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COMMITTEE ON FINANCIAL SERVICES

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Chairwoman Waters, Ranking Member McHenry, and Members of the Committee, I would like to thank you for this opportunity to represent Citi here today. I am Michael Corbat and since 2012, I have been the Chief Executive Officer of Citi.

As it was for many Americans and institutions, the crisis was a searing experience for our firm. We were fortunate to receive assistance from the U.S. taxpayers and equally fortunate to be able to repay those debts with a significant return to the taxpayer. The experience also made it a mission for us never to be in that position again.

Since the crisis, Citi has become a smaller, safer, stronger and far less complex company. We have transformed our institution, not just in terms of capital, balance sheet, or earnings, but also in terms of our controls, which include risk management, audit, and compliance.

We have gone back to our roots as a bank. We are no longer the financial supermarket of the past. We have simplified our structure by shedding over 70 businesses and divesting over $800 billion of non-core assets. While our total assets of $1.9 trillion as of year-end 2018 have declined from a peak of nearly $2.4 trillion in 2007, we have more than doubled our regulatory capital since the crisis. Our assets today are also significantly more liquid than they were in the years leading up to the crisis. Nearly 30 percent of our total assets – more than $550 billion – are currently held in cash or very liquid investments. That percentage of liquid assets is more than twice the amount Citi held in 2007.

Citi's mission is to serve as a trusted partner to our clients by responsibly providing financial services that enable growth and economic progress. Our core activities are safeguarding assets, lending money, making payments and accessing the capital markets on behalf of our clients. Founded in 1812, we have 200 years of experience helping our clients meet the world's toughest challenges and embrace its greatest opportunities.

Today, we operate two primary lines of business: our consumer bank and our institutional clients group. Our global consumer bank serves more than 110 million clients in 19 markets, with a focus on the U.S., Mexico and Asia. We are the largest credit card issuer globally. Our largest consumer franchise is in the U.S., where we operate 689 retail branches concentrated in the six metropolitan areas of New York, Washington, D.C., Miami, Chicago, San Francisco and Los Angeles. Our Commercial Bank serves many mid-sized American companies, including numerous firms looking to expand overseas. While we are headquarted in New York, we have large operations centers, which support our customers located around the country, in Arizona, Florida, Idaho, Kentucky, Missouri, South Dakota and Texas among other states.

Our Institutional Clients Group serves multi-national companies, emerging market leaders, governments, investors and high-net worth individuals that rely on our unique global network to provide their banking needs. We serve clients across more than 160 markets and jurisdictions, and have a physical presence in nearly 100 of them. The Institutional Clients Group provides a full range of wholesale banking products and services, including fixed income and equity sales and trading, foreign exchange, prime brokerage, derivative services, equity and fixed income research, corporate lending, investment banking and advisory services, private banking, cash management, trade finance and securities services. ICG transacts with clients in both cash instruments and derivatives, including fixed income, foreign currency, and equity and commodity products. We also have two custody businesses: Direct Custody and Clearing and Global Custody.

The U.S. economy needs banks of all sizes, scaled to support a full range of businesses and households. As the most global of the banks here today, Citi is rightly-scaled to serve clients wherever they do business. Our global network and footprint provides U.S. multinational businesses with an American institution that helps them compete in a rapidly changing world without having to rely on a mix of foreign banks.

We recognize that rebuilding trust is harder than rebuilding your balance sheet. Coming out of the crisis, we faced a number of legacy issues and also identified other areas where our conduct fell short of our standards. As a result, we decided that it was not enough to change our structure. We needed to and did invest in our culture, and have made ethics a foundational part of our firm.

Since becoming CEO, I have made ethics and culture a top priority as we worked to rebuild trust with our customers and the country. We have made extensive and sustained efforts to ensure our people know what our mission is and the types of behavior that have no place at Citi. We strictly enforce our code of conduct and expect that our employees escalate issues they encounter. Moreover, in 2014, our Board of Directors was the first to establish an Ethics & Culture Committee.

