**T R A N S C R I P T**

**Citi Second Quarter 2022 Earnings Review** *July 15, 2022*

**Host**

Jennifer Landis, Head of Investor Relations

**Speakers**

Jane Fraser, Citi Chief Executive Officer

Mark Mason, Citi Chief Financial Officer

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**OPERATOR:** Hello, and welcome to Citi's Second Quarter 2022 Earnings Review with Chief Executive Officer, Jane Fraser; and Chief Financial Officer, Mark Mason. 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. And thank you all for joining us. 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 SEC filings.

With that, I'll turn it over to Jane.

**JANE FRASER:** Thank you, Jenn and thank you everyone for joining us today. When we last spoke, we said the macro and geopolitical outlook was complex and uncertain, so in one sense, little has changed. However, the headwinds have certainly crystallized. And it's against that backdrop that I'm proud of the results our team delivered this quarter as we execute on our strategy and transformation.

There are mounting costs to the series of supply shocks we've experienced, and now we need to pay attention to an additional S in ESG, and that is security. In addition to energy and cybersecurity, food security has also come into sharper focus, threatening to spread the humanitarian cost of the war well beyond Europe. Resiliency is the new priority for governments and corporates alike. And all of this is adding to inflationary pressures which are in turn being met with a more hawkish response from the Fed and other central banks, all contributing to sharply lower US consumer confidence. Higher rates and QT will keep volatility high.

That said, while sentiment has shifted, little of the data I see tells me the US is on the cusp of a recession. Consumer spending remains well above pre-COVID levels, with household savings providing a cushion for future stress, and as any employer will tell you, the job market remains very tight. Similarly, our corporate clients see robust demand and healthy balance sheets, with revenue softness attributed to supply chain constraints so far. So, while a recession could indeed take place over the next two years in the US, it's highly unlikely to be a sharper downturn as others in recent memory.

I'm just back from Europe, where it's a different story. We expect a very difficult winter is coming, and that's due to disruptions in the energy supply. There is also increasing concern about the second-order effects on industrial production and how that will affect economic activity across the continent. And the mood is, of course, further darkened by the belief that the war in Ukraine will not end anytime soon. In Asia, a rebound in China also faces some constraints, given the potential for future lockdowns, the amount of leverage in the Chinese economy, and stress in their property sector.

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Given this uncertain environment, I'm quite pleased with our overall performance. We reported net income of $4.5 billion, an EPS of $2.19, and an RoTCE of 11.2%. We grew revenues at 11% year-over-year, whilst remaining on track to meet our expense guidance for the year.

Services continued to show excellent momentum, with revenues up 28% year-over-year. While some of that growth is a result of the rate environment, we had double-digit fee growth, consistent with the strategy we presented to you in March. TTS in particular fired on all cylinders as clients took advantage of our global network, leading to the best quarter this business has had in a decade.

The market volatility that we saw in the first quarter continued into the second, driving corporate clients in particular to be more active in risk management, contributing to revenue growth of 25% in Markets. The volatility we saw in foreign exchange rates, commodities, and equity derivatives favored our mix, and we were more efficient in our capital usage.

Now, while this level of activity is related to where we are in the current cycle rather than a new baseline end market, I believe we are helping our clients navigate this environment quite well, and it shows how our emphasis on our corporate clients globally, given their consistent trading needs, is a differentiating one for us in Markets.

On the flip side, that same environment continues to put a great deal of pressure on the investment banking wallet, with our revenues down 46%. However, we are seeing an increase of lending as our clients are being less inclined to obtain financing through the debt markets given the recent swings.

In US Personal Banking, the positive drivers we saw in our two credit card businesses over the last few quarters converted into solid revenue growth this quarter, most notably, 10% growth in Branded Cards. And you can see how resilient the consumer is in US through the elevated payment rates and the low level of credit losses. They have, however, shifted their spend far more to travel and entertainment, which are now outpacing 2019 levels.

While volatility can be an opportunity for our trading desks, lower asset prices are a headwind for Wealth Management. Asia again was hit harder than other regions leading to flat year-over-year Wealth Management revenues overall. That said, we continue to execute our wealth strategy across a number of fronts, including building our base of client advisors, expanding our Private Bank's physical footprint to

reach 20 countries, with the additions of Germany and France, and increasing referrals from our branch network in the US. So, the underlying strategic drivers for the long-term growth of this business continue to advance.

Overall, while we did have a slight build in reserves, given the increasing possibility of a recession, we are operating from a position of strength. Our capital, liquidity, credit quality, and reserve levels are strong, and our diversified business mix also positions us well for the choppy waters on the horizon.

Well, while the world has changed since we presented our Investor Day to you in March, our strategy has not. We have continued to execute it with discipline and with urgency. The quarterly report card on slide 3 should help you hold us accountable for our progress. We are laser-focused on the long-termgoals we set out in March, and I see this quarter's performance as validating that we are indeed on the right path.

Simplifying the firm is a high priority, and we made good progress executing on our divestitures such as closing the sale of Australia during the quarter. We are well into the sales process in Mexico, working through the regulatory and legal dynamics that can be expected in a transaction of this nature. In terms of Russia, we continue to shrink the size of our business and take steps to reduce our financial exposure. Given the complex environment, we are considering the full range of possibilities to exit our consumer and commercial banking businesses, including portfolio sales.

As divestitures such as Australia progress, we are beginning to eliminate stranded costs and simplify our

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model, and this discipline is critical to ensuring we have the resources to invest in the businesses where we want to gain or maintain a competitive advantage and to ensure the success of our transformation. To that point, we were particularly pleased that our AML Consent Order was lifted by the OCC in April. We are committed to ensuring our technology, controls, and processes are up to the standards our regulators expect of us and we expect of ourselves.

Let me end on capital. We increased our CET1 ratio to 11.9% this quarter, whilst returning $1.3 billion in capital, including a rather modest level of buybacks. Our tangible book value per share now exceeds $80. Despite the strength of our balance sheet and reserves, our stress capital buffer is set to increase to 4% in the fourth quarter as a result of this year's stress test scenario. So, over the near-term, we plan to build to a CET1 ratio of approximately 13%, including a 100 basis point management buffer. Over the medium term, our CET1 target remains at 11.5% to 12%. We are prioritizing our dividend and are pausing our share repurchases as we build capital. We have a management buffer which we can use to help ensure a smooth path to our required levels, and Mark will walk you through our approach in a few minutes.

We will generate significant capital given our earnings power and the completion of pending divestitures. We know how important buybacks are to shareholder value creation, in particular when we are trading at these levels, and are committed to restarting them as soon as it is prudent to do so. We will make every effort to optimize our capital especially in businesses such as Markets so we balance the needs of our clients, our investors, and our regulators.

