretty darn good.

MARK MASON: We feel very good about the footprint that we're in. We are in those 95 countries because that's where our clients need and want for us to be. There's still opportunity with our existing clients as, again, as they rethink or as they think about what their growth looks like to grow in new markets for them, but where we have a presence. And there's also a big opportunity that we don't talk about a lot with the middle market commercial banking segment with the same offering that we have for those large multinationals, but providing them to that client set, as they grow in North America or other parts of the world, again, is a unique opportunity for us even in an environment where we're seeing the type of tariff activity that we're seeing.

GERARD CASSIDY: That's an interesting point you just made because we all know about middle market here in this country and how big it is, granted the U.S. is the largest economy. But is the middle market in other countries that you're operating in as vibrant as it is in this? Or are they more of the multinational when you think about that?

MARK MASON: We have a good footprint in middle market outside of the U.S. In fact, the biggest opportunity for us in the space is probably in the U.S., so we're larger in other countries and other regions in the middle market and have been for years and have grown for years. We manage that risk very tightly. We're selective about those types of clients and partners where we do have a presence, but the big opportunity for us is here in the U.S. And by the way, those clients are growing internationally more rapidly than they ever have been before with technology and innovation and how that allows them to access markets outside of the U.S.

GERARD CASSIDY: One of the big setups coming into 2025 was obviously with the election and the changes in Washington from a regulatory front. And we know new heads of different agencies are going to be confirmed over some period of time. Can you share with us your guys' view of what you're hearing, seeing and the direction it's going? And then second, maybe also talk about the CCAR/DFAST stress test for the transparency and how that might help Citigroup in that test too.

MARK MASON: So I don't think I have any more information than anyone else would have in terms of what they read about in the press. I guess what I would say, there are a couple of things that are important, right? So one is ensuring kind of the continued safety and soundness of the financial system, right? So whatever the change in regime looks like, I would imagine that's going to remain a top priority, and it should. It's really important. The second thing I'd say is ensuring that the U.S. and the banking system here remains competitive, right, that we don't disadvantage our financial system from systems outside of the U.S., I think that's an important priority as we think about the evolution of regulation.

I think the third thing is that they take an analytically driven approach to how we think about these different levers that impact regulation. So how we think about G-SIB, how we think about Basel III Endgame, how we think about the leverage ratio, right? All of those things need to be taken, I think, from a deeply analytical approach in terms of the implications, not just on capital, but on banks' willingness to drive growth and to lend and activity for consumers and corporate clients and the like, right? So I think that's important.

As it relates to CCAR/DFAST, look, I think the sentiment around transparency, the sentiment around tapering off the volatility that we see in the stress capital buffer are very important sentiments that I hope we hold on to, the regulators hold on to, right? Why? Because those things impact our ability to do capital planning and capital management and ensure that in a safe and sound environment, we're able to maximize shareholder value in a responsible fashion. So my sense is that the sentiment is aligned with that, and my hope is that it stays that way. And so that's kind of how I see it.

GERARD CASSIDY: No, that's very helpful. In the fourth quarter, you guys announced a sizable buyback [program], $20 billion. You also pointed out in the fourth quarter earnings call, doing about $1.5 billion per quarter in terms of the buyback. What holds you back from doing more? Or what are some of the things you guys are thinking about to maybe accelerate that or do even something in the future that's even larger?

MARK MASON: So I was happy that we announced the program at $20 billion. We also, as you mentioned, increased the level of buybacks to $1.5 billion this quarter. We continue to look at that on a quarterly basis. But I think the announcement of the program really speaks to continued confidence in the earnings generation and the earnings power of the franchise. And so that's why I'm actually pleased that we were able to do that. As I think about that, the $1.5 billion is higher than where we had been trending, and we obviously have a CCAR process that's being run now and we'll have clarity on what that stress capital buffer looks like sometime in June and maybe some of the regulatory changes allow for that to be averaged or however that plays out. And that will inform, I think, the level of buybacks in the back half of the year. Again, it's right now, there's still not a lot of transparency on those models, right? So the predictability even knowing what the scenario looks like is still difficult, and so I want to see how that plays out. The CET1 is at 13.6% right now, that's 150 basis points above the reg requirement, it's 50 basis points above our management requirement. I would expect that subject to how SCB plays out, I think I've said it already, I'm going to work that down to what the management requirement is. Our objective here is to make sure that we have capital to deploy to growth opportunities that are accretive, that are client-driven and/or to return to our shareholders in the form of buybacks. And I've got a particular bias towards the latter given where we've been trading.

