

Speaker

Stephen Randall, Head of Liquidity Management Services

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Thank you Shahmir. Hello everyone. I'm Stephen Randall, the global head of Liquidity Management for Citi Services. I joined Citi in 1996, and held a number of roles in Finance before moving to Treasury. In 2012, I became the Global Head of Liquidity Oversight and Analytics and then took on the role of EMEA Treasurer before becoming our International Treasurer. I joined TTS in 2020 and I now oversee Liquidity Management across Services. Today I'm very excited to take you through what our Liquidity Management business does, how we support our clients, and the ways in which we help drive efficiency and better returns for both our clients and our firm. So let's get started.

Cash flow is vital for all organizations, and liquidity management is a critical service that is essential to the day-to-day operations of any business. Simply put, companies need to open bank accounts, make payments to employees and suppliers, collect money and manage their cash to support these flows. Liquidity management sits at the center of the client commerce cycle. After clients accept payments into their accounts, then our liquidity management business helps them ensure that that cash is available when and where our clients need it, and in the right currency. Then clients can make their payments with Citi Payments solutions, which Debo will speak about shortly, and also access short-term trade and working capital, which Chris will discuss.

For organizations operating globally and across borders, effective liquidity management is harder to do. When a company has hundreds of subsidiaries and bank accounts around the world, they have to allow for different locations and time zones, comply with different regulatory requirements and transact in foreign exchange. As you can imagine, managing all of this, especially in the midst of global complexities and a dynamic interest rate environment, can be an incredibly complex task. That's why our clients rely on Citi Liquidity Management, the market leader in this space. We are proud to have the number one wallet share in liquidity management, a testament to our differentiated solutions. We are also number one in market access through our proprietary global network, providing liquidity solutions across 90 markets in 85 different currencies. Of these 90 markets, we offer clients the ability to mobilize their cash on a cross-border basis in about 50 markets around the world, more than any of our peers.

Allow me to show a quote from one of our clients. You can see in Juan's own words how we support one of the largest corporations in the world and enable Alphabet and Google to focus their time and resources on strategic priorities.

So let's take a closer look at what makes us the market leader in liquidity management. I'll start with how we work with our clients. With most clients, we typically work with treasurers, CFOs, and heads of cash management to understand their liquidity management needs and provide solutions that support their treasury goals. With banks, we work with network managers and transaction banking heads.

We offer a comprehensive product suite that meets the key liquidity needs of our clients. We see this reflected in the longevity of our client relationships and the stickiness of their deposits.

First, to ensure that cash is in the right place at the right time, in the right currency. Our Target Balancing and cash pooling products help clients centralize their liquidity management and access operational cash that might otherwise be locked up or sitting idle in local accounts.

Second, we provide deposit and interest optimization products to help our clients keep their cash liquid and operational while earning interest on the cash they hold with us.

Thirdly, when our clients have excess cash, we provide solutions that enable them to deploy it through money market funds and other instruments to meet their investment policy objectives.

And finally, our clients need timely information to manage all their cash positions. So we provide powerful reporting and analytical tools that offer real-time visibility, automate their treasury processes, and provide actionable insights. Naveed will touch more on this a little bit later.

Now, all of this is underpinned by the continued momentum we see in the growth drivers for our business, which we'll discuss in more depth shortly. These are the reasons why we dominate the liquidity management space today, and we see continued opportunity for growth.

Even as the market leader in liquidity management, we do not rest on our laurels. We continue to innovate for our clients and deliver through the four strategic pillars that Shahmir highlighted in his presentation. Starting from the left. Faced with a dynamic rate environment, our clients increasingly want locally available and globally integrated solutions. Just last year, we offered more than 25 new products or enhancements to help our clients better manage their liquidity and improve their operational efficiency.

We also see rising demand from emerging corporates as they go global. With fewer treasury resources they need to simplify their cash management operations. One example of the solutions we've offered is Cross-Currency Sweep, which automates both money movement and foreign exchange conversions, helping to reduce the complexities for our clients.

Digital commerce means there is an increasing demand for real-time liquidity management to support changing business models. We already offer a comprehensive suite of real-time liquidity management solutions, and we've just launched Real-Time Funding. In just a moment, I'll go into more detail about the two solutions within the dotted lines on this slide.

We are already proactively building the rails for the next advancement in real-time liquidity management. As Shahmir mentioned earlier, Citi Token Services for Cash is our blockchain solution that uses tokenized deposits to enable our clients to transfer liquidity between our branches on a 24/7, real-time basis. We've received positive input from our early adopter clients on their transfers between New York and Singapore, and we will be expanding to additional branches in the future.

Last but not least, we continue to make investments in simplifying and digitalizing processes for our clients so they can free up their time and resources on being more strategic.

So now let's take a look at one of our foundational solutions, Target Balancing. Imagine that a company has three local bank accounts, one in Australia, another in the UK, and a third in

Singapore, which are all funded centrally from the US. Cash is continuously moving in and out of these local accounts during the course of a business day. And at the end of the day, the account in Australia has a balance of \$100,000 dollars. The account in Singapore has \$150,000 and the account in the UK has a negative balance of 157,000 pounds. Now, if this company wasn't using Target Balancing, they would have to pay fees for overdrawing 157,000 pounds from the UK account. But with Target Balancing, the company can move their cash between the accounts through an automated process. Not only that, they can sweep across different currencies and countries.

