

**HEARING BEFORE THE UNITED STATES SENATE COMMITTEE ON BANKING, HOUSING,
AND URBAN AFFAIRS**

**TESTIMONY OF JANE FRASER,
CHIEF EXECUTIVE OFFICER, CITI**

December 6, 2023

Chairman Brown, Ranking Member Scott and Members of the Committee: Thank you for the opportunity to represent Citi today. As CEO, I have the opportunity to lead a 211-year-old institution and benefit from the global perspective of our work in nearly 160 markets.

Through decades of geopolitical shifts and technological advances, we have seen how the U.S. banking system is truly unmatched. The isolated bank failures of the spring may have tested some of the confidence that people have in our industry.

But I am proud of the swift and collaborative response by our government and industry, which affirmed the underlying strength and stability of our financial system. As we chart a path forward, we need to make sure we don't inadvertently upend the unique system we have.

Our financial system is the envy of others because it's underpinned by the most competitive banking sector and the deepest capital markets. We're home to banks of all sizes, each with an important role to play.

Collectively, our banks serve as engines of growth, supporting businesses and households and promoting access to financial services in hard-to-reach communities.

For American multinationals, global banks such as ours offer the size and scale to compete in a rapidly changing world without having to rely on a mix of foreign banks. We finance supply chains and partner with America's top companies to bring products and services to American consumers at affordable prices. We also lend our robust balance sheets to fund transformational projects. Last year alone, Citi worked with state and local governments to raise or refinance nearly \$31 billion in infrastructure investment in the U.S.

The strength of our financial system becomes most critical when the outlook for our economy weakens. Although we don't see a drastic downturn on the horizon, we do expect a recession as the result of a range of macroeconomic factors. This includes persistent inflation in services, rising debt, a slowdown in global growth and two major conflicts in Europe and the Middle East.

Consumers appear to be taking a more cautious approach to spending in recent months, reflected in moderating sales growth, a shift in spend choices and segment differentiation. We are seeing borrowing levels increasing across all FICO bands with the lower FICO score segment of our customers increasing the most since 2019. This is unfortunately the same group that feels any tightening of credit conditions first.

At Citi, we understand the vital role our institution plays in both the U.S. and global economy. My colleagues and I embrace this responsibility and remain committed to our mission of enabling economic growth and progress.

Citi Today and Tomorrow

Our vision for Citi is to be the preeminent banking partner for institutions with cross-border needs, a global leader in wealth management and a valued personal bank in our home market. It has led us to focus on five core interconnected businesses: Services, Markets, Banking, Global Wealth Management and U.S. Personal Banking.

In September of this year, we announced significant changes to our bank's organizational model. These changes will help align our structure with our strategy as we build our bank for the future. We believe our new structure will enhance our focus on clients, make it easier to execute and create greater accountability across the firm.

The simpler operating model elevates the leaders of our five businesses and eliminates layers of management and activities that detract from our competitiveness or add unnecessary complexity. This will make us faster to respond to our clients' needs, make decisions, execute our strategy and modernize our risk management and infrastructure. Going forward, geographic management responsibilities will focus on client coverage, delivery on the ground and legal entity management, as well as strengthening risk and controls in each country.

In 2021, as part of our efforts to make Citi simpler, we announced an effort to exit our international consumer businesses. We have completed the sales of nine of those businesses, including all of our sales in Asia, and we have made significant progress winding down our consumer businesses in China and Korea and our overall presence in Russia.

U.S. Personal Banking, which includes retail banking, retail services and branded cards, serves more than 70 million customers in the U.S., where we operate 647 retail branches concentrated in the six metropolitan areas of New York, Washington, D.C., Miami, Chicago, San Francisco and Los Angeles. Roughly 25 percent of our branches are in low- and moderate-income census tracts. Through investments in our digital capabilities, new and expanded partnerships and our role as the nation's second largest credit card issuer, we have been able to extend our reach beyond our core, physical footprint to serve communities across the country and deepen customer relationships.

Regarding our talent, we firmly believe that diversity makes us stronger and is good for business. Assuring opportunities for all our employees is a top priority for me as CEO. We value the contributions of every Citi employee and want them to build careers with us. Our U.S. workforce include 76,393 employees and 1,029 contractors. The median pay of our U.S. employees was \$107,685 in 2022. We provide a minimum hourly wage of at least \$18 for all U.S. employees. Our CEO pay ratio to median employee in the U.S. improved to 205 to 1.

