HEARING BEFORE THE UNITED STATES HOUSE COMMITTEE ON FINANCIAL SERVICES

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Testimony of Jane Fraser,
Chief Executive Officer, Citi

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 Jane Fraser and I have been Chief Executive Officer of Citi since March.

Citi believes deeply in its mission of responsibly providing financial services that enable growth and economic progress. We believe banking is the foundation of economic empowerment and mobility and we are committed to expanding access to financial services for all communities. The past year, and all the challenges it has brought, has been an opportunity for us to walk the walk. As the world's most global bank, we continue to support many of the most iconic American businesses as they navigate the uncertainty of markets abroad. And working in concert with federal assistance programs, we continue to serve as a source of strength for our customers and communities here at home. We are laser-focused on driving a sustainable and equitable recovery to the pandemic.

WHO WE ARE AS A BANK

The origins of this global crisis are very different to the last one: this is not a financial crisis, but a public health crisis with severe economic consequences. Likewise, Citi has shown during the pandemic that we are a very different bank than the one that entered the financial crisis more than a decade ago.

Right-Sizing the Bank to Increase Our Impact

As my predecessor, Mike Corbat, shared with you in 2019, since the financial crisis Citi has worked to become a smaller, safer, stronger and far less complex institution. We have gone back to basics as a bank and today we have two primary lines of business: our Global Consumer Bank and our Institutional Clients Group. An ongoing effort to simplify our structure has resulted in us shedding over 70 businesses and divesting more than $800 billion of non-core assets.

By divesting these non-core assets, we increased the efficiency in our use of capital and reduced our deferred tax assets by more than half, generating $7 billion of regulatory capital in the process. Even as we continue to meet the needs of our customers and communities during the pandemic, we remain well capitalized. We ended 2020 with a Common Equity Tier 1 Capital ratio of 11.7% and a supplementary leverage ratio of 7%. This allowed us to resume the repurchase of common stock this year, which we had voluntarily paused at the onset of the pandemic. (See appendix for more information.)

Like our peers, Citi has benefitted from government programs and facilities, including FDIC insurance and access to the Federal Reserve's Discount Window. But in turn, we provide a tremendous benefit to the government and the broader economy through the services we offer. We also support the federal government in much of its financial activity overseas.

Over the past four decades, Citi is proud to have financed more of America's public infrastructure than any other bank. Last year alone, we spurred the investment of more than $27 billion across the U.S. in projects including bridges, hospitals, airports, water, and public power, on behalf of a wide range of municipal and nonprofit clients. Many of these large projects would not be possible without the heft of a balance sheet like Citi's to finance them. In fact, over the past 10 years, Citi has been the source of $508 billion in financing for local governments, nonprofit healthcare institutions, public works, affordable housing and other anchors necessary for strong communities. Combined with the $77 billion we lend on average each year to companies in industries outside of the financial sector such as manufacturing, agriculture, retail and energy, Citi aspires to be an essential catalyst for growth and progress throughout American life.

Our Core Franchises

The U.S. economy needs banks of all sizes, scaled to support a full range of businesses and households. Today, Citi is right-sized to serve clients wherever they do business. Our Global Consumer Bank serves roughly 70 million customers in the U.S., where we operate just under 700 retail branches concentrated in the six metropolitan areas of New York, Washington, D.C., Miami, Chicago, San Francisco and Los Angeles. Our current branch count, while fewer than the approximately 1,000 branches we had 10 years ago, is greater than the 450 we operated at the turn of the millennium. Roughly 29% of our branches are in low- and moderate-income census tracts, which is commensurate with our peers. And through investments in our digital capabilities, new and expanded partnerships and our role as the world's 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.