Overall, in a challenging macro and geopolitical environment, our team delivered solid results, and the bank is in a very strong position to weather uncertain times whilst playing to our strengths. I'm confident about the path ahead, and I'm pleased with our early progress.

Now, I'd like to turn it over to Mark, and then we'd be delighted, as always, to take your questions.

**MARK MASON:** Thank you, Jane and good morning everyone. I'm going to start with the firm-wide financial results focusing on year-over-year comparisons for the second quarter unless I indicate otherwise, then spend a little more time on expenses, capital, and Russia, and then turn to the results of each segment and end with 2022 guidance.

On slide 4, we show financial results for the full firm. As Jane mentioned earlier, in the second quarter we reported net income of $4.5 billion, an EPS of $2.19, with an RoTCE of 11.2% on $19.6 billion of revenues. In the quarter, total revenues increased 11%, with growth in both net interest income as well as non-interest revenues. Net interest income grew 14% driven by higher rates as well as strong volumes across ICG and PBWM. Non- interest revenue grew 5% driven by Fixed Income and Services, which more than offset lower non-interest revenue in Investment Banking and PBWM.

Total expenses of $12.4 billion increased 8%, largely driven by transformation, business-led investments, and volume-related expenses. On a year-to-date basis, expenses were up 12%, but excluding divestiture related impacts were up 9%, also driven by the factors I just mentioned.

Cost of credit was $1.3 billion, driven by net credit losses of $850 million and an ACL build of approximately $400 million. At the end of the quarter, we had approximately $18.3 billion in total reserves, with a reserve-to-funded loan ratio of 2.44%, and are well capitalized with a CET1 ratio of 11.9%.

On slide 5, we show an expense walk for the second quarter with the key underlying drivers. As I mentioned earlier, expenses increased by 8%. 3% of the increase was driven by transformation investments, with about two- thirds related to risks, controls, data, and the finance programs, and approximately 25% of the investments in those programs are related to technology. And as of today, we have over 9,000 people dedicated to the transformation.

About 2% of the expense increase was driven by business-led investments as we continue to hire

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commercial and investment bankers as well as client advisors in Wealth. And we continue to invest in the client experience as well as front office onboarding and platforms. 2% was due to higher revenue and volume-related expenses largely in Markets and cards, and approximately 1% was driven by compensation as well as other risk and control investments, partially offset by productivity savings and the impact of foreign exchange translation. Across all these buckets, we continue to invest in technology, which is up 14% for the quarter.

Before we move on from expenses, we wanted to provide some tangible examples of what we are working on regarding our transformation and some of the benefits we expect to see over time. The transformation is designed to improve our governance and processes, enhance our policies, and leverage technology to strengthen our controls. We've been actively investing in technology to improve automation and hiring people to stand up these efforts. To this end, we are enhancing our risk management processes and capabilities across a number of areas. For example, in Banking, we've gone live with a new platform and now begun to consolidate our 37 loan processing systems to one loan servicing platform. And we have continued to build out our infrastructure to enhance our stress testing capabilities across the firm, particularly useful in this market.

Given the power and importance of data, we are redesigning our data governance and data organization, which will help us improve the timeliness and quality of our data. These foundational data-related changes will allow us to simplify and improve client onboarding and deepening, product development, as well as enhance our data analytics for every function. And we are streamlining our financial planning process to

allow for multiple scenarios with greater frequency, including more agile capital planning. And we signed with a major software provider to begin a multiyear process of modernizing and moving our 16 ledger platforms deployed across 121 instances to one cloud-based ledger. And while we are in the early stages of these initiatives, we expect the efficiencies from these investments to be key in helping us meet our Investor Day commitments.

On slide 6, we show net interest income, loans, and deposits. In the second quarter, net interest income increased by approximately $1.1 billion on a sequential basis, driven by higher rates, day count, growth in loans, as well as the impact of the European dividend season on our Markets business. On a year over-year basis, net interest income increased by approximately $1.5 billion, driven by higher interest rates as well as volumes across businesses, and we grew average loans by approximately 3% in ICG, mainly in trade finance, and 4% in PBWM.

Legacy Franchises loans declined, largely driven by the reclassification of loans to held-for-sale. And sequentially, the gross yield on our loans increased by 35 basis points and the cost of our interest-bearing deposits increased by 20 basis points.

On slide 7, we show our summary balance sheet and key capital and liquidity metrics. We maintained a very strong balance sheet. Of our $2.4 trillion of assets, about 22% or $531 billion are high-quality liquid assets, or HQLAs, and we maintained total liquidity resources of approximately $964 billion.

Our end-of-period deposits increased by 1%, largely driven by TTS and Wealth. On a sequential basis, deposits decreased by 1%, including the impact of seasonality in Wealth. From an RWA perspective, we saw both advanced and standardized RWA come down both year-over-year and sequentially as we continued to optimize RWA. We ended the quarter with a standardized CET1 ratio of approximately 11.9% and standardized remains the binding requirement. And our tangible book value per share was $80.25, up 3%.

On slide 8, we show a sequential CET1 ratio walk to provide more detail on the drivers this quarter and our goals over the next few quarters. First, we generated $4.3 billion of net income to common, which added 34 basis points. Second, we returned $1.3 billion in the form of dividends and buybacks, which drove a reduction of about 10 basis points. Third, the interest rate impact on AOCI through our investment portfolio drove a 12 basis point reduction. Fourth, the decrease in disallowed DTA drove a five basis point

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increase. And finally, the remainder was driven by a combination of our net RWA optimization efforts as well as a 12 basis point benefit from the closing of the Australia sale.

We ended the quarter with a CET1 ratio of 11.9%, 50 basis points higher than the first quarter and well above the regulatory requirement of 10.5%. We expect our regulatory requirement to increase to 11.5% in October of 2022 to account for the increase in our stress capital buffer from 3% to 4%. In January, our regulatory requirement will increase to 12%, as a result of an increase in our GSIB surcharge.

The combination of our earnings generation, closing of divestitures, and continued RWA optimization efforts will be important tools as we manage towards our CET1 requirements. And our management buffer, which was designed to temporarily address volatility, will allow us to build gradually, while continuing to support our clients. Given all that, we do expect to build to a CET1 target of approximately

13% by midyear 2023, which accounts for the increased regulatory requirement and assumes a 100 basis point management buffer. However, consistent with what we said at Investor Day, our medium-term target remains at 11.5% to 12%. And while we are pausing buybacks for now, as I've said before, we remain committed to returning excess capital to our shareholders over time.

On slide 9, we provide an update on our exposure to Russia. In 2Q, we reduced our exposure by $3.1 billion in local currency terms, which was more than offset by the ruble appreciation. As of today, the mix of our exposure has changed and is now reflecting a higher proportion of stronger credit names. Additionally, our net investment in our Russian entity is now approximately $1.2 billion, up from about

$700 million due to the ruble appreciation. As a result of the actions that we've taken to reduce our risks, we now believe that under a range of severe stress scenarios, our potential capital impact is estimated to be approximately $2 billion, down from the $2.5 billion to $3 billion last quarter.

