TRANSCRIPT

Citi Fourth Quarter 2024 Earnings Call

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Host
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Speakers
Jane Fraser, Citi Chief Executive Officer
Mark Mason, Citi Chief Financial Officer

PRESENTATION

OPERATOR: Hello and welcome to Citi's Fourth Quarter 2024 Earnings Call. Today's call will be hosted by Jenn Landis, Head of Citi Investor Relations. We ask that you please hold all questions until the completion of the formal remarks at which time you will be given instructions for the question-and-answer session. Also, as a reminder, this conference is being recorded today. If you have any objections, please disconnect at this time.

Ms. Landis, you may begin.

JENNIFER LANDIS: Thank you, operator. Good morning and thank you all for joining our fourth quarter 2024 earnings call. I am joined today by our Chief Executive Officer, Jane Fraser, and our Chief Financial Officer, Mark Mason.

I'd like to remind you that today's presentation, which is available for download on our website, citigroup.com, may contain forward-looking statements which are based on management's current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from these statements due to a variety of factors, including those described in our earnings materials as well as in our SEC filings.

And with that, I'll turn it over to Jane.

JANE FRASER: Thank you, Jenn, and a very good morning to everyone. I am going to start with the macro backdrop, and then walk you through our results for the full year. I will share some thoughts on the progress we are making executing our strategy and then conclude with why we have decided to adjust our 2026 return target.

We entered 2025 with strategic clarity and good momentum across all our businesses. From the global macro perspective, economies have done a good job tolerating hikes from central banks, and inflation has clearly been receding. While policies will certainly impact economic activity, whether in the form of tariffs or taxes, 2025 doesn't look that different from '24.

The U.S. remains at the heart of the macro picture. Growth is not only being driven by the higher end consumer, but also by a strong, innovative corporate sector. China's growth has been slower than expected but there is still the prospect of further stimulus. Europe continues to underachieve. And many emerging markets have re-emerged as bright spots, a trend which certainly benefits us given our global network and deep presence in countries such as India and throughout the Middle East and ASEAN. I told you 2024 was a critical year and I am proud of what we accomplished and how our businesses performed. We finished with a very strong fourth quarter, which Mark will detail shortly.

For the full year, our net income was up nearly 40% to $12.7 billion. We exceeded our full-year revenue target with revenues up 5% ex-divestitures. Fee revenue was up 17% and we saw a smaller impact from Argentina's currency devaluation. We delivered expenses within our guidance and improved our efficiency ratio by 340 bps whilst increasing investment in our Transformation. Our ROTCE grew over 200 bps, albeit from a low level. Our five core businesses each generated positive operating leverage for the full year, which we also achieved at the firm level.

Services was up 9% and had another record year, despite the lower rate environment, as a result of new mandates and our emphasis on fee growth. We grew share in both TTS and Securities Services.

Capped by our best fourth quarter in a decade, Markets was up 6%. The performance of this franchise in a low-volatility year shows the benefits of our diversified product mix.

Equities was strong throughout and was up 26% in what was a record year for us.

Banking was up 32% as we gained share across all three investment banking products. And we announced an innovative $25 billion private credit partnership with our longtime client Apollo. Under Vis' leadership, we expect to continue to gain on our competition in 2025 and beyond.

2024 was the turning point for Wealth, as we sharpened our focus on investments, right-sized the expense base, and improved the client experience. Revenue was up 7% for the year, including fee growth of 18%. Citigold and Asia were particularly strong and Net New Investment Asset flows grew a very pleasing 40%. We attracted top talent throughout the year in Wealth, most recently bringing in Kate Moore as our CIO and Anne McCosker as our Head of Lending. This business has tremendous potential with both new and existing clients, and we are really leaning into it.

USPB revenues were up 6% driven by borrowing across both card portfolios and by fee growth. We announced a 10-year extension of our co-branded partnership with American Airlines, ensuring that this valuable relationship enters into its fifth decade. With the acquisition of the Barclays portfolio, we will become AA's exclusive partner in 2026 and we expect to deliver more value for our cardholders and higher returns for our shareholders as a result. We grew our Tangible Book Value per share by 4% and ended 2024 with a CET 1 Ratio of 13.6%, approximately 150 basis points above our regulatory capital requirement.

After repurchasing $1 billion in common shares during the fourth quarter, we returned almost $7 billion in capital to our common shareholders in 2024. Given how committed we are to returning capital, I am particularly pleased to announce that our Board authorized a $20 billion share repurchase program.

You can see the very tangible progress we are making in executing the strategy that we laid out at our Investor Day three years ago. We have materially simplified our firm since then. We exited consumer businesses in nine countries, and near completion of our wind downs in three and are on track to exit the final two. This includes Banamex, which we legally separated from our institutional business in December. We are now fully focused on getting ready to IPO, with the timing heavily dependent on regulatory approvals and market conditions of course.

To align our structure with our strategy, we went through a significant simplification of our organization, removing management layers and the regional construct. This has accelerated decision making and made us a better partner to our clients.

We have strengthened our culture by better aligning compensation with our shareholders' interests, enhancing our scorecards to ensure we are delivering for clients. We attracted top industry talent throughout our organization and that includes new leaders around my table for Banking, Wealth and Technology. We have raised the bar on what we demand from each other and what we expect to deliver to our clients.

We have continued to innovate to improve the client experience and our efficiency. We are now live with Citi Payments Express in 18 countries, and have converted four million retail bank customers to our Simplified Banking platform in the U.S. We accelerated our use of AI, arming 30,000 developers with tools to write code and launched two AI platforms to make 143,000 colleagues more efficient.

The investments we're making to modernize our infrastructure, streamline processes and automate controls are changing how we run the bank. We consolidated our balance sheet reporting to one unified ledger. We implemented a cloud-based solution for risk analytics to better value trading assets. We have closed out three long-standing consent orders. Our capital, liquidity and reserves are robust. Our focused strategy, simpler structure and targeted client selection have all reduced our risk profile significantly.

We have made considerable progress on our Transformation. While there are areas that are more advanced, there are others where we still have a lot more work to do, particularly around data and regulatory reporting, as last summer's regulatory actions reinforced. We have reviewed the entire data program and made changes to its governance and structure as well as increased the level of investment.

As CEO, I want this company set up for long-term success and to ensure that we have enough capacity to invest for that. In terms of expense guidance therefore, most of the saves from the org simplification and stranded costs will be used to fund the additional investments we need to make this year in both transformation and technology. As a result, we expect our total expenses in 2025 to be slightly below the 2024 level and to deliver another year of positive operating leverage. We expect our elevated expense level to be temporary and for it to keep coming down beyond 2025.