Our Institutional Clients Group serves clients across more than 160 markets and jurisdictions, and has a physical presence in nearly 100 of them. We provide a full range of wholesale banking products and services to our clients via six main business lines including banking, capital markets and advisory; commercial banking; global markets; securities services; treasury and trade solutions; and wealth management and private banking. Working together, our Institutional Clients Group provides solutions to meet the needs of corporations, financial institutions, public sector entities, investment managers and high-net worth individuals and families. [1]

We are the leading financer of affordable housing in the country – and have been for 11 consecutive years. Our commercial bank serves many mid-sized American companies, including numerous firms looking to expand and grow across the country and the globe. We also help many state and local governments finance critical infrastructure, such as schools and

[1] Citi does not have a trading or prime brokerage relationship with Archegos, nor did we have any exposure to Archegos in our private bank.

health facilities. We endeavor to provide stellar execution to lead transformation for our clients as they navigate evolving global factors including environmental, social and corporate governance (ESG) issues, wellness, mobility and fintech. Our network-driven strategy and global presence allow us to provide products and services to clients who value a partner that can help them grow in any country they do business. This includes multinationals who are expanding globally, particularly in emerging markets, and emerging markets companies who are growing beyond their home market or region. We also assist 90% of global Fortune 500 companies in their daily operations and help them to hire, grow and succeed.

Serving as a Source of Strength during COVID-19

Because of the steps we have taken to invest in our resilience and improve our safety and soundness, we are on a strong footing from a liquidity and capital perspective to support our customers, colleagues and communities through this pandemic. The prudent decisions we made in the wake of the last crisis have proved their full value in this one.

At the onset of the pandemic, Citi quickly took action through a comprehensive, approach to provide immediate, on-the-ground relief. We were one of the first banks to announce temporary assistance measures. To date, we have provided assistance to 2.7 million consumers and small businesses in the U.S. who have suffered the impacts of the pandemic, and we significantly ramped up our capital support for corporate clients in the hardest-hit sectors such as retail and the airline industry.

Our credit card customers last year were eligible for waivers on late fees and could defer minimum payments for two months, with the option to re-enroll if necessary. There was no negative credit bureau reporting during the waiver period for accounts that were previously not delinquent. For retail bank customers adversely affected by the pandemic, we refunded certain banking fees, including penalties for early CD withdrawal and monthly account maintenance fees, upon request. In addition, we allowed free cash withdrawals at other banks' ATMs.

For our small business customers, we offered waivers on monthly service fees and remote deposit capture fees, as well as penalty waivers for early Certificate of Deposit withdrawals. Citi exited the direct mortgage servicing business in 2019, however, our mortgage sub-servicer, Cenlar FSB, continues to offer forbearance, loss mitigation, foreclosure and eviction practices in compliance with the CARES Act, GSE and other governmental pronouncements.

We are also proud to be the conduit for the extraordinary consumer and business aid that Congress and the Federal Reserve have provided. We helped deliver this aid across many government-sponsored programs, including the Small Business Administration's Paycheck Protection Program. To date, we have funded more than $5.1 billion in loans to small businesses in the hardest-hit sectors and in the hardest-hit areas of the country. Businesses such as Dinah's Chicken in Glendale, California, and the Maryland Youth Ballet survived partly on the help Congress enabled and banks like ours delivered. The average size of loans we disbursed was $100,711, and nearly 80% of those loans have gone to small businesses with 10 or fewer employees.

Earlier this year, we launched a series of PPP webinars, including one in Spanish, to help small businesses in communities across the country complete the PPP application and loan forgiveness process. We have also shared the webinars with 180 community-based organizations and promoted them on our social media channels. To provide further support, we are donating all net profits from our participation in the PPP to Community Development Financial Institutions (CDFIs) and small businesses. To date, we have contributed, or are in the process of contributing, $50 million in net profits, with at least another $40 million expected over the coming year.[2]

Mindful of the ever-changing COVID-19 landscape and its impact on our customers, Citi deployed protocols to enable consumers to receive full access to stimulus dollars, including applying temporary provisional credits so that customers can access deposited stimulus funds. Overdraft fees in 2020 were less than 0.1% of our total revenue and fees were down 18% compared to 2019.