On slide 10, we show the results for our Institutional Clients Group. Revenues increased by 20%, largely driven by TTS, Markets, Security Services, as well as a gain on loan hedges, partially offset by a decrease in Investment Banking revenues. Expenses increased 10%, driven by transformation, business-led investments, and volume- related expenses, partially offset by productivity savings. Cost of credit was a benefit of $202 million, with a net ACL release of $220 million and net credit losses of only $18 million. The release was largely driven by a reduction in Russia-related risks, partially offset by a build due to increased global macro uncertainty. This resulted in net income of approximately $4 billion, up 16%.

We grew average loans by 3%, largely driven by TTS loans which were up 17%. Average deposits grew 1%, driven by the deepening of existing client relationships and new client acquisitions, and ICG delivered an RoTCE of 16.6%.

On slide 11, we show revenue performance by business and the key drivers we laid out at Investor Day, which we will show you each quarter. In Services, we continue to see a very strong new client pipeline and deepening with our existing clients and expect that momentum to continue. In Treasury and Trade Solutions, revenues were up 33%, driven by 42% growth in net interest income as well as 17% growth in NIR, as we saw strong growth with both mid and large corporate clients, and we continue to see healthy underlying drivers in TTS that indicate continued strong client activity with US dollar clearing volumes up 2%, cross-border flows up 17%, and commercial card volumes up 61%. Again, these metrics are indicators of client activity and fees, and on a combined basis drive approximately 50% of total TTS fee revenue.

Security Services revenues grew 16% as net interest income grew 41%, driven by higher interest rates across currencies. And NIR grew 8%, largely reflecting elevated activity levels in issuer services. Overall, Markets revenues were up 25%. The macro-environment played to our strengths, with the volatility leading to elevated corporate client activity. Fixed Income Markets revenues were up 31%, driven by FX, rates, and commodities due to active engagement with our corporate clients, as we helped them manage risk

associated with volatile markets. Equity Markets revenues were up 8%, driven by strong equity derivative performance, partially offset by less client activity in cash and a net decrease in prime balances, as lower asset valuations more than offset new client balances.

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Banking revenues, excluding gains and losses on loan hedges, were down 28% driven by Investment Banking, as heightened geopolitical uncertainty and the overall macro backdrop impacted client activity, partially offset by higher revenue in Corporate Lending. So, we feel very good about the progress we are making here as we continue to deepen existing client relationships as well as acquire new clients.

Now turning to slide 12, we show the results for our Personal Banking and Wealth Management businesses. Revenues were up 6%, as net interest income growth was partially offset by a decline in non interest revenue, largely driven by partner payments in Retail Services. Expenses were up 12%, driven by transformation, business-led investments, and higher volume-driven expenses partially offset by productivity savings. Cost of credit of $1.4 billion was up as we added reserves, given the increase in overall uncertainty in the macro environment compared to a net ACL release last year. And NCLs were down 19% as we continue to see strong credit performance across portfolios.

Average loans grew 4%, driven by strong growth in Branded Cards as well as growth across Retail Services and Wealth. Average deposits grew 6%, driven by growth across Retail and Wealth. We continue to maintain a strong reserve-to-loan ratio of 7.5% in our US cards businesses, and PBWM delivered an RoTCE of 6.8%. While a low return, this was driven by the ACL build and an increase in expenses in the quarter.

On slide 13, we show PBWM revenues by product as well as key business drivers and metrics. Branded Cards revenues were up 10%, driven by higher interest on higher loan balances. We are seeing encouraging underlying drivers with new accounts and card spend volumes, both up 18%, and average loans up 11%. Retail Services revenues were up 7%, also driven by higher interest on higher loan balances, partially offset by higher partner payments. So despite payment rates remaining elevated, the investments we have been making have driven growth in interest-earning balances of 3% in Branded Cards and 2% in Retail Services, and we believe we will continue to grow these balances in the second half of the year.

Retail Banking revenues were up 6%, primarily driven by deposit spreads and volumes. Wealth revenues were flat as investment fee headwinds offset NII growth, driven by deposits and loan volumes. Excluding Asia, revenues were up 4%. We're starting to see the leading indicators pick up with average deposits up 7% and client advisors up 8%. And we are seeing strong new client acquisitions having added 800 Private Bank clients and over 50,000 Citigold clients since last year.

On slide 14, we show results for Legacy Franchises. Revenues declined 15%, largely driven by the closing of the Australia consumer sale, the Korea wind-down, and muted investment activity in Asia. And as we mentioned, this quarter we closed the sale of the Australia consumer business, which was a benefit of up to $1.5 billion of capital.

On slide 15, we show results for Corporate/Other. Revenues increased, largely driven by higher net revenue from the investment portfolio, and expenses were down.

On slide 16, we briefly touch on the full year 2022 outlook. At this point, we continue to expect full-year revenues to be up in the low-single digit range. Relative to Investor Day, the rate curve is certainly giving us a tailwind from an NII perspective and Markets revenues are up for the first half of the year. However, as we mentioned earlier, we are seeing much lower levels of Investment Banking activity, and this will likely continue for the remainder of the year. In terms of expenses, we still expect to grow expenses by

7% to 8% excluding the impact of divestitures. While we are seeing some impact from inflation, we believe the efficiencies that we're executing against and the impact of foreign exchange translation should offset these headwinds.

And with that, Jane and I would be happy to take your questions.

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**QUESTION AND ANSWER**

**OPERATOR:** Thank you. Our first question will come from John McDonald with Autonomous Research. Your line is now open.

**JOHN E. McDONALD:** Hi. Good morning. Mark, was hoping that maybe you could unpack the guidance for 2022 a little bit more. It seems like you've got more good guys than bad guys maintain the guidance, but maybe within that, could you give us a little bit more color on what you're expecting on net interest income, where the trend seems strong, and then maybe what you're assuming from Markets in the back half of the year? Thank you.

**MARK MASON:** Yeah, thank you, John. Good morning to you. As you said, we have seen the benefit certainly in the quarter here of the pickup in rates and certainly all indicators are that the rate increases will likely continue through the balance of the year. And as you've heard me say before, I do expect that we will see continued growth in loans, particularly on the card side, and we saw some of that start to play in sooner than expected, because I had talked about it being in the back half of the year. We saw some of that even here in the second quarter. So we do continue to think we'll get some lift there.

We also expect to see continued momentum on the Services side, both in TTS and likely in Security Services as well. And that growth is more than just rates, but certainly a portion of that does come from rates as well. Where the pressure is going to come is in the non-interest revenue. And we saw that certainly in the quarter here on the Investment Banking side. We saw that obviously in some of the Wealth

businesses, particularly in Asia, and that's where some of the offset is that we'd expect against that NII momentum.