However, when we take the required investments into account, we now expect our 2026 ROTCE to be between 10% and 11%. The 2026 ROTCE is a waypoint; it is not a destination. Our intention is to continue to improve returns well above that level and we are accountable for doing so. We are relentless in our determination to run the bank more efficiently, fulfill Citi's potential and meet the expectations of our shareholders.

Before I turn it over to Mark, I'd like to acknowledge the catastrophic wildfires in Los Angeles. Many of our clients and several of our colleagues have lost their homes and we will do whatever we can to help them recover from this devastating event. They and their loved ones are in all of our thoughts at Citi.

Now, over to Mark.

MARK MASON: Thanks, Jane and good morning, everyone. I am going to start with the fourth quarter and full-year financial results, focusing on year-over-year comparisons unless I indicate otherwise. I'll also focus on our current expectations for 2025 and 2026.

On slide 7, we show financial results for the full firm, which reflect improved performance both in the quarter and the year. As a reminder, in the fourth quarter of last year, revenues were significantly impacted by Argentina currency devaluation. Adjusted revenues and non-interest revenues for the full firm and Services are shown in the appendix of the earnings presentation on slide 36. This quarter we reported net income of $2.9 billion, EPS of $1.34 and an RoTCE of 6.1% on $19.6 billion of revenues, generating positive operating leverage for the firm and in each of our businesses. Total revenues were up 12%, driven by growth in each of our businesses and a smaller impact of Argentina currency devaluation.Net interest income excluding Markets was roughly flat, with growth in USPB and Wealth offset by declines in Corporate Other and Banking. Non-interest revenues excluding Markets was up 40%, driven by continued strong fee momentum across Services, Banking and Wealth along with lower partner payments in USPB as well as a smaller impact of Argentina currency devaluation. And total Markets revenues were up 36%. Expenses were $13.2 billion, down 18%, largely driven by the absence of the FDIC special assessment and restructuring charge in the prior year. Excluding the impact of the FDIC special assessment and divestiture-related impacts, expenses were down 7%, driven by the absence of the restructuring charge in the prior year and savings associated with our organizational simplification, partially offset by higher volume related expenses. Cost of credit was $2.6 billion, largely consisting of Cards' net credit losses and ACL build. At the end of the quarter, we had over $22 billion in total reserves with a reserve-to-funded loans ratio of 2.7%. And on a full-year basis, we delivered $12.7 billion of net income with an RoTCE of 7.0%.

On slide 8, we show full year revenue trends by business from 2021 to 2024. This year, we delivered $81.1 billion of revenue, up 5% on an ex-divestiture basis, driven by growth in each of our businesses and a smaller impact of Argentina currency devaluation. Services revenues increased 9% to $19.6 billion, benefiting from a smaller impact of Argentina currency devaluation, fee growth and higher deposit volumes. Markets revenues increased 6% to $19.8 billion, primarily driven by growth in Equities, which had its highest annual revenue in a decade, and Spread Products. Banking revenues increased 32% to $6.2 billion, largely driven by growth in Investment Banking, with fees up 42% as we gained approximately 50 basis points of share on an increased wallet. Wealth revenues increased 7% to $7.5 billion, primarily driven by a 15% increase in non-interest revenue as we continue to grow client investment assets. USPB revenues increased 6% to $20.4

billion, driven by growth in Cards, as we continue to see strong customer engagement and an increase in interest-earning balances, as well as lower partner payments. Overall, this year demonstrates another year of performance consistent with our medium-term target of 4 to 5% annual growth and the value of our diversified business model.

On slide 9, we show the full year expense trend from 2021 to 2024. Excluding the impact of the FDIC special assessment, our full-year expenses were $53.8 billion, in line with our target. Expense reduction was driven by savings related to our organizational simplification and stranded cost reduction, as well as lower restructuring and repositioning charges. Organizational simplification, stranded cost reduction as well as efforts to drive efficiencies across the businesses contributed to a net decline of roughly 10 thousand direct staff. These savings were mostly offset by higher volume-related expenses as well as investments in the Transformation and Other Risk and Controls and the Civil Money Penalties. As you can see at the bottom of the page, we spent $2.9 billion on Transformation this year, which includes investments in our infrastructure, platforms, applications, and data. Transformation investments were up 1%, driven by an increase in certain programs, including data, largely offset by a reduction in the Transformation Bonus Award. And we spent $11.8 billion on technology, focused on digital innovation, new product development, client experience and other areas such as cyber security.

Turning to slide 10, we provide details on our $2.4 trillion balance sheet, which decreased 3% sequentially, largely driven by the impact of foreign exchange translation. In the fourth quarter, we deployed some of our excess liquidity into loans, while maintaining a 116% LCR and $933 billion of available liquidity resources. Our $1.3 trillion deposit base remains well-diversified across regions, industries, customers and account types. We maintained strong capital, ending the year with a preliminary 13.6% CET1 capital ratio, approximately 150 basis points above our regulatory capital requirement of 12.1%. And for the year we returned nearly $7 billion in the form of common dividends and repurchases to our shareholders. Turning to the businesses on slide 11, we show the results for Services for the fourth quarter and full year. Services revenues were up 15%, driven by a smaller impact of Argentina currency devaluation and reflecting continued momentum across Securities Services and TTS, both of which gained share this year. NIR increased 61%, driven by a smaller impact of Argentina currency devaluation, as well as continued strength in underlying fee drivers such as USD Clearing, Commercial Card spend, Cross Border transactions, and assets under custody and administration. NII was roughly flat, as the benefit of higher deposit volumes was offset by the impact of lower interest rates in Argentina. Expenses increased 1%, driven by continued investment in technology and platform modernization, partially offset by productivity savings. Cost of credit was $112 million with a net ACL build of $84 million and net credit losses of $28 million. Average loans increased 5% primarily driven by continued demand for export and agency finance as well as working capital loans. Average deposits increased 4% as we continue to see growth in operating deposits. Services generated positive operating leverage and delivered net income of $1.9 billion and $6.5 billion for the year. And continues to deliver a high RoTCE, coming in at 29.9% and 26.0% for the year.