We also expanded access to check cashing services for non-customers, eliminated surcharges for prepaid debit cards issued for stimulus payments and adjusted policies and procedures covering the garnishment of customer stimulus payments. For internal matters (i.e., where a customer owes funds to Citi), Citi continues to prohibit levying on any CARES Act or stimulus payments identified by the bank. For third-party garnishment orders, Citi complies with applicable state and federal laws and acts in conjunction with regulatory guidelines.

OUR PRIORITIES GOING FORWARD

As CEO, I have set several priorities for our firm, including continuing to support our customers and communities through the pandemic and recovery, establishing a standard of excellence in the way we manage risk and ensuring we are best positioned to deliver for our customers in the digital era.

1. Building on our record of financial inclusion to support an inclusive recovery

We are already seeing the shoots of a K-shaped recovery in which some will do better and others will struggle. Unfortunately, those who will struggle have been economically disadvantaged historically, and they will need special attention from our industry. At Citi, we have a strong record of breaking down barriers impeding access to financial services and helping direct the flow of capital into communities that have traditionally lacked it. Our partnerships with CDFIs and Minority Depository Institutions (MDIs) are emblematic of this work.

In the face of a broader consolidation of the banking industry, there is an important role for institutions of all sizes. Indeed, we are focused on ways we can support smaller banks, such as CDFIs and MDIs, because they often can serve communities in more effective and enduring ways than we can on our own or through our branch footprint. CDFIs level the playing field for

[2] Citi participated in the Main Street Lending Program (MSLP), opening the program to existing customers on July 20, 2020. Only two customers, totaling $86.3 million, met all conditions for MSLP approval and were successfully funded prior to the program's cessation. Citi's fees were $650,000.

underserved communities and populations, especially communities of color. That's why, in the last five years, Citi and the Citi Foundation have provided $173 million in capital and $79 million in philanthropic funding to more than 80 CDFIs across the U.S. in support of their small business and community development efforts. As noted earlier, we also are donating net profits from the PPP to CDFIs to provide further support to small businesses and households hit hard by the pandemic.

MDIs also are critical to the financial services ecosystem in diverse communities and are important partners of Citi. We are a founding partner bank for the Department of Treasury's Financial Agent Mentor-Protégé program, in which we are currently mentoring nine MDIs. Last year, Citi announced a partnership with the National Bankers Association, through which Citi created a purchasing facility to assume up to $50 million in PPP loans from MDIs. To date, five MDIs have taken part in the program, allowing them to free up capital that can be used for other lending activities. In addition, as part of Citi's Action for Racial Equity initiative to close the racial wealth gap, we have committed $100 million in support of MDI growth and revenue generation, allocating nearly $50 million in growth capital to MDIs to strengthen their ability to serve racially diverse and underserved households and entrepreneurs.

At Citi, we are also harnessing our capabilities in other ways to expand financial inclusion and make a direct impact on communities. Although we have a smaller branch footprint compared to some of our peer banks, across the nation Citibank customers have access to more than 65,000 fee-free ATM locations, including ATMs at Costco, CVS Pharmacy, Duane Reade, Target, Rite Aid and most Walgreens. In addition, our Citi ATM Community Network program helps eliminate one of the biggest barriers to banking by removing surcharge fees at Citibank ATMs for more than 440,000 customers of 28 minority-owned banks and credit unions.

One of Citi's fastest growing products is our Access Account, an FDIC-insured checkless account with low or avoidable monthly charges and no overdraft fees, launched in 2014. We recently partnered with the National Urban League to promote this account in additional underserved communities. Additionally, 10 years ago, we began working with the City of San Francisco to establish the nation's first universal, publicly-funded college savings account program for every family in that city's public school system. We are now expanding the program to San Jose and Los Angeles. [3]

We are especially proud of our role as the country's leading affordable housing lender. In 2020 alone, we worked with state and local governments across the country to provide more than $7 billion in financing for affordable rental housing projects. That includes the financing to renovate six developments in Cambridge, Massachusetts, for lower-income seniors and disabled residents and a brand new 480-unit housing complex reserved for low-income families and seniors in Las Vegas.