Now, the reality I think is that we'll have to see how this plays out as it relates to markets. All the uncertainty that's out there in the environment thus far has played to our favor, given our focus on corporate clients and what have you. But I'd tell you that as I look at the full year based on what we know now and with the uncertainty that's out there, I continue to feel comfortable with that guidance probably to the higher end of that low-single digit growth that I've talked about.

**JOHN E. McDONALD:** Okay. And then maybe as a follow-up, just remind us where you are on net interest income sensitivity? You've updated the way I think you look at it relative to...

**MARK MASON:** Yeah.

**JOHN E. McDONALD:** ...peers and relative to rates. Just remind us where you are on that and what kind of deposit pricing assumptions are embedded in that?

**MARK MASON:** Sure. So, important to kind of just level set, John, great question. We got – I think there are a couple of drivers that kind of come into play when we think about the sensitivity. So, one is obviously the mix. And so, in our case we've got about two-thirds of our deposits are wholesale, about a third are consumer. We've got, obviously, 70% of ours are in US denominated and the rest are kind of non-US. And that mix is important when you think about betas, when you think about sensitivity and how they play out particularly in a rising rate environment at the pace that we've seen. And that pace varies for both the US versus the non-US currencies. And so, that's all going to be a factor in kind of how we think about it.

You're right, in our disclosure, we forecast our IRE disclosure based on a run-off balance sheet assumption. And what I've been describing in the past couple of quarters is an approach that's more consistent with peers, which assumes a static balance sheet. And under that analysis, if we were to look at an assumption for 100 basis point parallel shift in rates, cross currencies, we think that would generate roughly a $2.5 billion increase in NII. Now, for us, that's going to skew towards non-US dollars. About 80% of that would be non-US dollar, about 20% US dollar. And that shift is in part because we've seen already a significant increase in the US. We've seen some increase in non-US, but nowhere near the

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magnitude that we've seen in the US. So I'll stop there. Hopefully that addresses your question.

**OPERATOR:** Thank you. Our next question will come from Glenn Schorr with Evercore ISI. Your line is now open.

**GLENN SCHORR:** Thanks very much. Mark, I wonder if you could just elaborate on the headwinds in non interest revenue within PBWM and Retail Services. It sounds to me like you extended a contract for a partner or something like that. And then maybe bigger picture, in cards, you just mentioned rising card loans. We all want rising loans, but in the backdrop and the economic outlook we're facing, how do you decipher what's good rise in card loans versus a little concerning rise in card loans?

**MARK MASON:** Sure, let me take them in that order. So on the Retail Services side, it has nothing to do with kind of an extension of a contract or anything like that. What I'm describing is that it is a partner business that we have there in Retail Services. And what that means is that there's a sharing of the profits associated with the business that we generate. And so what happens is in this rising rate environment and the activity from a volume point of view, we've seen an increase in the net interest income that we've generated, and

what that means is that there's more – fortunately, more profits to share with our partners. The sharing of those profits play through the non-interest revenue line. So it comes out as a fee, as a contra revenue, as we share those with clients. So that's the driver of the swing that you see happening there or the pressure that we have in PBWM as it relates to Retail Services.

In terms of the cards growth, the cards growth we feel very good about it. There certainly is an environmental dynamic that's playing out as it relates to consumers and corporates. But what I would say is that you've also heard us describing more marketing spend, more advertising spend, more acquisitions, 18% growth in acquisitions. We've been targeting growing our customer base there, while staying within our risk appetite, and the parameters that we've set and been very disciplined about. And that's started to pay off. And that is part of what I'd describe in terms of the loan growth that is materializing. There's nothing that we see of significance as we grow these loans, that would suggest, one, that they're outside of the focus that we've had to-date, because they're not, nor that there's any material risk in terms of outsized losses. If you look at our loss rates, our loss rates are for Branded Cards 1.5%, Retail Services 2.6%. Those are 50% of what we would normally what we used to describe as a normal loss rate, NCL rate, through a cycle. And so, we feel very good about the loans that we're growing. There's obviously risk, but we also feel very good about the reserves that we have.

**OPERATOR:** Thank you. Our next question will come from Erika Najarian with UBS. Your line is now open.

**ERIKA NAJARIAN:** Yes, hi. My first question is actually a follow-up to John's question, Mark. I think that, it's always been more challenging to forecast net interest income for Citigroup. And the net interest income and net interest margin certainly surprised to the upside. So, I guess, let me re-ask the question. Appreciate the $2.5 billion for each 100 basis point in parallel shift, but as we think about the US forward curve, how should we think about the trajectory of net interest income from that $10.58 billion from here? And clearly, as we think about a deposit base that's two-thirds wholesale, how should we think about both deposit flow, deposit growth, and deposit beta as we think about the second half of the year? In other words, does the rate of change quarter-over-quarter accelerate, flatten out, or decelerate?

**MARK MASON:** Yeah, there's a lot there. But, I mean, I think what I'd say is a couple of things. One is, we've obviously seen a rapid increase in rates, and that the speed at which rates increases matters a lot as it relates to the betas, and so particularly on the wholesale corporate side. And so, we have seen betas increase there. They're probably at about to slightly a little bit better than we would have expected. But we would expect that momentum to continue in the back half of the year given the forecast for continued rate increases.

The other thing that I'd point out just given your point around the ability to forecast from a Citi point of

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view, if you look at the first half of the year, we did about, I think it was $1.8 billion or so over the prior year, ex-Markets. So, NII ex-Markets, $1.8 billion year-over-year first half. To give you a bit more guidance on how we're thinking about it in light of the rate curve and in light of our mix, I'd tell you that I expect about another $1.8 billion or so in the back half. So that's probably year-over-year 8-ish percent or so on a full-year basis based on, again, our mix, our assumption around betas and our current assumptions around how the curve would likely play out.

Let me pause there and see if Jane wants to add anything to that.

**JANE FRASER:** Yeah, I'd also add in, our institutional deposits account for about 65% of Citi's deposit base, but 55% of them are operational deposits. And the TTS deposits have increased by $134 billion since pre-COVID, but the operational deposits increased by $141 billion, and the non-operating decreased.

So, with QT on the horizon, we'd certainly expect the amounts of deposits in the system to shrink. We anticipate this would primarily impact non-operating balances, and I think we feel very good about the stickiness of the deposit base we've got, and particularly internationally where these are operating accounts that are extremely sticky, frankly, in all environments.