On slide 12, we show the results for Markets for the fourth quarter and full year. Markets saw its highest fourth quarter revenue in a decade and increased 36% with broad based gains across all products. Fixed Income revenues increased 37%, driven by Rates and Currencies, which were up 39%, and Spread Products and Other Fixed Income, up 30%, both reflecting increased client activity. Rates and Currencies also benefitted from a conducive trading environment, compared to a challenging prior year quarter. Spread Products and Other Fixed Income was driven by Credit and Mortgage Trading as well as higher securitization volumes. Equities revenues increased 34%, driven in part by strong execution of strategic client transactions in Cash Equities. And momentum also continued in Prime, with balances up approximately 23%. Expenses decreased 8%, primarily driven by lower legal expenses and productivity savings. Cost of credit was $134 million, driven by a net ACL build, primarily related to Spread Products. Average loans increased 6%, primarily driven by asset-backed lending in Spread Products as well as margin loans in Equities. Average trading account assets increased 15%, largely driven by client demand for US Treasuries and foreign government securities. Markets generated another quarter of positive operating leverage and delivered net income of $1.0 billion and $4.9 billion for the year. And delivered an RoTCE of 7.4% and 9.1% for the year.

On slide 13, we show the results for Banking for the fourth quarter and full year. Banking revenues were up 27%, largely driven by Investment Banking, with fees up 35% as we saw growth across all products. DCM was driven by continued Investment Grade issuance momentum and increased Leveraged Finance activity. ECM saw strong issuance activity particularly in follow-on and convertible instruments. In M&A, growth was driven by continued strong client engagement as well as the completion of previously announced acquisitions, given the more conducive macro environment. For the year, we gained share across regions, products and several sectors, including Healthcare and Technology. Corporate Lending revenues, excluding mark-to-market on loan hedges, decreased 24%, driven by lower revenue share and volumes, partially offset by a smaller impact of Argentina currency devaluation. Expenses decreased 9%, primarily driven by benefits of headcount reduction as we right sized the workforce and expense base, partially offset by higher volume-related expenses. Cost of credit was a benefit of $240 million, driven by a net ACL release of $247 million, primarily driven by improved macroeconomic conditions. Banking generated positive operating leverage for the fourth quarter in a row and delivered net income of $356 million and $1.5 billion for the year. And delivered an RoTCE of 6.5% and 7.0% for the year.

On slide 14, we show the results for Wealth for the fourth quarter and full year. As you can see from our performance this quarter, we are making good progress against our strategy and expect that momentum to continue. Revenues were up 20%, driven by a 22% increase in NIR as we grew investment fees, with client investment assets up 18%, including net new investment assets of $16 billion. NII increased 20%, driven by higher average deposit spreads and volumes. Expenses decreased 3%, driven by the continued benefit of headcount reductions as we right size the workforce and expense base. End-of-period client balances increased 8%, driven by higher client investment asset flows and market valuations. Average deposits increased 3%, reflecting the transfer of relationships and the associated deposits from USPB, partially offset by a shift in deposits to higher-yielding investments on Citi's platform. Average loans decreased 1%, as we continued to optimize capital usage. Wealth generated a pre-tax margin of 21% and another quarter of positive operating leverage, delivering net income of $334 million and $1.0 billion for the year. And delivered an RoTCE of 10.1% and 7.6% for the year.

On slide 15, we show the results for US Personal Banking for the fourth quarter and full year. US Personal Banking revenues were up 6%, driven by NII growth of 5% and lower partner payments. Branded Cards revenues increased 7%, with interest-earning balance growth of 7% as payment rates continue to normalize and we continue to see spend growth, which was up 5%. Retail Services revenues increased 7%, driven by lower partner payments and interest-earning balance growth of 3%. And Retail Banking revenues were roughly flat, as the impact of higher deposit spreads was offset by the impact of the transfer of relationships and the associated deposits to our Wealth business. Expenses decreased 2%, driven by continued productivity savings, partially offset by higher volume-related expenses. Cost of credit was $2.2 billion, largely driven by net credit losses, as well as a build primarily for volume growth. Average deposits decreased 18%, largely driven by the transfer of relationships and the associated deposits to our Wealth business. USPB generated another quarter of positive operating leverage and delivered net income of $392 million and $1.4 billion for the year. And delivered an RoTCE of 6.2% and 5.5% for the year.

On slide 16, we show results for All Other on a managed basis, which includes Corporate Other and Legacy Franchises and excludes divestiture-related items. Revenues decreased 34%, primarily driven by net investment securities losses as we repositioned the portfolio, higher funding costs and closed exits and wind-downs. Expenses decreased 51%, primarily driven by the absence of the FDIC special assessment and restructuring charge in the prior year, as well as the reduction from the closed exits and wind-downs. And cost of credit was $397 million, with net credit losses of $257 million and a net ACL build of $140 million, primarily driven by Mexico.

Turning to slide 18, where I will walk you through our current expectations for 2025. As a reminder, what underpins our current expectations is a reflection of a number of scenarios that include different macro and capital market environments. And based on what we know today, we expect revenues to be around $83.5 to $84.5 billion, a roughly 3 to 4% increase year-over-year. We expect a continuation of the NIR ex-Markets momentum we saw this year, driven by: Investment Banking, as we continue to gain share in areas of strategic focus – such as Healthcare, Technology as well as Leveraged Finance and Sponsors – assuming a constructive industry wallet. Wealth, supported by a continued focus on growth in client investment assets and banker productivity, which will drive investment revenue. Services, as we execute the strategy we laid out at our Investor Day in June – expanding our leadership position with large institutions and growing our market share with Commercial clients in TTS. And in Securities Services, continuing to gain share through investments in our digital and data capabilities while deepening with asset managers and asset owners.

Turning to slide 19, we expect NII ex-Markets to be up modestly this year. However, there are several tailwinds and headwinds that I will walk you through. Looking at the lefthand side of the page, we expect most of the increase to come from volume growth and mix, primarily driven by higher loan volumes in USPB, mainly in cards, and deposit volumes in Services. We expect a continued benefit from lower yielding investment securities rolling off and being repriced into higher yielding assets such as cash, loans, and securities. Partially offsetting these tailwinds are several headwinds, including various scenarios around: Lower rates, both in US and non-US, which we expect to be mostly offset by repricing actions across the franchise. As well as the potential impact of card late fee reduction and FX.

Turning to slide 20, we expect expenses to be slightly lower than $53.8 billion for 2025. Our expectations reflect continued benefits from our organizational simplification, reduction in stranded costs and productivity savings from our prior investments. However, offsetting most of these benefits are increased investments in the transformation, technology and the businesses as well as higher volume-related expenses. Embedded in our outlook for the year is roughly $600 million for repositioning, which remains elevated, as we continue to reduce stranded costs, drive efficiencies across the businesses and as benefits from investments in Transformation and technology allow us to eliminate manual processes. As Jane said, we recognize that our expense base remains elevated. And we remain very focused on bringing down our expenses each year while ensuring that we have enough capacity to invest in the company.