GERARD CASSIDY: Right. Absolutely. And coming back to the stress capital buffer comments, should we not get our hopes up that we'll see a lot of transparency this year and it's more maybe next year that we'll get the transparency that we're all hoping for. And any sense on that?

MARK MASON: My guess is that we'd see the transparency next year. But hard to know, hard to tell, but that would be my guess. I've read what you've read in terms of the possibility of some averaging and some, maybe some changes as it relates to the 2025 cycle, but that's just my guess.

GERARD CASSIDY: Got it. We're two months into the quarter, maybe if you could give us an update on how the quarter is progressing, capital markets, investment banking, other parts of the business that you'd like to call out as well?

MARK MASON: Sure. Well, there's still a month left, right, to kind of play out, or a little bit less than a month to play out. But as I think about what we've seen so far quarter-to-date in Markets, we've seen good momentum in FICC, particularly in Rates and FX, as well as in Equities, driven by Derivatives and Prime balances. So good momentum there. I think I'd say, again, based on my forecast for the balance of March, that we're probably looking at revenues up mid-single digits on a year-over-year basis.

When I think about IB fees, you’ve got to keep in mind in investment banking, we had a really strong quarter last year. And so as I sit here with good dialogue, good activity in M&A, some good activity as it relates to IPOs, and the M&A has a lag to it, so you can kind of count on that revenue, although I will say the pipeline looks pretty good as well. On the debt capital markets piece, again, relative to last year, that's a bit slower, but last year was a really strong year. And so we're looking at, for IB fees probably flat year-over-year in terms of revenues.

Let's see, cost of credit is pretty consistent with where consensus is, so a little bit higher than $2.5 billion or so. And that's pretty much what we see at this stage.

GERARD CASSIDY: Coming back to the M&A part, when you talk to the investment banking guys, is there any sectors in the economy that are more apt to have more M&A, whether it's industrials or healthcare or retail?

MARK MASON: I'll kind of answer your question a little bit differently because I think we've been seeing really good return on investment. What I mean by that is, we've made investments in healthcare, energy and building out our teams. We've been focused on LevFin, we've been focused on sponsors, and we've seen really good momentum in investment banking activity in those sectors, and we'd expect that momentum to continue.

GERARD CASSIDY: Shifting to the total year 2025, you guys have given us a guide on revenue, $83.5 billion to about $84.5 billion. What are the puts and takes on that as you see it now sitting here in March and with NII and so forth?

MARK MASON: Yes, sure. So, you got the numbers exactly right. $83.5 billion to 84.5 billion, we try to give a range just because there's some uncertainty obviously around there, but also we run a variety of scenarios in order to inform that range. That's consistent top-line growth on the heels of 2024 and part of our medium-term story is continuing that top-line momentum.

When you take that revenue forecast apart, NII ex-Markets, we're looking at roughly 2% to 3% growth there. There are a couple of drivers of that. On the tailwind side, we'd expect to see continued loan growth, particularly in Branded Cards. So that's a contributor. We'd expect to see continued deposit growth in our Services business, think about operating deposits as we continue to do activity with those clients around the world. I've talked before about the opportunity to reinvest our investment securities into higher-yielding assets as those roll off and mature. And so those are a couple of the tailwinds that will contribute to that NII ex-Markets. On the headwind side, you have short-term rates, both in the U.S. and outside the U.S., so that will be a factor. You have FX, kind of depending on how that evolves. You have the late fees around cards and depending on kind of what happens with that, that flows through as well. So those are the puts and takes that kind of get us there and obviously, beta management and deposit pricing is a factor, but that gets us to that 2% to 3% top-line growth.

On the NIR ex-Markets, it's really the couple of things that we talked about before. So assuming a constructive wallet in investment banking, we'd expect to see continued fee growth there, particularly around some of those sectors that I mentioned where we've invested in talent, and we're seeing the payoff of that. On the Services side, we've seen good activity in terms of commercial card spend and the like, and client flows have been very good there, and so that will drive continued fee growth. And then on the Wealth side, and that's really about how do we continue to grow our net new investment assets and the broader fee investment revenues across that franchise. And you've seen how we've been bringing in a lot of talent there, that's both new and existing clients that we're bringing on board, and we're getting some good momentum and investments. So those are the puts and takes.