By centralizing the funding globally through the US, their balance sheet now shows \$150,000 versus what would've been \$250,000 in cash balances and 157,000 pounds in overdrafts. This gives them a much more efficient balance sheet and improved capital efficiency while also saving them time. And as you might expect, the benefits increase the more global and complex the client is. So let's bring the benefits to life with a real client example, the same large corporate client that Shahmir mentioned earlier. By leveraging Target Balancing over their bank accounts, this client is able to reduce complexities in their operations and save an estimated average of \$500 million per day in liquidity. Now this is a very powerful example of the value proposition of our client solutions.

As I mentioned earlier, we are continuously innovating to remain the leading provider of liquidity management solutions. I want to share an example of how we are doing this to meet our client's evolving needs. With the proliferation of digital commerce models and instant payments, corporate treasurers need to support these 24/7 cash flows with real-time liquidity management, not just at the end of the day like the previous example. So we are seeing increasing need from our clients for real-time funding, visibility and automation of processes.

Real-Time Funding, which we launched last week in Australia, Hong Kong, and the United Kingdom, was a direct response to client needs. It's the latest addition to our suite of real-time treasury solutions and offers Target Balancing on a 24/7 basis. Real-Time Funding works by mobilizing cash automatically between accounts based on the directions set by the client. But rather than end of the day sweeps, as with the Target Balancing example, this happens in real time throughout the day.

So let me illustrate with an example. Imagine an e-commerce company with a 24/7 business model that operates in several countries around the world. Now, this client pays sellers throughout the day from their local bank accounts and also manages their global cash centrally through a treasury center in the UK. This company has a lot going on in its treasury operations and Real-Time Funding can help streamline their processes. It can seamlessly integrate with the Citi Payments solutions that they're using and move cash in real-time across their bank accounts in different countries to fund their payments. Based on the directions set by this client, they would see that the payments they made to sellers in Australia were funded in seconds from their central account in the UK.

As you can see, Real-Time Funding meets critical client needs. First, it enables them to release payments in real-time domestically and across borders. It reduces the need for extra account buffers and allows clients to better use their own cash across our global network. And all of this happens on a 24/7 basis, including intraday, after hours, weekends and holidays. We look forward to expanding this product to more markets and seeing our clients take advantage of this differentiated solution.

So hopefully by now you're seeing how our global network combined with our cutting-edge solutions delivers client value. For us, this results in sticky deposits, which are a key driver of Services' overall financial performance. It also means that we're well positioned for future growth. Now this slide is a little bit busy, so I'll take you through the key points. The bars show our deposits across Services, which are overlaid with the VIX Index, the Fed Fund rates, and the M2 money supply. As you will see, our deposits have continued to grow at a steady pace, even through moments of macro volatility. This shows how we are a through the cycle business with steady growth through changing environments. This is ultimately due to the value of our solutions. Clients want Citi's differentiated products and automated solutions to support their cash management.

Now turning to the right-hand side, you can see our client deposits are sticky, with about 80% of our deposits coming from client relationships that span over 15 years. Our deposits are also highly operational. Approximately 80% of our deposits come from clients using Services solutions across Liquidity, Payments and Trade. This shows how deeply embedded we are in supporting our clients' businesses and how Citi is an essential operational partner for them. And finally, on the bottom right, thanks to the currency diversification and geographical mix of our client deposits, our revenue is also resilient.

So as we think about the future, we are uniquely positioned to continue strong and stable growth for the business. As the most global bank and market leader in liquidity management, we have unparalleled access to vast amounts of data that our clients can leverage for growth. We are continuing to focus on modernizing our platforms, digitalizing processes, and enhancing the power of technology to enhance the digital client journey.

Our global network and comprehensive suite of solutions are our competitive advantages, especially in a complex global environment. And this is what makes us the market leader for large corporates and financial institutions. We'll continue to focus on deepening our relationships with these core clients.

Our market-leading position also enables us to invest and grow our wallet share in new client verticals. As Shahmir noted, we are investing to position Citi as the first choice for fast-growing emerging corporates and financial intermediaries with global needs. Financial intermediaries, banks and investors have specialized needs due to their business models and industry regulations. In Services, we're already a major provider for these clients and we'll continue to innovate to meet their unique needs.

And finally, we are responding to the growing demands for truly 24/7 real-time liquidity management, which underpins Services' suite of integrated solutions to support commerce cycles end-to-end and enhance the client experience. As global commerce continues to evolve, we will be there to support our clients and grow with them into the future.

I'm now going to pause to show you a video from one of our emerging corporate clients who streamlined and future-proofed their treasury operations with our Liquidity Management solutions. Let's take a look.

*\*\*Video\*\**

This is just one of many clients who continue to benefit and grow with Citi Liquidity Management. To sum it up, our unrivaled global network and market leading solutions enable us to deliver more value and connect the dots for our clients in ways that other banks simply cannot. Don't just take my word for it, the mutual success with our clients shows that we are the global banking partner of choice.

And now I'm going to pass it over to my colleague Debo, who will share more about the synergies between our Liquidity Management and Payments businesses. Thank you very much.

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