Now turning to slide 21, I'll talk through our expectations for returns going forward. As we enter 2025 and think forward to 2026, we continue to have a clear path to improved returns. Having gone through another robust planning process, and having provided revenue and expense targets for 2025, we want to update our 2026 RoTCE target range. In 2026 we expect continued revenue growth from both NII and NIR with drivers largely consistent with recent performance. We expect expenses to decline from 2025 and are targeting an expense level below $53 billion. The reduction in our expense base will come from a decrease in legacy and stranded costs, a more normalized level of severance, and an increase in productivity savings from our prior investments. We will maintain strict discipline on the entire expense base, looking for more opportunities to drive further efficiencies as we go into 2026. We also remain laser focused on continuing to optimize RWA but as you know, the future of capital rules and therefore requirements remain uncertain. In light of all of this, we are now targeting an RoTCE in the range of 10 to 11% in 2026. We are committed to driving positive operating leverage and improving our returns every year for both the firm and the businesses, and we will do so in a sustainable way which will set this company up for long-term success. With that in mind, as part of the $20 billion share repurchase program, we plan on buying back $1.5 billion of common stock in the first quarter. As we take a step back, 2024 represents another year of solid progress and a set of proof points towards improving firmwide and business performance, as well as continued execution against our Transformation. And as we enter 2025, these priorities remain critical as we continue to make progress on improving our returns.

With that, Jane and I will be happy to take your questions.

OPERATOR: At this time, we will open the floor for questions. If you would like to ask a question, please press star five on your telephone keypad. You may remove yourself at any time by pressing star five again. Please note you will be allowed one question and one follow up question. Again, that is star five to ask questions. We will pause for just a moment. Okay, our first question will come from Jim Mitchell with Seaport Global. Your line is now open. Please go ahead.

JIM MITCHELL: Hey, good morning everyone. Just I think as Jane noted, it seems like a material driver of the reduction in the RoTCE target in '26 is expenses. I think you kind of backed off the lower end of that, given higher investments in the transformation but also talked about it being somewhat temporary. We appreciate the below 53 for '26, but how much more is there to go beyond that in terms of eliminating parallel systems, running parallel systems, reduced consultant spend and all that stuff. Is there still that path to a 60% or lower efficiency ratio, thanks.

JANE FRASER: Happy New Year, Jim. I know you want to talk about the guidance, so let me put it into context here. Last year, you've heard me be very clear about our 2 priorities. First one is driving the business performance and the second is executing the transformation. You've seen this quarter. You've seen last quarter, you've seen the full year our businesses are delivering the progress we wanted them to. The strategy is working. We've changed the business mix. We're generating more fee-based revenues. You see that in services with NIR up 37% this year. Wealth and NIR up 15%, IBCs up 35%, an important part of the mix around the quality of our earnings.

We said Services as a crown jewel. It's delivered growth, high returns, it's taken share. It's a crown jewel. We made a strategic play and Wealth, and you've seen us very steadily prove out why we can be a force globally with a clear path to delivering the financial performance that we said we would do. We've consistently delivered on our revenue and expense targets. And I see a lot more opportunity and more upside to strengthen our business performance. We're very tangibly getting after it. We're pretty excited by it.

The second priority, transformation. I've got to tell you, I'm broadly pleased with the progress we've made in risk and compliance and accountability. Kind of excited by the work we've got going on in controls for the business as well at the moment. We've been very transparent. Data is an area we have more work to do in. We increased our investments last year, as you know. And then as part of the annual planning process, we took a big step back to reassess our plan. And I decided, along with Mark and the management team, we needed to expand the scope and accelerate some of the work to satisfy our regulators' expectations.

I'm confident that the decision to do that, it was the right one. It's the right one. It's the right one for our transformation efforts and certainly for the firm overall. I could have taken a short-term decision to cut other investments that are important for our long-term investments and competitiveness. I'm just not going to do that. You shouldn't want me to do that. And as I said in the opening comments, this '26 target is a waypoint, not the final destination.

MARK MASON: I just want to address the second part of your question, Jim, in terms of the path to less than 60%. I think Jane framed it out quite nicely in that we're building a franchise that will have continued and sustainable top line revenue momentum. We are focused on driving out the inefficiencies and stranded costs and legacy franchise expenses from the organization and the benefits from these investments we've made in the transformation will yield a lower cost structure over time as well. And so the combination of those things will get us to that targeted operating efficiency as we come out of 2026 at less than 60%. So yes, there is still a path, and we are focused on that path.

JIM MITCHELL: Okay. Great. That's very helpful. And then just maybe pivoting to the buyback great to see the $20 billion authorization. Obviously, I can't help but ask about beyond 1Q. If we do sort of get this more certainty maybe no increase in capital requirements, it does that start to help you maybe at least temporarily lower the buffer to take advantage of your trading both tangible book and getting the accretion and accelerating the buyback? Or how do you think about the rest of the year on the buybacks?

MARK MASON: Look, I'll make a couple of comments. So one, we're very pleased to have announced the buyback program at $20 billion. I think, in many ways, that is a demonstration, if you will, of continued confidence in the earnings generation and momentum that we have around that as well as the recognition that we are trading below book and not where we want to be. And you've heard both Jane and I speak to the importance of increasing and doing more in the way of buybacks. We've increased debt to $1.5 billion. I think that supports that same degree of confidence that we have in the momentum. We are constantly looking at every year on an annual basis as we go through our planning process at the management buffer that we have of 100 basis points.

And despite the last couple of quarters at running above the 13.1%, our target is the 13.1%. And so as we go through the balance of the year, as we get clarity on reg rules and what have you, you'll see us continue to manage down to that 13.1% and obviously, the 2 important characteristics that we keep on driving and that we keep in mind is the opportunity to invest more in the business at accretive returns, and where we're trading and the need to do more buybacks in order to reflect the underlying value. So target is 13.1%. We continue to look at that management buffer as the regulatory environment evolves. And we'll continue to do more in the way of capital actions as that makes sense.

OPERATOR: Our next question comes from the line of John McDonald with Truist Securities. Your line is now open, please go ahead.

JOHN MCDONALD: Thank you. Mark, just wanted to follow up on your answer to Jim right there. So when you look at the 10 to 11 ROTCE target for 2026. Is that kind of assuming you'll be around the target or like using the 13.1% as the target? And then longer term, you hope to bring that target down as rules get clarified and the franchise gets simplified?

MARK MASON: Hey John, good to hear from you. In fact, yes, the 10% to 11% ROTCE target we've set for '26 does assume that we are running and using a 13.1% CET1 ratio obviously, there'll be an SCB that comes out sometime later this year. The rules are continuing to evolve and what have you, and we'll factor those in as we know more about them. But yes, it does assume the 13.1% which is our management target, if you will, for CET1.