**MARK MASON:** Good point.

**ERIKA NAJARIAN:** Thank you. And just my follow-up question is that was really an impressive capital build this quarter, particularly since it's been an issue with investors, and especially since the SCB came out. I think a piece that we may be missing as we think about the continued build to 13% is sort of what the CET1 benefit is from slide 19. So, similar to sort of the, I guess it was 12 basis points accreted from the Australia

sale. Is there any way you could give us a range on, as the deal close for the Philippines, Thailand, Bahrain, Malaysia in the second half of the year, how that could boost your CET1 and get you closer to that 13% bogey?

**MARK MASON:** Yeah, I guess let me kind of answer it in a more fulsome way, if you don't mind, and then I'll certainly make sure that I give you a sense for the contribution of what we expect from divestitures to the capital impact. So, again, there are a couple of drivers that are going to be important to us building to ultimately the 13% for as long as that is place given the SCB. One is obviously the income generation. And with a very strong quarter as it relates to income generation, I feel good about the back half of the year as I've just given you some guidance on.

The other is, don't forget we've had 160 basis points on the two-year since the beginning of the year to the end of the first quarter in terms of rate increases, another 60 bps in the second quarter. And it's going to be – there were AOCI impacts from that, 34 bps in the first quarter, and as we point out here, another 12 bps in the second.There's a pull to par that we expect to start to play out and continue to play out in the balance of the year. That's going to be an important factor.

The third, as you've heard us mention is, we've been working very hard to optimize our RWA and we'll continue to do that. We've paused the buybacks. That's a factor. And then as you mentioned, the divestitures, the close to $1.5 billion or so in Australia, I've talked about in the past about $4 billion for the year in terms of capital impact, I'm at about $3.5 billion with Australia is what I'm currently expecting. And so, a little bit less than what I had talked about before, in part because of some of the movement in terms of the timing of some of these closings. Still feel good about it. Just it's a difficult market that we're managing through. So that $3.5 billion total should give you a sense for how that translates into a CET1 impact that we're expecting, at least through the balance of this year, and obviously there'd be more to come as we continue to close out – and sign and close out some of the remaining deals.

**JANE FRASER:** Yeah, I mean, I rather suspect that at the end of all of this, we're going to have an overabundance of capital. And I really feel good that Citi is already very well-positioned for any

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environment. And as Mark said, we have a confluence of various factors going on, I mean, some of which are temporary, that are causing this rapid buildup of capital for the industry.

But I think we're extremely well-positioned for what lies ahead in terms of strong capital ratios, total liquidity resources. Portfolio credit quality is extremely high, well reserved. And so, we are very much looking forward to resuming share buybacks as I said once we've achieved this build, particularly given where we're trading, and I want you to hear loud and clear that commitment.

**OPERATOR:** Thank you. Our next question will come from Mike Mayo with Wells Fargo Securities. Your line is now open.

**MIKE MAYO:** Hi. I'm trying to figure out if you're lucky or smart. And the reason I say that is, at your Investor Day, I mean, right upfront you said you have five core interconnected businesses led by Services, led by TTS, and then a few months later you have your best quarter in a decade. And it just seems so coincidental that you highlight that as a growth area and then just a couple of quarters later, boom, here we are. So, how much of that TTS growth is simply because of one-off factors in the markets, in other words it won't repeat? How much of it is due to a higher baseline, because of, say, interest rates? And how much of that is due to market share gains? And just remind us what TTS and Security Services is again, because I think you got everyone's attention with this quarter?

**JANE FRASER:** So, why don't I kick off and then I'll pass it to Mark. And it's a danger here of how long you have, Mike, because there's a lot to talk about. So I would encourage you to sit at the beach this weekend and have an excellent read of the supplement because we've provided you with a lot of good facts and proof points and information both around the Services businesses and the others about the early progress on the strategy.

TTS was able to fire, as I said, on all cylinders this quarter. About two-thirds of the performance was driven by business actions and one-third was by rates. And as Mark said, very active management of the deposit base, beta discipline across all the regions, and the NIR growth that you saw was driven by cards, by payments, by receivables, and by trade. When you look in the strategic drivers we laid out at Investor Day this quarter, cross- border transaction value up 17% year-over-year, clearing volume up 2% in US

dollar, commercial comp spend up 62% as that business recovered, average trade loan balances up 14%, average deposit balances up 2%. So that two-thirds that was not rates related has a very broad and substantive set of drivers behind it, that as Mark said, puts us into a very strong position for continued momentum here.

This level of year-over-year growth is very pleasing. But we would expect to see it revert to the medium term guidance we gave you at Investor Day over time. But, no, this was across the board all elements firing. And I will give a shout out to Shahmir, the Head of TTS, as well as to our Security Services team. But he has really instituted a culture of intensity, of tremendous focus, of discipline in how he is running the business as well. And I think that is also a contributing factor to the confidence that you're hearing from us about this.

Mark, do you want to explain what TTS and Security Services is?

**MARK MASON:** Again, as you've heard us describe, the TTS franchise is core to our business. It provides obviously a network to the large multinational clients in over 90 countries. We manage the full swath of their working capital and cash management needs. We also provide trade financing for them and their vendors and partners. And this is essentially in many ways what differentiates our franchise from others. And not only is it in and of itself a core growing high-returning business, but it's one of the businesses that is well connected to the rest of the franchise when you think about the Markets business that we have and the FX that we manage on behalf of clients. And so – and this is a particularly relevant time for us to be engaged with those partners as they manage through supply chain issues and we're there to again help them work through those things and provide them alternatives to their production and operations, and similar type

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services we provide to our investor client base from a Security Services point of view.

Look, the strategy here did not start with Investor Day. That is, we obviously spent time with you talking about that, but this has been a part of the franchise that we've been investing in on an ongoing basis, and it's important that we continue to do that. Investments in technology, investments in onboarding of new clients and the services we provide, in enhanced digital capabilities, in the operations, so all of those things. And some of that what you see here is those investments starting to pay off.

**JANE FRASER:** And the same is exactly true in Security Services. So, I think the answer to your question is, no, we're just being very disciplined.

**MARK MASON:** Yes. Well said.

**OPERATOR:** Thank you. Our next question will come from Ken Usdin with Jefferies. Your line is now open. **KEN USDIN:** Hi, there. Thank you. Good morning. Just a...

**MARK MASON:** Good morning.

**KEN USDIN:** ...follow-up on the RWA. When you talk about the premium of the $3.5 billion, and can you help us just discern between what is a numerator impact and what's the RWA impact of the sales that have been announced? And just as a related, just how far are you through the RWA optimization efforts, how much more could you really see doing there? Thank you.

**MARK MASON:** Yeah, so the – thank you. The $3.5 billion I referenced is all capital, so all numerator impact is what I'm describing. It's both the, you know, any premium that we get or impact gained from sale as well as the RWA that we have allocated as part of that business, and so that all kind of flows through from a numerator point of view.