2. Achieving Excellence in our Risk and Control Environment

[3] For additional details on our work with CDFIs, MDIs, and support for the unbanked and underbanked, please see Helping Advance Racial Equity in the Financial Services Industry and pages 72-80 in Citi's 2020 ESG Report.

The pandemic is irrevocably changing many things about banking, including accelerating customers' adoption of digital channels. At Citi, we are embracing this opportunity to transform our business and achieve a state of excellence in how we operate and in our ability to serve our customers. A major part of this agenda is improving our risk and controls infrastructure. In 2020, compared to 2019, we invested an additional $1 billion towards modernizing our technology, simplifying our processes and improving and automating controls. We also hired our first chief administration officer to oversee these efforts.

We understand a world-class risk and controls infrastructure is critical to our ability to handle the volumes and scale of the new digital era and reaffirm the trust and faith our customers put in us. These efforts are also addressing the issues identified in consent orders by the OCC and Federal Reserve in October 2020 and are intended to reduce the risks that have led to other enforcement actions. We take pride in our role as a global leader in financial services and are fully committed to addressing the issues identified by our regulators. (Please see the appendix for additional information on public actions taken since Citi last testified in 2019.)

3. Delivering for Our Customers in the Digital Era

From financing the first transatlantic cable to developing the first mobile banking app from a major U.S. bank, Citi prides itself on both financing emerging technologies to enable progress and leveraging them responsibly to better serve our customers. In our approach to today's newer technologies, we remain guided by a focus on risk and controls. We were one of the world's first companies to develop our own set of ethical principles for artificial intelligence, which aim to ensure effective governance, risk management and responsible innovation in our use of AI. We recently launched an AI Center of Excellence to share and drive adherence to best practices across the firm.

Similarly, before we engage with cryptocurrencies, we see it as our responsibility to ensure we have clear governance and controls in place. Citi is focusing resources and efforts to understand changes in the digital asset space and the use of distributed ledger technology, including demand and interest by our clients, regulatory developments and technology advancements. These developments and important risk and control considerations are guiding our measured approach.

With the proliferation of new technologies, the use of mobile and cloud and managed services to conduct financial transactions, and the increasing sophistication of threat actors, prominent financial institutions such as Citi have been and will continue to be subject to cyber incidents. Recognizing the significance of these risks, 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. We also devote significant resources to implement, maintain, monitor and regularly upgrade our systems and networks. In addition, to protect Citi's and our customers' assets and information, we have implemented multiple layers of controls, including intrusion detection and prevention, endpoint detection and response, as well as various other prevention, detection and response processes.[4]

We invest in advanced technology to safeguard data and customer information. For instance, the Citi Virtual Card Account provides a secure, business-to-business digital solution for large workflows through the generation of one-time account numbers. The virtual card technology enables real-time transactions that are automated and secure, safeguarding against fraud and potential misuse. The account eliminates the need for paper-based payments but still leaves an electronic trace, which allows for easy reconciliation and reporting. In addition, our Citi Payment Outlier Detection solution uses analytics, artificial intelligence and machine learning to find transactions that do not align with typical patterns of activity. These outliers are then investigated to determine whether they indicate fraud. Each year, we provide our employees with training on how to properly handle and maintain the security and privacy of Citi's and our customers' information.

BRINGING OUR MISSION TO LIFE

The events of this past year are a stark reminder that companies like ours have a role to play in helping tackle the world's toughest problems. Citi's mission of enabling growth and economic progress is not just a nicety we put up on our website; it is something we take very seriously and bring to life through our day-to-day work across all parts of our business and our philanthropy.