JOHN MCDONALD: Okay. Great. And then my next question is, could you clarify what you're expecting this year for card net charge-offs understand the quarterly cadence has seasonality. But for the full year, it sounds like you're expecting the charge-offs to be in the range of last year's guidance. Can you just kind of clarify that? And then maybe just talk about provision build, which you had a lot of in 2024 and whether that could slow down as the maturation of balances slow down? Thank you.

MARK MASON: Sure. So in terms of the net credit losses and the forecast that we have, we are expecting that the net credit losses will be at the high end of the range that we've given. So in the case of branded cards, that 3.5% to 4% is the full year range that we've given in the case of retail services, it's 5.75% to 6.25%, excuse me, and so right now, Retail Services is at that high end at6.28% for 2024. We'd expect it to stay at that high end although I'm sorry, and then on branded cards, we're at 3.64%, we'd expect it to creep up to about the 4% level over the course of the year. But remember, that is a full year NCL rate, and we know that there's seasonality through the quarters. And so you'll see movement through the quarters based on that dynamic.

And then just in terms of the provision build, there are a couple of drivers there. One is obviously volume, and we do expect to see volume growth in USPB. So that will be an important factor in how the CECL calculations are done. And then the second driver is obviously, as you know, we run models and the models they have a base scenario. They have a downside and upside scenario depending on the broader macro factors, unemployment, GDP, et cetera, et cetera, and are weighting towards the likelihood of high or upside or downside scenario, those factors become important considerations in the provisioning. And so that's kind of how we think about that going into '25. I hope that helps.

OPERATOR: Our next question will come from Mike Mayo with Wells Fargo. Your line is now open, please go ahead.

MIKE MAYO: Hi, just a clarification. So you are guiding for 3 consecutive years of lower expenses including that $600 million repositioning this year. So they were down in '24, you're guiding them lower than '25 and you guide them lower than '26 again, and you're also guiding for 3 consecutive years of higher revenues based on what you said. I didn't see that in the written materials, but I think I heard you say that, Mark. So 3 years of lower expenses, 3 years of higher revenues to at least '26. Is that correct?

MARK MASON: Yes, that is correct. No, I think you described it correctly. Like we're seeing continued momentum on the top line. and we're focused on continuing to bring our expenses down just as we did in '24, a tad bit in '25 and then more in '26.

MIKE MAYO: All right. And then I guess this is for Jane. Well, that beats haggis on toast, if you achieve that. But I'm wondering why that efficiency might not improve even more. I mean if you have $5 billion of stranded cost and transformation costs in 2024 and some of that goes down. I heard you're investing in tech and transformation and volume and the businesses. And there's always a trade-off between the bottom line results you showed today and the growth you show in the future, and it seems like you're going to get this done, the lower expenses while you're leaning into a little bit extra growth. So talk about that trade-off and where you're leaning in for growth a little bit more.

JANE FRASER: First of all, I'm a little disturbed by your comment about haggis on toast. It's haggis with mashed potatoes and whiskey, just to be clear for everyone. It's Robert Burns night coming up soon. On expenses, Mike and everyone expenses are a focus not just for Mark and I, but for the entire management team. We're making sure that focus and discipline is really getting installed and instilled into the DNA of Citi. And you've seen that, as you referenced, we've been meeting our expense guidance over the last couple of years, we've been driving positive operating efficiency.

We're all very focused on improving our operating expense base. Consolidating technology, the simplification work, automation, getting different utilities put in place rather than fragmented around the firm using AI tools now our location strategy, right? So that core operating expense base is something that we're really looking at how do we drive to be more efficient, more modern and getting it to the level it should be for the revenues that we generate. We all want transformation to get done quickly, and we want it to get done right. So that is why our expenses are temporarily elevated to make the investments that needed there. This is not all run rate.

And as you say, as CEO, I will not sacrifice the right long-term investments in our growth and competitiveness for short-term expediency. This is a way point. It's not a destination. And we know what we need to do. We've got our arms around all of this, we're just getting on with execution.

OPERATOR: Our next question will come from the line of Betsy Graseck with Morgan Stanley. Your line is now open, please go ahead.

BETSY GRASECK: Hi good morning. Jane, just to follow up on what you mentioned, as you do execute, we all expect or at least I do, that the market will be giving you credit for that execution and meaning multiples should increase. I have a few questions here on the buyback because right now today, as we all know, you're trading below book, it has got to be, buying back stock has got to be the most accretive use of capital today. And why wait on the buyback when you can lean into it today and keep your 2026 guide, I mean, the old guide was 11% to 12% ROTCE, new guide, 10% to 11%.

I'm kind of confused why you don't pull that lever more aggressively because buying back the stock, the accretion to tangible book, it's got to be the easiest thing to do to help that ROTCE go up. When you compare and contrast against all the hard work you've been doing, which will obviously be very important to getting the ROTCE up. But why not lean more into that buyback? And can you give us a sense of the timing of that $20 billion. Thank you.

JANE FRASER: Yes, Betsy, I love the passion. I've got to say I can hear the determination in your voice. I think it's the same determination we feel. Look, we're very committed to returning capital shareholders period or full stop. We've got a $20 billion buyback program, as Mark said, that is reflective of the growing earnings power that we have and our confidence in the path ahead. We've been increasing the amount of capital turn over the last few quarters. I'm also happy to see a more aggressive Basel III scenario firmly off the table.

We have, nonetheless, a 13.1 %CET ratio that we put in the plan that can change over time as well. But there's not there's not complete certainty around where the capital requirements are going to go. We hope there will be a holistic one that is reflective of the risk profile of the bank that's been improving significantly over the last few years. So we have some great growth opportunities. I look at the different areas. I'm excited by what we see in Wealth. We've got a great runway with our clients who want to do business with us in Banking.

We've got some very important investments and an investment agenda that we're putting in to help us continue growing the bank, gaining competitiveness in a responsible way. I'll just conclude with exactly your point. The bar is high on those investments. right? We don't make them unless we see extremely attractive marginal ROTCE. And there's a lot of things we say no to in order to put the $20 billion program in place. In terms of timing, like our peers, we're not committing to a particular time frame from this, but you can see our commitment. You can hear our commitment.

OPERATOR: Our next question will come from the line of Ebrahim Poonawala with Bank America. Your line is now open, please go ahead.

EBRAHIM POONAWALA: I guess maybe, Jane, I wanted to follow up on a couple of segments. I think you said 2024 turning point for Wells, and we've seen very steady progress on the ROTCE in wealth. Just talk to us in terms of, Andy being in the seat for a year now, you've seen progress. What needs to happen? Just talk to us a little bit about the franchise positioning competitively both in the U.S. and abroad as you think about going head-to-head with some of your global competitors and where are the most likely growth opportunities over the next year or 2?