In the case of Australia, for example, that would include both the RWA that we had attributed to that business as well as the CTA impact coming back into capital. So, remember, we took a hit when we signed the deal associated with the CTA. I kept communicating that that would neutralize when the deal was closed. In fact, it did. And that contributes to the roughly $1.5 billion there.

In terms of RWA optimization efforts, it's a continuous effort. We are constantly working through the balance sheet to make sure that it's allocated to clients who generate the highest prospect for growth and leverage the breadth of the franchise, and we're going to continue to do that. And I think the team did a very good job in ICG and particularly in Markets this quarter in making sure that we made progress against the revenue to RWA metric that they've been using, which is a proxy for returns. They worked very closely with clients to manage the recycling of trading inventory in a optimal way to optimize collateral positions and postings that we have to increase initial margins on derivative trading where that makes sense. And so, they've been actively working the balance sheet, and we're going to continue to do that. We want to be there to serve our clients, but we want to make sure that we are generating an appropriate return for the use of capital.

**JANE FRASER:** And it's part of the shift that we've been instituting, Paco and Andy, in Markets and across ICG and across the firm in our commitment to our shareholders to be more returns focused and to be managing the business differently that way, and this is a very obvious example of that, because it's multi dimensional.

**OPERATOR:** Your next question comes from Ebrahim Poonawala with Bank of America. Your line is now open.

**EBRAHIM POONAWALA:** Good morning.

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**MARK MASON:** Good morning.

**EBRAHIM POONAWALA:** I guess just around capital, Mark, this is a two-part question. One, am I hearing you right that you're not going to leave the door open for buybacks until you get to 13%? Appreciating what Jane said about some of the transitory impact from AOCI, why not be a bit more opportunistic? And just tied to that, what's the risk that some of these deals get pushed out? I see slide 19 where you've extended the timeline for a few deals. Given just the macro backdrop, like, is that a real risk or do you feel pretty good about the updated timelines? Thank you.

**MARK MASON:** Yeah, sure. So, look, I mean, we are obviously going to take it quarter-by-quarter as it relates to buybacks and from a capital point of view. Again, without going through all of the things that reflect the environment that we're in, you can see the uncertainty that's out there. Obviously, the capital requirements with this SCB for the industry are higher. That's unfortunate. We feel as well the right amount of capital was in the industry already. We've got to manage through that. It's a reg requirement. We're going to do that. But we'll – SCB gives us the opportunity to take those decisions quarter-by quarter. We're pausing for now. And next year there will be another DFAST process, and there will be an SCB that comes out of that. And frankly we should have the strength of higher PPNR that we've been generating to help contribute to what that outcome looks like. So, we'll take that quarter-by-quarter.

In terms of risk related to divestitures, again, we did highlight we're being very, very transparent with you all and with the world, and we do see some delays that we highlighted from our original schedule that's in the back of the presentation there, but we feel very good about getting to closure there, and it's not an if, it's a when, and we feel like we're on track with the schedule that we've highlighted for you.

**OPERATOR:** And your next question comes from Betsy Graseck with Morgan Stanley. Your line is now open.

**BETSY GRASECK:** Hi. One more capital question.

**MARK MASON:** Hi, Betsy.

**BETSY GRASECK:** So on slide 8, you do give the medium-term outlook here for what you see as your long-term goals for capital, the 11.5% to 12%. And so, implicit within that is an expectation that your reg minimums would fall to somewhere 200 basis points or so, and I get that the exits will be part of that. Is there a sense you can tell us, as you get more simplified, what the SCB benefit would be? I thought it was something like 25 basis points, but I must be off there.

**MARK MASON:** Look, I mean, the 11.5% to 12% is consistent with what we talked about at Investor Day. And the medium-term, as you know, Betsy, for us is three to five years. We've got a couple of things that we're working through, not the least of which are the divestitures. They will certainly contribute to that, but so will some of the other things that I've mentioned including utilization of the DTA, the AOCI pullback and

things of that sort. The divestitures certainly will help from an SCB point of view, but I think the stronger performance that we're seeing will aid in that as well.

And importantly, the mix change that we expect to come from executing on our strategy, a mix towards more sustainable, predictable earnings, earnings that are coming from some of the areas of growth that we demonstrated this quarter like TTS and Security Services, et cetera, et cetera.

So, there's time there. There's obviously a management buffer component of that that I think is certainly an important factor and consideration as we evolve our mix, and then there's the GSIB score with not only a reduction in the divestitures that will impact peak-to-trough losses, there's also deposits that will go away with those and balance sheet evolution that will contribute to a reduction in the GSIB score as well.

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**JANE FRASER:** Yeah, let me just underline a couple of points. When we built our strategy, it wasn't only to generate greater returns, but it was to lower our capital requirements over time as Mark said. And you can see how we're executing that both in terms of the shift in mix and the divestitures. Obviously, we don't control the regulatory capital framework, but we're not managing for short-term shifts in SCB. As you know, the banks experience considerable variability in the SCB each year. It's very much depending on the scenario chosen. So that's why we continue with our commitment and confidence around the

medium-term.

**OPERATOR:** Thank you. Our next question will come from Steven Chubak with Wolfe Research. Your line is now open.

**STEVEN CHUBAK**: Hi. Good morning, Jane. Good morning, Mark.

**MARK MASON:** Good morning.

**JANE FRASER:** Hey Steven.

**STEVEN CHUBAK**: So, I had a follow-up question for, arguably for Mark on NII. As the Fed continues down the path of balance sheet normalization, I just wanted to clarify whether that $1.8 billion increase in NII you cited for the back half assumes stable deposits or some QT-related attrition. And within ICG specifically, are there any insights you can share on what drove the increase in Markets NII and how that should traject just given the historical liability sensitivity within the Markets business?

**MARK MASON:** On the first point, when I think about the back half of the year and quantitative tightening, I do expect that we will see some continued deposit growth, as I mentioned earlier. The pressure from quantitative tightening I think will certainly play out over time. But again, our focus is on growing the operating deposits that we have with clients, and we think we've got good traction and ability to continue momentum with those operating deposits. And again, they put us in a position to really broaden the relationship with both those multi-national clients as well as with some of our commercial clients where we've been getting good growth and momentum from. So, yes, likely would be an impact across the industry, but we believe we can get some continued momentum particularly on the operating deposits that we have with clients.

In terms of Markets NII, I mean, you've got the European dividend that plays out in the second quarter, so that obviously is a factor there. And again, I'd point you to – when we talk about Markets, I really like to talk about total revenues, because the nature of the security and the trading and the activity that we do there can have an impact on NII and NIR, and what really matters is the total revenues that we're driving and generating out of that franchise. And as you can see, we did 25% growth in Markets revenue year over-year. So a very good quarter for the Markets team for sure.