Meeting Housing and Small Business Demand

We are proud to have been the largest lender of affordable multifamily housing in the U.S. for the past 13 consecutive years. During that time, we have helped create or preserve over 425,000 affordable housing units across the U.S. These partnerships are good for customers and communities, and they benefit us as a bank.

In 2022 alone, we worked with state and local governments across the country to lend more than \$6 billion supporting 35,000 new or preserved affordable housing units in 32 states. These are more than just numbers. They represent safety and stability for families. Housing enables economic mobility and stronger communities.

That's why I'm particularly proud of the impact we're having across the country in affordable housing. We have more than \$5 billion in the pipeline for housing projects in the states represented by members of this committee today. In Ohio, for example, I can report we recently financed the construction and permanent loan in the amount of \$10.5 million for a 107-unit apartment in Cleveland, and we are currently working on the financing of five projects in 2024. In South Carolina we financed 11 projects over the last three years, including an 80-unit affordable housing project in Spartanburg, costing \$10.4 million.

Over the past two years, Citi has intensified efforts to promote sustainable homeownership in historically underserved communities. For example, we expanded our HomeRun low downpayment and Lender Paid Assistance programs, enhanced marketing efforts and hired a group of Community Loan Officers charged with deepening our reach.

We also recognize the important role small businesses play in our economy and we are working hard to provide them the banking products and services they need. In 2022, we provided small businesses with more than \$12.4 billion in funding, with supply chain financing and credit card products accounting for a significant share of that total.

We offer a number of products, including Small Business Administration (SBA) loans, term loans, commercial mortgage loans and credit card lending through our Branded and Retail Services cards portfolios. The lending we provide as the nation's second-largest credit card issuer translates into essential liquidity for consumers and small businesses. Citi's supply chain financing provides critical early financing for small- and medium-sized enterprises that supply large companies around the globe.

We are also proud of our efforts to support underserved small businesses. Recently, Citi began participation in a Special Purpose Credit Program in collaboration with LA Project REACH, and sponsored by the OCC. This program launched in 20 metropolitan branches in Los Angeles. Citi intends to offer this program to applicants throughout its branch network shortly.

Expanding Economic Opportunity

Increasing access to financial services is a priority for us. Communities of color face disproportionate challenges, and wealth gaps are real concerns.

Citi continues to focus on our work to help advance economic opportunity. Using the breadth of the firm's business capabilities, expertise and volunteers, as well as the Citi Foundation's philanthropy, we help break down barriers to drive financial inclusion, enabling growth and economic progress in underserved communities.

To that end, we are working to expand banking products and services that can help advance economic progress, especially for underbanked and unbanked communities. We eliminated

overdraft fees, and we offer low-cost checking and savings products, homebuyer down payment assistance, and last year started accepting payments made through Zelle and other peer-to-peer platforms as qualifying direct deposits to waive monthly account fees.

Three years ago, we launched our *Action for Racial Equity* initiative to help close the racial wealth gap and increase economic mobility in the U.S. We are investing more than \$1.1 billion in strategic initiatives to provide greater access to banking and credit in communities of color, increase investment in Black-owned businesses and expand access to affordable housing and homeownership among Black Americans. Through the Citi Impact Fund, we use our own balance sheet to invest in double-bottom line companies that are bringing financial inclusion and racial wealth gap solutions to market. Last year, we announced the expansion of the Fund to \$500 million, more than tripling our initial commitment.

We have partnerships with Community Development Financial Institutions (CDFIs) and Minority Depository Institutions (MDIs) to help expand access to banking and credit to underserved communities. Since 2020, Citi and Citi Foundation have provided \$1.2 billion in capital and \$115 million in grants to CDFIs and MDIs.

We continue to build upon our track record of active engagement with MDIs to help them to scale and expand into new markets. Since I last testified, the number of equity investments in MDIs increased from 11 to 13, bringing our total dollar amount of investments to \$48 million. We provided an additional \$1.8 billion in loans and syndication opportunities across the franchise with MDIs. We launched an Executive Loan Program where qualified senior Citi executives are selected as secondees and work with our MDI partners to lead high-priority projects and lines of business. We also created a learning institute that provides downloadable, on-demand and in-person financial training from Citi Subject Matter Experts.

Fair lending is a top priority for us. We are deeply sorry and apologize to the Armenian American community that we recently fell short of our fair lending expectations with respect to certain credit card applications. We found a small number of employees were not following Citi policy and have taken action to make things right and prevent any recurrence.

Commitment to Those Who Served

Citi has a great appreciation for our country's military, and we honor the sacrifices they and their families make in service. Veterans are highly valued members of our diverse culture, and they bring a unique skill set grounded in character that includes resourcefulness, teamwork, follow through and calm under pressure. Citi maintains programs to help support eligible active servicemembers with benefits and protections, in accordance with applicable law.