Creating a strong culture of compliance does not mean we will never make another mistake. What it does mean is that we have a governance structure in place that helps us identify mistakes and misbehavior, learn from them and hold ourselves accountable for whatever actions preceded those episodes. Over the last decade, we have worked hard to improve both our culture and controls, as we resolved issues arising out of the financial crisis, such as a variety of regulatory matters and Consent Orders related to mortgage practices. Although we have made significant strides since the financial crisis, we recognize that we have more work to do. For example, as the firm was working to recover from the financial crisis, we learned that employees had engaged in misconduct in connection with foreign exchange trading. We settled a number of government investigations arising from this conduct and took remedial action to significantly tighten controls. During this period, we have also been working to resolve issues identified in Consent Orders related to our BSA/AML program. These experiences reinforced the need to continue to examine our practices and procedures, which includes implementing and promoting firm-wide controls and establishing clear escalation processes that enable senior managers to quickly understand emerging issues. We have had success in this effort. Over the last several years we can point to multiple instances in which we self-identified problems and escalated them, both within the firm and to our regulators. For example, we self-identified both the relationship pricing and APR issues that resulted in recent Consent Orders. With respect to the relationship pricing matter, in 2014, Citibank self-identified that we, unintentionally, did not give certain customers the appropriate pricing benefits in connection with mortgage loans. This error impacted approximately 24,000 customers whom have largely been made whole. With respect to APR, in late 2016 during an internal review of our processes, we determined that we had made an error in the APR calculation methodology that resulted in some Citi Cards customers not being charged the correct interest rate. In total, this error impacted approximately 1.75 million accounts, and we are close to completing our remediation efforts to make these customers whole.

Building a truly diverse and inclusive culture is an important and critical goal for Citi. We know that we have work to do but are laying the groundwork for real progress. Today our 15-person Board of Directors includes five women and two minorities, and my direct reports include five women and three minorities. Because I believe that the best way to achieve results is to measure them, we have set goals for female and minority representation in the company, reinforcing our commitment to make meaningful progress in our mission to be more representative of the communities Citi serves. In keeping with that commitment to diversity and inclusion, we were the first financial services firm to voluntarily disclose our adjusted pay gap between women and men in the U.S., U.K. and Germany and between minorities and non-minorities in the U.S. In the course of that review we found that women globally are paid on average 99 percent of what men are paid at Citi for the same job function, and at the same level and geography. As a result, we made pay adjustments as part of the compensation cycle.

This year, we went even further and were the first bank to disclose our unadjusted median pay gap. That is the simple difference between median pay for all female employees, compared to median pay for all male employees, at Citi. We found that the median pay for females globally is 71 percent of the median for men, and the median pay for U.S. minorities is 93 percent of the median for non-minorities. These numbers underscore the importance of achieving the representation goals we have set for more females and U.S. minorities to hold senior and higher-paying roles at our company.

Since 1977, Citi has had a Supplier Diversity Program focused on ensuring that Citi's supplier base mirrors our customer and employee base and adheres to established industry standards in identifying diverse suppliers. The program works to select suppliers on merit, based on established Citi criteria, and to include ethnic minorities, women, individuals with disabilities, LGBTQ and veteran suppliers. The program incorporates supply chain standards and specific objectives to support Citi’s corporate sustainability program. The program also has a specific goal of spending $100 million on women-owned businesses, with a special emphasis on supporting women who work in developing economies. The program works with a wide range of diverse businesses and continues to create shareholder value. Expanding the program globally ensures that we maintain a comprehensive approach to supply chain development and commitment to advancing diversity and inclusion in the communities where we live and work. In addition, in 2018, 84 percent of Citi’s own debt securities issued in the United States encompassed underwriting syndicates that included women, veteran and minority owned firms as co-managers.

One overarching lesson I believe we have learned since the crisis is that to fulfill our promise and potential, we must demonstrate that we provide not just economic value to our clients and customers but also societal value to the communities we serve.

Last year, we provided almost $12 billion in small business lending across various products. We also work with government agencies at the national, state and local levels to finance sustainable infrastructure, including housing, transportation, schools and other vital civic projects. In 2018 alone, our Public Finance Department catalyzed the investment of more than $26 billion in U.S. infrastructure capital projects, including bridges, hospitals, airports, water, and public power, on behalf of a wide range of municipal and nonprofit clients. We often take on these projects when smaller financial firms do not have the resources to tackle these complex challenges. Recent projects include financing the new MLK Hospital in South Central Los Angeles and helping the City of Detroit rebuild its street lighting grid.