**OPERATOR:** Thank you. Our next question will come from Matt O'Connor with Deutsche Bank. Your line is now open.

**MATT O’CONNOR:** Hi. Can you elaborate on your comment about why the Russia exposure is kind of less of a risk or it's a better mix than it was a few months ago? And then maybe related to that, quantify how much of the $8.4 billion is to subsidiaries of MNCs which does seem like it'd be much, much lower risk? Thank you.

**MARK MASON:** Sure. So, look, what we've been doing very actively since the beginning of the year and certainly in the quarter as well has been working – we've been working to bring down our exposure in Russia and specifically with the clients that we serve there. And so, that direct exposure in a local currency dollars, we brought down by some $900 million or so in the quarter. We brought down and reduced the cash and deposits that we have by another $1.7 billion or so, and then continued to bring down third-party related exposure by another $400 million, and that's been through working with clients to pay those

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exposures and loans down, and in some instances giving them incentives to do so and incentives to move their deposits out as well. So, very active engagement from the team as it relates to that.

What's happened with that is the mix of the exposure that we have or that remains has skewed towards the higher-quality names and towards the global subsidiaries that we have in the country. And so, with that mix shift to better quality names and the reduction in exposure, that's allowed for us to take down the reserves that we had related to the direct exposure in the quarter. And so, that has been, I think, very good progress in terms of that reduction. It gets overshadowed a bit with the ruble impact, but we've made good progress and we're going to continue to actively do that. Approximately – Jane, do you want to jump in on that?

**JANE FRASER:** Yeah, yeah, no, I was going to jump in in terms of just sort of overall, let's be very clear. We are systematically crunching down the size of our franchise. And as Mark says, the severe stress loss scenario is probably the best indicator of that, which is now roundabout the $2 billion, and materially reduced down. And we completely changed the nature of our exposure. Particularly when you think about today, most of our clients are multinationals, and many of the exposures there have parent guarantees against them, which is very helpful.

What are we doing with them? Many of them, that we're helping them with their exit from the countries. And that obviously, as you can all appreciate, takes some time. So, for those that are able to exit swiftly, that's another factor that can help us reduce down our exposure presence and indeed our operations.

There are also others, though, that it is harder. I think we've all seen how difficult it is to disconnect the Russian economy from the West in a couple of key sectors, in particular food and in particular energy. And as you can imagine, given the nature of our bank, we've been in the middle of some of those flows that are essential for the West and the multinationals that are supporting it.

And so, you have a bit of a blended story here in terms of, yes, we're helping those that connects to exit, but we're also still playing the role that we have to and have been asked to in maintaining some of those flows. We anticipate that they will continue to reduce over time as the energy and food security issues get addressed. But it's a complex environment. And bottom line, you can hear us, we're pleased with how this has been managed by our teams.

**OPERATOR:** Thank you. Our next question will come from Gerard Cassidy with RBC. Your line is now open.

**GERARD CASSIDY:** Thank you. Hi, Jane. Hi, Mark.

**MARK MASON:** Hey, Gerard.

**GERARD CASSIDY:** Mark, can you share with us, both of you addressed in your opening remarks about the impact the market conditions had on Investment Banking and your peers have seen it as well. If the market conditions remain this way in the second half of the year and into 2023, just for Investment Banking, not Markets, your trading business, when do you guys have to take a sharper pencil to the expenses in that division, or do you just let it run?

**JANE FRASER:** Maybe I kick off and then pass it over to Mark. Look, strategic advice is central to the vision to being the preeminent banking partner for multinational firms. We are continuing to strategically invest in talent and in the platform. You can expect us to continue doing so, with a particular focus on the tech, healthcare, and financial services sectors, because those are ones where it is a decade-long shift that we're going to see in their importance. And we've brought in some very strong bankers there. It obviously takes a

few years to build share, build out the client relationships, and to see the full fruits of those investments. We're also focused on the broader opportunity by leveraging investments in commercial banking, I'm sure Mark will talk about that as well, and in Markets and the connectivity there. So I think you're going

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to see us take a strategic look at this and a long-term look rather than just a shooting from the hip on the expenses side, because we're building the firm for the long-term here. We'll certainly be incredibly disciplined around expenses. You've seen that with us this quarter. We've talked about what we'll do on expenses across the board in the firm as we become simpler in tackling stranded costs, our organization structure, et cetera. But we're very serious about the investments that we're making into some of the core talent in these areas, and you shouldn't be expecting us to make any significant material shifts right or left on this one. We're deadly serious.

Mark?

**MARK MASON:** Jane, I think that's well said. The only thing I would add is that the business is capital light and is high returning through the cycle, and so we see a lot of value there. We want to be prepared to ramp up when activity starts again, and as you've said, it's quite strategic for us.

Since you kind of wound me up on the commercial banking activity, I have to jump at it. We had, as you know, Jane, a very strong quarter in commercial banking. When I look at the revenue momentum there, just kind of leveraging the breadth of the franchise, we're probably up 25% to 30% in revenues in that part of the business. And I know that's part of our – as you know, that's part of our core growth strategy that

we talked about at Investor Day. So, good momentum in that part of the franchise as well. **JANE FRASER:** And obviously they're benefits for our Investment Banking colleagues as well. **MARK MASON:** Those synergies.

**JANE FRASER:** Important synergies.

**MARK MASON:** Yeah.

**JANE FRASER:** Yeah.

**OPERATOR:** Thank you. Our next question will come from Vivek Juneja with JPMorgan. Your line is now open.

**VIVEK JUNEJA:** Thank you. Jane, a question for you on Mexico. Given the comments of the Mexican President, would that limit the price that a buyer would be willing to pay, and what's your sort of minimum price that you're willing to accept? And what's Plan B if the prices being bid don't meet that hurdle?

**JANE FRASER:** Oh, Vivek, I'm not going to answer your question. But I'll give you a few comments on Mexico nonetheless. So, we're pleased with the interest in our Mexican franchise based on the discussions with the buyers, and the franchise is performing well. It's more than maintaining its value. It's contributing nicely to our financial results. But it's still very early in this process. So when we have news for you, we will obviously convey that to you swiftly. But it's early days.

And as you'd expect with a transaction of this nature, we need to work through a variety of regulatory and legal proceedings. We're actively doing so. We're working hard on separating our market-leading institutional franchise, which is a key part of our global network, taking the time necessary to do that the right way. And we have a variety of different options that we can always look at. But it's far too early in the process here to speculate, but so far so good.

**OPERATOR:** Thank you. Our next question will come from Andrew Lim with Société Générale. Your line is now open.

**ANDREW LIM:** Hi. Good morning. Thanks for taking my question. I guess I'd like to have a better view from you on your outlook on recession. It is difficult to reconcile how investors feel about recession. It is

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obviously quite negative, and seemingly a lot more negative than it was about a quarter ago. But when we look at you and at some of your peers, the delta on the recession outlook seems only a little bit worse than it was one quarter ago. So, I was just wondering how you think about recession, because some of the investors that we talk to, they look at the savings ratio, it's back to pre-pandemic levels. They look at mortgage affordability and it's really quite dire. And the perception they have is obviously perhaps

inconsistent with the way you're looking at recession. So perhaps you can give us a bit of color as to how you're thinking about things.