JANE FRASER: Yes. So obviously my vision is that we become a global leader in wealth management. There are not many firms that have the globality of Citi. We have all the assets, especially the client relationships all around the world, which we were just not tapped for investments in the past. It's a big opportunity. We have $5.3 trillion offers from existing clients. And I think the fact that I would find interesting is 55% of it, it's almost $3 trillion with affluent clients in our branch network in America in the U.S.

We're also very well positioned to capture new well just think about what Citi does in terms of our footprint, our capabilities really supports the wealth creation the Commercial Bank, our Investment Banking side Markets, obviously, Services supporting it, too. These are all great feeders for us to strengthen wealth relationships with our clients. So we brought in Andy. Andy greatly sharpened the focus on the investment business. This is where we see the big upside. He's been building a differentiated value proposition around wealth creation.

We've been leveraging a lot of the leading capital market capabilities, the different relationships we have with PE firms, asset managers around the world. Get a great platform in place and importantly, improving our client experience, again, particularly around investments, asset allocation, performance, et cetera. What I have also got to love is the surgical approach that he's taking to the expense base and driving productivity, something that we're doing across the firm. I'm also excited by the talent he's bringing in the market leaders like Kate Moore and Keith Glenfield in the investment space.

And we've made a lot of investments in training building this investment culture that we didn't have before. So to your point, the proof points are working. Q4 revenue up 20%, operating margin at 21% on its way to 25% to 30%, 10% ROTCE on its way to 15% to 20%. These last few quarters, you've just seen us on that march. And the number I'm most excited by net new investment asset inflow of $42 billion, up 40% year-over-year. The strategy is working. We're going to be a leader in Wealth, the growth opportunities. Asia U.S., Middle East, all the places where we are with our existing clients and the new wealth generators for the future.

EBRAHIM POONAWALA: And if I can draw a parallel to the banking segment with the ROTCE is about 5% to 6% last few quarters. There you brought in Vis from JPMorgan. Just give us a sense of could we see a similar trajectory in that business over the next 12 months and where the opportunities are to improve that ROE.

JANE FRASER: Yes. I think absolutely, a strong performance. The strategy we have in place is delivering nicely. So if you look at the revenues, the investment banking fees, positive operating leverage all through the year and gaining share. All 3 products gaining share in all 3 in all of the geographies we're in, I'm really excited and happy to see the health care and the technology to areas that we've been investing heavily behind. And you're also seeing us playing a leading role in some of the key transactions, the biggest transactions last year, last Mars Kellanova, single adviser, a big role in Boeing. And then just this week, the J&J acquisition of Intracellular.

So the deals that matter, this is where you're seeing Citi playing a leading role in. So when Vis joined , the mandate is a bit similar to Andy in becoming a top 3 investment bank, deliver the full potential of 1 Citi to our clients. So we've got a lot of upside there, instilling some more discipline in capital allocation, client coverage, some of the cross-firm linkages. We're getting a lot more from our people. We've been bringing in some great new talent we've also been cutting some of the unproductive spend. So I think what you can see is we're just on a path of systematically growing our wallet. We'll be improving our operating margin, generating higher returns. That should be our expectation over the next couple of years of what you'll see from us. And as we head into great environment in 2025 that should be pretty conducive for a lot of client activity. I'm very confident we're well positioned. We've got the groundwork done to take advantage of it.

MARK MASON: Ebrahim, I thought I heard you say ROTC of 5%. It's actually 7% for the full year for banking and on its way to the target that we've set of mid-teens for our banking business.

OPERATOR: Our next question comes from the line of Erika Najarian with UBS. Your line is now open, please go ahead.

ERIKA NAJARIAN: Hate to ask the umpteenth question on the buyback, but clearly, the way the stock is reacting today, the buyback is very important to your shareholders. I guess my first question, if I could have the 2 questions is it's very clear that you want to return capital to shareholders. It's very clear that you have excess capital. It's very clear that your PPNR trajectory is positive. And so what are the specific mile markers that that Citi needs to see in order to increase that piecing from that that $1.5 billion a quarter to something is more suggestive of a pace that that would be in line with that $20 billion authorization. And I know that's been asked of you already, but is it the consent order? Is it the stress test? We have some news over the holidays that were positive for this sector. Like what are those specific mile markers? I mean you're doing it on the PPNR side, right? Like what do you need to see to have even more confident, again, like meaning to Betsy's words to go all in on the buyback?

MARK MASON: Yes. So thank you for the question. Let me make clear a couple of things. So one, and I've said this already, so I apologize for repeating myself, but one, our target for CET1 is 13.1% right? And so what you're going to see over the course of the year is us managing down to that target? That's kind of one point. The second point I want to be clear that it's not the consent order. That's not something that is that is impacting the capital actions and decisions that we take. We obviously forecast out the performance. As I've said, Jane has said already, we see very strong continued earnings momentum managing towards a 13.1% CET1 ratio. And you'll see the buyback trajectory reflect getting down to that CET1.

The one thing I will mention, and you mentioned already is that we obviously have another CCAR process stress test that we will go through. And none of us can predict kind of what's on the other side of that from an SCB point of view, but that will be an important factor as we get through the first half of the year and into the second half of the year in terms of kind of the level of buybacks that we will be taking on a quarter-by-quarter basis. So I hope that helped. There are no artificial constraints, so to speak, that are in place. This is us planning and forecasting the performance of the franchise ensuring they can fuel high-returning growth opportunities so that we're building a sustainable franchise, looking at the capital requirements that we have and the management buffer that we put in place and therefore, taking that excess capacity and putting it towards buybacks, but with an eye towards the regulatory environment that we're in, and what I mean by that are the capital requirements that come out of the annual stress testing process that's run. So that's the basics of it as we sit here today.

ERIKA NAJARIAN: Got it. And just my second question, as we think about 2026. And again, I don't want to put words in your mouth because clearly, it's very critical in terms of your targets and hitting them. So you targeted less than $53 billion. Is it fair to assume like Jim was asking that $51 billion to $53 billion is not the target, but it's less than $53 billion. But to that end, I mean just taking a step back, I think, Jane, you said something very important in that want to get to the returns in a sustainable way. And clearly, your shareholders are scared by previous management when the returns went up to double digits and went back tumbling down and wasn't sustainable. And should we just really think of this as, look, like it takes a while to turn around a money center bank in 2026, may have been the target in 2022, but we're going to get there in '27, '28 anyway, and just doing this in a sustainable way, and we're not robbing the bank of investments.