We are especially proud of our role as the country’s leading affordable housing financier, a title we have held for nine straight years. In 2018 alone, we provided $6 billion in financing for more than 36,000 affordable housing units. We have financed the renovation of the New England Home for Veterans in Boston. And we have helped restore the Ocean Bay Apartments in Far Rockaway New York, a public housing complex that was severely damaged by Superstorm Sandy. These are just a few of the many transactions we have conducted that strengthen the communities we serve.

Making progress on sustainability is one of our flagship business efforts, of which the primary focus is an Environmental Finance goal with a ten-year target to finance and facilitate $100 billion in environmental solutions and activities. To date, we have financed and facilitated over $95 billion worth of transactions and are on track to reach our target several years ahead of schedule. We also have a goal to obtain 100 percent of our own global energy needs through renewable sources by 2020.

We are acutely aware of the challenges faced by the approximately 25 percent of “unbanked” U.S. households, who have no savings or checking accounts, and “underbanked” households who may have an account but also rely on products or services outside the banking system. Citi has long played a leadership role in promoting financial inclusion, and we have a specialist team dedicated to developing solutions that enable the bank, our clients and nonprofit partners to expand access to financial services and advance economic progress in underserved and low-income communities.

In 2014, Citi launched the Access Account, a checkless product with low or avoidable monthly charges and no overdraft fees. Representing 23 percent of all new accounts, it is one of our consumer franchise's fastest-growing products, and is just one example of the viable solutions we are building to serve often-overlooked portions of the U.S. market, including lower-income households, individuals, enterprises and communities. We also established the Citi® ATM Community Network, a program that provides more than 440,000 customers of 25 participating minority-owned banks, community banks, and local community development credit unions with fee-waived access to Citibank branch ATMs in the United States. The program has extended the reach of some participating financial institutions from fewer than 20 to 2,400 ATMs where customers can withdraw cash without a fee.

We led a national effort to create safe, FDIC-insured products and platforms that provide financial access to young people and their families to save for post-secondary education. These products allow participants to save without jeopardizing their current or potential eligibility for public assistance. Since its launch in 2011, the City of San Francisco has opened over 40,000 savings accounts for students to save for post-high school learning under the auspices of the Kindergarten to College Program, the first universal, publicly funded, youth savings account program in the U.S.

In 2014, we launched our largest philanthropic program, Pathways to Progress, and have since committed $100 million to help more than 200,000 low-income young people across the U.S. become career-ready through first jobs, internships, and leadership and entrepreneurship training. We are also engaging at least 10,000 Citi colleagues as volunteers in this effort, serving as mentors, coaches, and role models to young people in support of their career progress and aspirations.

In light of the many challenges facing older Americans in our changing economy, last year we launched a $10 million program in partnership with the Local Initiatives Support Corporation to help hard-working Americans connect to good job opportunities through career development and financial counselling.

I thank you for the opportunity to discuss the progress we have made since the crisis, as well as our efforts to support the communities where we do business.

ADDENDUM

1) Additional information about Citi's Citizenship programs can be found at: https://blog.citigroup.com/2019/04/citizenship-at-citi
2) Information about Citi's compensation policies is in our 2019 Proxy Statement at pages 70-109: https://www.citigroup.com/citi/investor/data/q1804c.pdf
3) Information about Citi's approach to cybersecurity risk is included in our Annual Report at pages 52-53 and 104-05: https://www.citigroup.com/citi/investor/quarterly/2019/annual-report/
4) Information on how we safeguard consumer data is in Citi's Citizenship Report: https://www.citibank.com/icg/sa/flippingbook/2018/Global-Citizenship-Report-2017/32/
5) With respect to arbitration clauses, our consumer contracts allow for an opt-out of arbitration while our employee contracts currently do not.
6) For more information on supplier diversity: https://www.citigroup.com/citi/suppliers/supplier-diversity-program.htm