On Veterans Day, we announced improvements to our Veteran Affairs Loan Program to provide an even better offering for eligible military borrowers. The new features are reduced origination fees and removal of some credit overlays, including the prior cap on loans at \$1 million.

Additionally, Citi Salutes is our employee inclusion network that promotes the recruitment, retention, engagement and empowerment of Veteran and military talent, including spouses, at Citi. The network includes close to 4,000 Citi colleagues in 17 chapters across the U.S. and UK. In 2023, Citi was recognized as a top employer for Veterans by both Military Times and Forbes,

and we will continue to promote the empowerment of the Veteran community at Citi and beyond.

Data Security and Privacy

Citi respects its customers' privacy and is committed to keeping customer data confidential and secure in accordance with applicable laws, rules and regulations in the countries in which we operate. We value the trust that our customers place in us to safeguard their personal information and to use it appropriately in providing the services for which they rely on Citi. Citi's global privacy principles articulated in our policies and standards are rooted in transparency, choice, fairness and security. Those principles require that personal information only be collected and used as necessary for the performance of the services offered and for the purposes disclosed.

Citi offers customers choices about how their personal information may be collected, used and shared, including choices relating to marketing or reviewing and correcting information, consistent with applicable law. Citi maintains a globally applicable privacy program with which its businesses must comply. We require all personnel to take privacy and security training and have robust controls to identify and manage privacy and ensure that consumers remain at the center of our privacy practices. Security is integral to privacy. Recognizing the increasingly challenging cybersecurity risk landscape, Citi employs a threat-focused, data-driven strategy to protect against, detect, respond to and recover from cyberattacks.

We actively participate in industry, government and cross-sector knowledge-sharing groups to enhance our resilience and inform best practices. Led by Citi's Chief Information Security Officer and Information Security Office, Citi also devotes significant resources to implement, maintain, monitor and regularly upgrade our systems and networks.

Responsible Approach to Artificial Intelligence

Citi has been using Artificial Intelligence (AI) for years to assist in cyber protection and to help in credit scoring and other tasks. We take particular care to review and test all our AI models prior to use, in line with official guidance, including the 2011 joint Model Risk Management guidance from the FRB and OCC. Additionally, our model review process confirms that models are reviewed for potential bias and provide appropriate explainability, as required.

We were one of the first companies four years ago to create a set of AI Ethical Principles, which incorporate privacy and data rights, to guide our use of AI. We have established a dedicated, firm-wide Center of Excellence for Artificial Intelligence to develop best practices and help set standards for AI and machine learning (ML) in our products and services. In response to the evolving technological landscape and the expanded capabilities of AI, Citi continues to enhance our internal processes and further strengthen our risk and control functions, through an expanded, multi-stakeholder risk and controls structure to ensure that Citi's AI applications are safe, responsible and consistent with our AI Ethical Principles. Newer types of AI like the 'large language models' or 'generative AI' that have come to the forefront this year are expected to help us improve developer productivity and test for software vulnerabilities before putting our code in production. These newer types of AI are not currently being used for credit-scoring

or other applications that affect the products available to customers. Our AI risk and controls structure includes representatives from the Office of Fair Lending, Privacy Office, Chief Information Security Office, Legal, Enterprise Architecture and Model Risk Management, who in their totality provide a rigorous vetting process and multi-perspective review of Citi's AI/ML applications to help mitigate bias and potential discrimination risks.

Additionally, AI technologies are built into a number of cybersecurity tools used across Citi to enhance security controls and processes. Identification of malicious emails and attachments, endpoint and network anomaly detection and user-behavior analysis are all existing capabilities of cybersecurity tools based on machine learning techniques. All of these capabilities help secure Citi data. The addition of advancements in generative AI will introduce new and innovative solutions into our technology.

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Thank you for the opportunity to speak about the work we're doing to support the resilience of American consumers and businesses.

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APPENDIX

Approach to Consumer Fees

We treat our customers fairly and design fees with that principle in mind. Citi offers a wide range of financial products to a wide range of consumers. We are transparent about pricing, and regularly review fees to keep them transparent, competitive and fair.

In some cases, we've eliminated fees entirely. Citi is proud to have eliminated overdraft and non-sufficient fund fees and to have reduced more than 20 fees for our retail bank and card customers over the last two years.