I guess I'm just trying to think about everybody is super focused on what you had said previously, now you have different targets, but is it just really like, look, it just takes longer. We'll get there, but just takes longer. And maybe just an addendum to that, how should we expect Banamex to impact that 10% to 11% ROTCE in terms of the immediate impact after IPO and then after you deploy the excess capital that you get back?

JANE FRASER: Yes. Erika, we chose the words very carefully to say that '26 is a way point. It's not the destination. When I'm looking at it, I'm looking out to '27, '28, what is the bank to we want to be in terms of our strategy, our performance, our culture, all those different dimensions. And we just relentlessly keep going down that path, but we're going to take the right and responsible decisions as we go down it. So our potential is for more than our medium-term target ROTCE, the potential of the bank and the journey that we're on is to improve our returns beyond there, for sure.

And then you asked a question about Banamex. So, on that front, look, we had a singular focus on the separation of 2 banks. That was an enormous body of work because we had to put up Mexico's 8th largest Bank de Novo in a very short period of time. It got done December 1. That was over 100 regulatory approvals to get that done. Now we have turned our full attention to the IPO. We're getting ready to be able to IPO as soon we can. But given market conditions and given regulatory approvals, it's possible this could go into '26, but we're doing everything in our control to be ready as soon as possible. We are not the right owner of the bank. We are committed to the simplification of Citi. will follow a responsible process here.

MARK MASON: And just in terms of the impact and the timing that Jane referenced, just keep in in mind that the financial impact of exiting Banamex comes 2 forms. One is the gain or loss on sale and 2 the risk-weighted asset release. The gain or loss on sale will run through the P&L at deconsolidation. So that's the point where we've gotten, or we've IPO-ed more than the 50%. And the ultimate benefit will be driven by the RWA release when we fully divest our stake. And so hopefully, that helps, but it's not until we deconsolidated that we see that P&L impact and the CTA and other things like that kind of flow through the P&L for Banamex.

OPERATOR: Our next question will come from Gerard Cassidy with RBC Capital Markets.

GERARD CASSIDY: Jane, I'll pass on the haggis, but I'll take you up on the whiskey.

JANE FRASER: I didn't say I was buying just to be clear.

GERARD CASSIDY: Okay. I got it. Our expense report on this end. Anyway, just following up, Mark, on your comments about the IPO with Banamex. Can you guys remind us or refresh our memories on when the IPO process starts, once it goes public, what percentage ownership do you guys expect to have? And second, have you given us any color on whether you expect to report a gain on this transaction or a loss as you just referenced, will go through the P&L?

MARK MASON: Yes. We haven't given any sense for the exact timing of that. As you know, this is a process. And so Jane just spoke to the timing of that process, the first step, having been completed on December 1 with the separation. We are now obviously gearing up and readying ourselves for the IPO. There'll obviously be important filings associated with that given our intent to dual list, there will be regulatory approvals that are required kind of as we make headway with potential investors as part of the IPO process.

And so there are a series of IPO steps that we will need to take over the course of the year in order to continue to ready ourselves and there are things that we don't control. Like as Jane mentioned, the regulatory approval process and timing for that as well as the market conditions. And so all of those factors are important. And then how the IPO occurs in terms of percentage that is taken on at that first tranche versus follow-on tranches are important factors on when we get to deconsolidation. And so I haven't given you an exact timing on that but you can envision kind of 15% tranches that have happened over kind of a 12-, 18-month, 24-month period. and then obviously reaching a point of deconsolidation at which point that currency translation adjustment starts to flow through the P&L. There's no material impact on capital, but it does both through the P&L. And then ultimately, we exit 100% over the course of time.

So I'm sorry, I'm not giving you precise dates and percentages. And part of that is because we are obviously on the front end of not only readying ourselves but considering alternative IPO structures and potential investors/shareholders as part of that process.

GERARD CASSIDY: Well, I appreciate the insights. And then as a follow-up question, and I really don't mean this as a 'what have you done for me lately' type of question because you guys have made so much progress in what you're doing in your strategic changes here. But can you talk about the U.S. Personal banking, many of your questions today is about the ROTCE consolidated and how you can improve that. And this business has a very low RoTCE as you guys know, below your cost of capital. And structurally, when you look you look at it, if at the loans at the end of period, just over $220 billion new deposits, about $90 billion, which is quite a bit different than your peers who have higher ROEs. So how do you approach this business? And again, I know you've been very busy divesting a lot of the businesses that are not important, but it seems to me that this is a giant hurdle that you guys have to approach at some point in the near future.

JANE FRASER: Let me just chat a bit through this. So how what's the pass to the high returns in U.S. Personal Banking is coming from top line revenue growth improved expense base and also a more normalized credit environment. And that gets us to the mid- to high-teen returns in the medium term. I think we feel very confident and comfortable in that. You're seeing the proof points I talked about banking wealth earlier, we've had another good quarter of revenue growth, had the ninth consecutive quarter of positive operating leverage. So I think you should be getting some comfort around that. What's going to drive that growth? Co-brands. We just extended with American to be their sole issuer. It's going to give exciting benefits to the American Airlines and the Citi cardholders. And it will be beneficial for both our growth and our returns.

And in the proprietary front, we're investing. There's a lot of investment in innovation to drive growth. The refreshed Strata Premier Card. We've been enhancing the reward offerings. And you're seeing us often now #1 in recognitions awards around that area. Retail Services being forensically focused on improving the partnership economics and driving top line growth. And then Retail Banking. There, we're driving primary checking growth putting simplified banking, so we get a much more streamlined customer proposition that's driving more of a relationship-based banking approach as opposed to a transactional one.

Importantly as well, the retail bank has been feeding our Wealth business. So you heard me earlier talking about that almost $3 trillion of investment opportunity that we have from the retail banking customer base. We transferred $17 billion of deposits from USPB to Wealth. So you've got to take that, those dynamics into account. So I hope you're taking from me, I feel confident in our ability to get to the medium-term targets we set for the business of mid- to high teens. I feel comfortable about the growth trajectory that we've got based off the innovations we're putting through and the changes. And good expense discipline and a better credit environment. So when you look at the mix of our business, you'll see us performing nicely here.

OPERATOR: Our next question comes from the line of Matt O'Connor with Deutsche Bank.

MATTHEW O'CONNOR: Hi, I just want to follow up on Page 9 where you break out the technology and transformation investment spend. And sorry if I missed this, but did you talk about the pace of those 2 levels in your '25 and '26 expense guidance? I know directionally, you said it's going up. But did you give a magnitude.