And Markets had a really strong year last year, up 6%. And we'd expect to continue to see us preserve our leadership position on FICC and really continue to gain momentum in Equities.

GERARD CASSIDY: It's interesting, you mentioned markets and you talk about NII ex-Markets, and FICC is one of your real strengths, is that where the NII in Markets is primarily driven? From your FICC line of business?

MARK MASON: There's a mix, but yes, FICC drives a big part of that. And again, we talk about it, we talk about Markets from a total revenue point of view because how these trades and positions get structured can influence whether the revenue is showing up in NII or NIR, right? And that's true both for FICC and for Equities, but that's kind of why we try to talk about it in aggregate revenue.

GERARD CASSIDY: Got it. The other focus point that you guys have had success with is controlling expenses.

MARK MASON: Thank you.

GERARD CASSIDY: You're welcome. And you've given us guidance that you could come in slightly less than the $53.8 billion, but simultaneously you're investing in technology as well. What are some of the ins and outs of how you're growing the technology spend, but keeping that total number down?

MARK MASON: Thank you for the question, it's an important topic. We obviously talked about, we bent the curve last year, we talked about bringing our expenses down a tad bit this year. Similar to revenues, there are puts and takes on that. Important to point out, we are investing in data, we're investing in the transformation and data related to the transformation. We're investing in technology, and that's both technology to support the infrastructure and the operational overhaul that's behind the transformation, but also technology on the front-end as it relates to product innovation for our clients. And then there's volume-related expense growth that's tied to that top-line revenue range that I've given. So those are a number of the things that kind of bring your expenses up, so to speak.

On the other side, we have the org. simplification and the continued benefit, if you will, of lower expenses from that, as well as the stranded costs that we've been driving out of the organization as we exit countries and exit businesses. And then the final piece is productivity. So we've been investing for a number of years now and that investment, the automation that we're actually putting in place and have been putting in place will yield productivity saves that come from that. So those are the puts and takes. We're very, very focused on managing those expenses in a disciplined, responsible way. We know we have to continue to make the investment in transformation and in data and regulatory reporting, but it absolutely means that we should also be finding efficiencies to fund that, and that's what the slightly down year-over-year reflects.

GERARD CASSIDY: Got it. Very good. Maybe coming back to credit, again. You mentioned what the cost of credit likely will be in the first quarter. What's the view as you go forward on credit quality, both in the consumer and the credit card side, Branded Cards versus the Retail [Services], and commercial. You've obviously done well in commercial on the credit side. So what are you guys kind of thinking about as you think about credit in general?

MARK MASON: So look, I feel very good about both our risk management tools, approach, risk appetite. We've spent a lot of time over the past number of years really solidifying that and I think it works quite well. When I look at our reserves, we got over $22 billion in reserves, we're well-reserved for both portfolios, our cards portfolio, our corporate portfolio, so I'm not worried about that. There's obviously a process we run around CECL and what have you that continues to inform that, but I think that's a very robust, well-controlled process.

When I look at the consumer portfolio, we've given a range and expect to be on the high end of that range, just given where we are in that cycle. So Branded Cards, that's of the 3.5% to 4% is closer to 4% that we expect to be. On the Retail Services side, the top end is at 6.25% or so. If I think about how that's likely to play out, we're likely to see the higher loss rates in the first half of the year versus the back half of the year, that's the trend we normally see. But I feel very good about our risk profile. We tend to play on the higher end of the consumer segment, and we're managing that well.

GERARD CASSIDY: Yes. Very good. Maybe moving over to Mexico. Any updates you want to provide on the process you're going through, obviously, with the IPO for Mexico?

MARK MASON: I think what I'd say, and you heard us talk about it a little bit in the fourth quarter earnings, we made very good progress in kind of getting through the separation in December, we continue to do everything that we need to do to be ready to have this go to IPO. There are obviously things that we won't be able to control, but in terms of F-1 filing, standing up the appropriate kind of disciplines in the business so that this can be a standalone company, all of those things are continuing to progress through the year in accordance with our expectations.

Again, the unknown is going to be the broader macro environment, as well as the approvals that will be required in order for us to dual list this in the U.S. and outside of the U.S., but I think it's important to point out because Mexico comes up a lot, we've gotten out of 9 countries already. This is a good business, right, it's a good business for us. It is a growing business, it's a profitable business, it's a return accretive business for us relative to where Citi’s returns are, and I don't want to lose sight of that. And the reason I bring it up is because we're not going to make a rushed decision, we're going to make a decision that's in the best interest of our shareholders, right? But we're going to be ready, right, in the timeline that we've discussed.