**JANE FRASER:** Yeah, I'll kick it off, pass it to Mark. Look, as we've talked about, the current macro environment is kind of shaped by the three Rs; Russia, rates and recession. And it depends where in the world you are as to which one's prevailing. In the US, we're more concerned about rates than imminent recession. The consumer and the corporate are healthy. The labor market is exceedingly tight. We are increasingly concerned about the possibility of a recession next year. But I think what you're hearing from us quite loud and clear is that we think the economy is quite well-positioned to withstand it.

Europe, different story, fragility of their energy supply to any further shocks makes it more vulnerable and it's kind of at the center of the storm. So we do believe that the continent is heading into a recession under the most likely scenario and could be as early as this fall. In Asia, concerns are largely focused around China and it's zero COVID policy. The economy is bouncing back, but you could have another wave that could be more problematic there. So, and you put all these different factors, it's a little bit depends where in the world that you are.

When I think about Citi, look, we're prepared for a variety of scenarios. We are absolutely ready. We run stress tests all the time, given the unique set of risks facing the global economy right now. We have a set of playbooks honed over many years that can get instituted as necessary. And what matters for a bank heading into a recession: capital, liquidity, credit quality, and reserves. And we feel very good about all four of them.

Very strong capital ratios, as you've seen, ending 2Q. Total liquidity resources just shy of $1 trillion. Over 80% of our corporate exposures are investment grade. Our consumer clients are heavily prime. And let's just talk a little bit about the ICG NCL this quarter. When you look at the numbers, it was $18 million only. The health of the corporate entering into the choppy waters is extremely strong. And we've got a very well reserve to funded loan ratio of 2.44%. So we have a lot of flexibility here. If we have a severe recession, I think you'll see certain actions taken and other ones being slower, but as a bank, we're ready for a whole variety of different scenarios. Mark?

**MARK MASON:** Yeah, Jane, just to your point on reserves, just in the quarter, you saw we took a reserve build, that reserve build was in part driven by our view on the potential for some downside in light of everything that we're seeing and the concerns around recession. So, we did take a bit of a build from a CECL point of view on reserves. And as Jane mentioned, we feel very good about our reserves levels and the $18 billion that we have associated with our franchise.

**JANE FRASER:** Yeah, I think, the consumer, it's just an unusual situation to be entering into this choppy environment when you have a consumer with strong health and such a tight labor market. And I think that's where you hear so many of us not so much concerned about an imminent recession in the States.

**OPERATOR:** Thank you. Our next question will come from Mike Mayo with Wells Fargo Securities. Your line is now open.

**MIKE MAYO:** Hi. Before I had my beach reading, thank you for that, look, to regain investor credibility, you've mentioned meeting various proof points, and can you remind us which proof points you've met, but which proof points we should hold you accountable to looking ahead in the next quarter and year? **JANE FRASER:** Look, I think you hold us accountable for all the different proof points we laid out. We went through a very thoughtful process to come up with the different KPIs for the strategy, and those are

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transparently put into the materials. We're trying to make it as shareholder and investor-friendly as possible in that respect. And if you can see this quarter, the drivers exceeded expectations in some places. There were headwinds in others. We laid them out very clearly. You saw as we talked about Services, so I don't need to cover that one again.

In Markets, we talked about optimizing RWA, driving the business for stronger capital productivity, also driving more of the alpha trade solution business, you see that. Personal banking returning to IEB, and revenue growth from customer acquisition and purchase sales being important metrics. Investment Banking, its progress on key hires that we've been making, that's obviously been a tough market to do so, but I've been pleased with the talent that we've brought in and delighted with the talent that we have.

Wealth was more challenged with lockdowns in Asia understandably slowing some progress on client acquisitions and some of the key strategy drivers there, but synergies more disciplined, tighter processes reinforced by additional metrics on the scorecard. You'll be hearing us talking more and more about the delivery of those synergies.

So, it's not really any different from exactly what we laid out on Investor Day, right? We've laid out a strategy we have a lot of conviction around. We've laid out the different metrics to hold us accountable to, and it should provide you a sense of progress along the way. And we've also talked about what we're doing to get this cultural change of accountability, of urgency, of intensity, and excellence, and we'll give you as many different indicators of where that's working well and where it's not as we go along.

**MARK MASON:** If I could just add one thing to that, Jane, and that, Mike, I think you ought to keep in mind that this is a very strong quarter for us, we feel very good about it, but it's just a quarter.

**JANE FRASER:** Yeah.

**MARK MASON:** Right? And we talked about at Investor Day a long-term strategy and we gave you a sense for medium-term targets. And those things are going to be things that you hold us accountable between now and then, right. And so, this is one quarter. We feel great about it. We're certainly glad that you're recognizing it. But there's a lot more wood to chop. We're making a lot of investments in the franchise that we know are going to pay dividends in the future. And we look forward to kind of talking through continued progress in these KPIs. It won't always be a straight line, but we remain confident that we're going to get there.

**JANE FRASER:** Yeah. And we fully recognize the magnitude of what we have to do, and we're determined to get this done.

**OPERATOR:** Thank you. Our next question will come from Vivek Juneja with JPMorgan. Your line is now open.

**VIVEK JUNEJA:** Hi, Jane. Don't worry, I won't trip you up on another one you can't answer, hopefully.

**JANE FRASER:** I didn't say can't. I said won't. There's a big difference.

**VIVEK JUNEJA:** Won't. Okay. Yeah, okay, won't. Hopefully this one you will. Mark, your 8% NII growth for full year, is there something in the second quarter that was unusually high that we should not carry forward? I'm just trying to reconcile that with the guide that you've given, because if we just take that forward, it would be above the 8%. So trying to reconcile what's the difference.

**MARK MASON:** Look, I mean, each of the quarters obviously have different dynamics, different rate moves, different levels of volume growth and what have you. And so, there's certainly different volume levels between quarter 1 and quarter 2. And I described kind of how rates would move between the quarters as well. And so to simplify it and because there is appropriate interest in how we think about it on an ex-

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Markets basis, I just gave you the annualization of the half and what it would mean for the full year. So, nothing that I would point out beyond what you would notice, which is differences in rates and volumes across the businesses.

**Operator**: Thank you. There are no further questions at this time. I will now turn the all over to Jenn Landis for closing remarks.

**JENNIFER LANDIS:** Thank you, everyone, for joining us today. If you have any follow-up questions, please reach out to IR. Have a great day. Thank you.

**OPERATOR:** And this concludes Citi's second quarter earnings call. You may now disconnect.

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