MARK MASON: I did not. Obviously, for both technology and transformation those areas that we are going to continue to invest in for all the reasons that we've mentioned. They obviously contribute to the number in '25 being slightly down from the $53.8Bn. But they also represent, as I mentioned, what we believe is required to kind of get the work done that we need to get done. And so those numbers will increase. There are lots of puts and takes, as you know, through an annual expense forecast, right, including, as you would expect, we've got volume.

We got have revenue growth here that's going to come with volume growth. Volume, incentive comp, there's merit increases that go with that. And then we also have a series of productivity actions that are playing through to offset those headwinds, whether it be the additional carryover from the org simplification and full year impact of that or some of the legacy stranded coming down. And so there are puts and takes, but transformation and technology specifically, we are continuing to invest in, in order to achieve what we need to get done here and also ensure the businesses have what they need to drive sustainable growth going forward.

MATTHEW O'CONNOR: And I guess, like how do you know that the recent increase that you're modeling internally in these areas, how do you know you're spending enough and in the right way to address your goals in the transformation and also satisfy the regulatory requirements.

JANE FRASER: Well, if I jump in, I feel very confident indeed that we know what we need to do. We know what we need to be spending on through the annual planning process that that concluded last month. It was clear we did need to invest more. We increased the scope of some of the work on the data front. We brought some other work forward. We looked at what we needed to do on the technology front and some of the critical investments. So this is pretty forensic and when we're looking at transformation, we're looking at technology. We know what our target states need to be, and we know what we need to do to get there and the outcomes they need to be delivering.

So we've got our arms around this, and I think you're hearing that confidence from us around what we need to do. We know the investments we need to make. You know what the outcomes and the benefits for shareholders and the regulatory side need to be.

OPERATOR: Our next question comes from the line of Saul Martinez with HSBC.

SAUL MARTINEZ: Mark, the NII ex markets outlook, if I just take the fourth quarter and annualize that, I get to something in the neighborhood of, I think, around $47.4Bn, $47.5Bn which is above the full year '24 level. I'm not sure exactly what modestly means if that's 1%, 3%, 4%. But, and correct me if you team wrong, but it seems like made, there's a little bit of conservatism built in, if you can just comment on how you think and how should we should think about the quarterly trajectory of NI ex-markets. Obviously, there's day count issue in 1Q, but maybe how do you think through like how we should expect that NII to evolve over the course of the year.

MARK MASON: Yes. I mean, why don't I just kind chase on it a little bit, Paul, in the sense that up modestly, call it a couple of percentage points, 2 to 3 percentage points or so, right, in terms of how I think about it. And I think I've taken have gone through kind of the tailwinds and headwinds, so I won't kind of take you through that again. But I think the important takeaway should be that we're going to see continued momentum across the franchise driven by loan growth in the branded card side of the business and continued deposit momentum, particularly operating deposits and services. And we're going to do everything that we always do around the management of pricing, and we'll get a benefit from how we've been managing our investment portfolio as those things mature. The combination of those efforts will offset and more than offset some of the headwinds that you'd expect in a declining rate environment and modestly is, call it, 2% to 3%.

SAUL MARTINEZ: Okay. Fair enough. And then on the expense outlook getting to below $53Bn in 2026. I know that's consistent with what you've said in the past, does imply a pretty sharp reduction in '26, especially in light of continued revenue growth, it's pretty material operating leverage. Just I mean, how much benefit you get from a more normalized severance. In other words, how much the severance how much are we thinking about severance coming down? What's sort of the impact or how to think about the legacy stranded costs coming down? Just maybe a little bit more meat on the bone in terms of how much these items will benefit '26 versus '25?

MARK MASON: Yes. Look, a couple of things. As I look at our severance costs, which, as I mentioned, has been running high it was $700mm, we're forecasting $600mm in 2025. I think kind of normal through the cycle is probably, call it, $300mmor so. And so that gives you some sense for that. I think the other thing is if you look at the other page, and again, there were a number of drivers or levers that we intend to pull to bring that down. But in the all other page where you look to the right, we show wind-downs and what's remaining in terms of legacy franchise.

If you add those numbers together, $1.9 billion or so of expenses and think about a subset of that being stranded. And we're going to continue to focus on how do we bring down stranded costs over the next couple of years. So those are 2 important factors or contributors to the decline from the slightly lower than $53.8Bn to the $53Bn. There are additional productivity saves from prior investments that that we've made. But those are important factors. And then as we look at the transformation spend, will continue to -- or start to pay dividends or help to bring down costs as well. So you've got really those 4 variables that contribute to us bringing that number down. And as Jane has mentioned, we're going to even post '26, continue to bring or drive out more inefficiencies around the organization to fund require investments for the business growth and all with a continued focus on getting to less than 60% as we exit 2026, less than 60% operating efficiency.

OPERATOR: Our final question will come from the line of Mike Mayo with Wells Fargo. Your line is now open, please go ahead.

MIKE MAYO: Hi, this is your first full year of having the 5 line of business structure. So Mark, do you still have the same line of business targets that you had last year? And Jane, with all the it must have been a degree of hell to organize this way, get rid of your 2 intercompany holding companies, 5 layers of management and span of control and you guys went through a lot last year. And I'm just wondering, is the worst over in terms of that kind of reorganization internally and the culture and the sentiment and how you see that continuing? But first, the concrete question about the targets, please.

MARK MASON: So I guess I'll start first. So in terms of the targets, look, we set the targets across each of the lines of business for the medium term. We've obviously brought down the 2026 to 10% to 11%. And so you'd imagine there's some movement, at least for the 2026 in terms of those targets banking will likely be a little bit lower than the mid-15%, if I think about 2026 as being that medium-term target date. But over time, I expect that the targets that I've set are the targets that we will achieve and even more because, as Jane mentioned, 10% to 11%, while that's our 2026 target. It is not our longer-term target as we think about ROTCE and the strength of these businesses in the aggregate franchise. So hopefully, that answers your question.

JANE FRASER: And in terms of org simplification culture, the best is still ahead. That is for sure. They all went through a lot. I'm really proud of how people responded. And I think we're really proud of how each of the lines of business are driving the performance forward. The bank is simpler. There is tremendous transparency for our investors as well for me. There's much greater proximity to the businesses now. And you can see that the benefits that we're starting to realize from the strategy as we get closer and closer to the RoTCE targets and beyond for each of the businesses. So I'm pleased to have '24 behind us. I'm proud of what we achieved in '24. All the focus is on the future onwards.

OPERATOR: There are no further questions. I'll now turn the call over to Jenn Landis for closing remarks.

JENNIFER LANDIS: Thank you, everyone. Please call us or e-mail us if you have any follow-up questions. Have a great afternoon. Thank you.

OPERATOR: This concludes the Citi's Fourth Quarter 2024 Earnings Call. You may now disconnect.

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