GERARD CASSIDY: And can you remind us, obviously, it will be a partial spin-off you'll still have a large ownership stake in the subsidiary for a number of years.

MARK MASON: We'll do the IPO in tranches, it kind of depends on the appetite, 15% to 20%, I think, is what you would traditionally see in that first tranche and then similar amounts subsequent to that. And so that's kind of how we expect for it to play out.

GERARD CASSIDY: And there's no regulatory reasons to do it that way, it's just market conditions and your desire?

MARK MASON: Exactly, exactly.

GERARD CASSIDY: So it could theoretically, if it was really strong markets, it might be faster than that, if possible.

MARK MASON: That's right.

GERARD CASSIDY: If we could take a step back and talk about the progress that you've made since 2022 on improving the ROTCE for Citigroup, and now the targets that you have set for 2026 at 10% to 11%. Where are we on that path?

MARK MASON: Look, I think we are making very good progress on that, right? If you think about what we talked about at Investor Day, we've gotten out of most of the countries that we had identified to exit through either sale or wind-down or whatever, and so we made very good progress on that. So much so that we went ahead with the org. simplification, which now aligns kind of those five segments with the strategy that we had announced. We've continued to deliver top-line growth that's generally consistent with that revenue growth trajectory that we discussed. We had positive operating leverage last year in every one of our five businesses. In addition to the 4% top-line growth there, we've bent the curve on expenses there. We made progress on the transformation, albeit the need to invest more, right? And we've continued to return capital, right, and have increased that along the way. And so I feel very good about the progress that we've made against what we talked about at Investor Day in a very different environment, right? Which I think is important to not forget as well because I think what it reflects is the resiliency of our business model. And that resiliency, but also the significance that the business model brings to our client set as the unpredictability of the world we sometimes live in continues to play out. So I feel very good about that.

As you mentioned, the return targets are 10% to 11% in 2026. We were up 200 basis points last year at 7%. I think if you look at kind of the guidance we gave for this year, that would probably get you another 100 basis points or so. And I think as we continue that top-line momentum, expenses coming down to something less than $53 billion and continuing to return capital, but also realize some of the benefits in capital from the exits that we've made, I think we are on the right path to getting to that 10% to 11%, and I feel very good about it.

GERARD CASSIDY: Yes. Assuming that the regulatory environment comes in and not just for Citigroup, but for all the banks, the capital levels come down, the required capital levels. We're not talking 2004, 2005, but just come down, would that give you then more ammunition to hit this target or even exceed it if the capital that you have to carry won't be the 100 basis points that you want to carry over the required level? How do you guys think about that going forward?

MARK MASON: So I've assumed kind of a 13.1% CET1 ratio. And so, to the extent that we're bringing that down, that gives us some opportunity inside that range and perhaps even beyond that range.

GERARD CASSIDY: Absolutely, that's great. We're running out of time here, Mark, but maybe just the final question is what are the main points you want investors to take away from this conversation as they're looking about your stock and the value of that stock?

MARK MASON: So there are a couple of things, I think. One is that we continue to put proof points on the board, right? So what Jane and I have talked about is being very transparent with our investors, very clear on our strategy and very focused on the execution against it. And that means giving guidance and importantly, driving our business to delivering against that guidance that we've given and where that doesn't play out, being transparent about it. So that's kind of one.

The second thing is that we're showing the resiliency and momentum in each of our businesses. And so when you look across those businesses, you look across Services, a 20-plus percent RoTCE business pretty consistently. You look at the growth we're starting to see in our Wealth business. You look at the Banking business, and we talked about kind of when that wallet starts to turn and continuing to gain share there, we're delivering on those things.

We're being disciplined about how we spend our money and resources, right? And you see that again in the bending of that curve that we demonstrated last year and the point you raised in your question, balancing the importance of investing with driving efficiencies outside of the organization.

And then lastly, that we're keenly aware and focused on how we deploy our capital and importantly, the return of that capital to shareholders, right? And so our interest, I think, are inextricably aligned with that of our shareholders, and we're executing in a fashion that reflects that.

GERARD CASSIDY: Great. With that, we hit the red zone. So that means we're out of time. So please join me in a round of applause. Thank you Mark for coming.

MARK MASON: Thank you.

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