In other cases, we believe fees are necessary to provide high quality products and access to as many customers as possible. A more detailed breakdown of fee revenue is included in page 18 of our most recent 10-K, which lists the revenue details in our former Personal Banking and Wealth Management (PBWM). The consumer fees are included in the PBWM chart, which includes non-interest revenue and net interest income. At the end of the day, we want our customers to be able to select the products that work best for them.

Citi Financials

The table below shows Citi's FY 2022 and 3Q 2023 balance sheet, capital and leverage ratios and annual dollar value of dividends, stock buybacks and other capital distributions.

<i>(\$ in billions)</i>	<u>FY 2022</u>	<u>Q3 YTD 2023</u>
Total Assets	\$2,417	\$2,368
Total Deposits	\$1,366	\$1,274
Total Equity	\$201	\$210
Common Equity Tier 1	\$149	\$156
Tangible Common Equity	\$158	\$166
Supplementary Leverage Ratio	5.8%	6.0%
Common Equity Tier 1 Ratio (Standardized Approach)	13.0%	13.6%
Revenue, net of interest expense	\$75.3	\$61.0
Net Income	\$14.8	\$11.1
Preferred Dividends	\$1.0	\$0.9
Value of Common Dividends	\$4.0	\$3.0
Stock Buybacks	\$3.3	\$1.5
RoTCE	8.9%	8.3%
Revenue Growth YoY	5.0%	6.0%
TBVPS Growth YoY	3.1%	8.0%

Derivatives: In 3Q23, Citi had Derivative Mark-to-Market Net Receivables of \$64.8 billion and Net Payables of \$43.8 billion.

Lending to Non-Bank Financial Institutions: In 3Q23, Citi had \$93.1 billion in loans to non-bank financial institutions.

Lending to Asset Managers and Funds: In 3Q23, Citi had \$22.0 billion in total credit exposure to Asset Managers and Funds.

Leveraged Lending: Citi has had a conservative approach to the leveraged finance market. More information on our current and future approaches is available in our publicly disclosed Investor Day documents.

Repo Market Business: A description of our Repo Market Business can be found on pages 114-116 of the 3Q23 10Q at <https://www.citigroup.com/rcs/citigpa/storage/public/Citi-3Q23-10-Q-FINAL.pdf>.

Custody and Asset Management: In 3Q23, Citi's Securities Services managed \$23.0 trillion in assets under custody and administration, of which Citi provided both custody and administrative services to certain clients related to \$1.8 trillion of such assets. Securities Services provides cross-border support for clients with extensive on-the-ground local market expertise, innovative post-trade technologies, customized data solutions and a wide range of securities services solutions that can be tailored to meet clients' needs.

The activity we support in these areas plays an important role in market functioning by providing sources of liquidity for various market participants and enabling the efficient allocation of capital. Our direct clients may be other financial institutions or large corporates, but the beneficiaries of these offerings are many, including the customers and employees of these institutions that benefit from a lower cost of funding or materials. Certain markets, such as the repo market, also serve an important function in helping the Federal Reserve to conduct monetary policy that has a large and direct impact on the economy.

Approach to Climate and Energy

As a bank, we approach climate and energy from a business perspective. We believe that the transition to a low-carbon economy is important to our business and presents an opportunity to grow our business by helping our clients. As we support this transition, we continue to be mindful of energy security and affordability. These priorities are not mutually exclusive from the priorities of the transition to a low-carbon economy.

Over the past three years, Citi has financed and facilitated \$348.5 billion towards our \$1 trillion in sustainable finance by 2030. More information on that commitment can be found at <https://www.citigroup.com/global/news/perspective/2021/citi-commits-1-trillion-to-sustainable-finance-by-2030>.

This year, we set additional 2030 interim emission reduction targets in our loan portfolio. We have been engaging with our clients to understand and assess their approach to climate transition, so that we can understand where they are in their transition journey and identify advisory and financing opportunities. Our fourth Task Force on Climate-related Financial Disclosures Report can be found at [taskforce-on-climate-related-financial-disclosures-report-2022.pdf \(citigroup.com\)](https://www.citigroup.com/taskforce-on-climate-related-financial-disclosures-report-2022.pdf).

Approach to Compliance

We promote a culture of compliance and take seriously our duty to operate consistent with the law and the expectations of our regulators. Maintaining a strong culture of compliance does not mean we will never make mistakes. To that end we maintain a governance and compliance structure to help us identify mistakes when people make them, learn from experience, and hold ourselves accountable. We are similarly committed to addressing shortcomings identified by our regulators and, since last year, reached public agreements with the SEC, CFTC and CFPB to address their concerns and, where appropriate, provided customer remediation to make things right.