Over the past decade, Citi and the Citi Foundation have provided more than $870 million to hundreds of community partners across the U.S. to support vibrant and equitable local economies in the communities where we do business. In addition to our financial support, we harness the passion and expertise of our employees to enhance our impact and engagement, with an average of 450,000 in total volunteering hours in the U.S. each year.

To illuminate the challenges affecting communities and to inform solutions, we have underwritten critical research including the groundbreaking U.S. Financial Diaries project, which tracked the financial lives of hundreds of low-income families over a year, and the annual Menino Survey of Mayors, the only nationally representative survey of U.S. mayors. We have also collaborated with leading national civil rights and advocacy organizations on policy developments that support financial inclusion and wealth creation in low-income communities of color.

1. Sustainability

Citi manages and mitigates credit and reputational risk through a number of internal initiatives, including Citi's Environmental and Social Risk Management (ESRM) Policy. The ESRM Policy provides the framework for how Citi identifies, mitigates and manages the potential

[4] For more information about Citi's cybersecurity efforts, see pages 55-56 and 116 of Citi's 2020 Annual Report.

environmental and social risks associated with customers' activities that could lead to credit or reputational risks to the company.[5]

Climate change presents risks to Citi and its clients that will only increase over time. We are committed to helping our clients mitigate these risks and transition to cleaner energy. For instance, we have worked with oil and gas clients to support next-generation carbon capture and sequestration technology, and we have partnered with others on innovative loans that are linked to their sustainability performance.

The market continues to drive demand for sustainable finance, an area in which Citi has long been a leader. We helped create the Equator Principles in 2003 and the Green Bond Principles in 2014, both establishing important industry standards. In 2018, Citi became the first U.S. bank to report on our efforts to implement the Taskforce on Climate-related Financial Disclosures framework, providing transparency about the impact climate change has from a risk management perspective. And knowing how important it is to manage our own footprint, last year we fulfilled a goal of sourcing 100% renewable electricity for our facilities globally.

We recently committed to financing $500 billion in environmental projects and activities by 2030. This is a tenfold increase over our first environmental financing commitment made back in 2007. And on my first day as CEO in March, we committed Citi to net zero emissions by 2050. We know that to truly address the risks of climate change, we need to help our clients – which include many of the world's biggest multinationals, as well as investors and even countries – responsibly transition to net zero.[6]

2. Equity

The global pandemic has laid bare the systemic inequities that have impeded communities from reaching their full potential, and we cannot ignore the role our own industry has played in contributing to these disparities. In the aftermath of George Floyd's death in Minneapolis, as calls for racial justice intensified across the U.S., we launched Action for Racial Equity, more than $1 billion in strategic initiatives to help close the racial wealth gap and increase economic mobility. As part of this initiative, we are tackling the homeownership crisis in communities of color and are in the final stages of committing $200 million of equity to the preservation of affordable and workforce housing projects that will be co-managed by five Black investment managers.

We have set a target of directing $1 billion annually by 2023 to diverse suppliers to help more minority and women-owned entrepreneurs get the financing they need to start and grow their businesses. As part of that effort, 27% of third-party broker fees paid in 2020 went to minority- and women-owned firms. Our new, globally unified wealth business will increase the number of minority-owned third-party asset managers investing in minority-owned businesses offered to Citi clients, with a target of onboarding 5-15 diverse fund managers and seeking $200 million of

[5] See Citi's 2021 Proxy Statement for more information.

[6] For more information about Citi's sustainability agenda, see pages 24-58 in Citi's 2020 ESG Report.

capital investment into these funds by the end of 2023. These are investments that promise to pay tremendous dividends: recent research by Citi found that if key racial gaps for Black Americans had been closed 20 years ago, U.S. GDP could have increased by an estimated $16 trillion.[7]

3. Diversity

We are also making sure we maintain a culture that embraces the diversity of our people and the communities we serve. Today, our board of directors is 50% women and 19% minority. I am proud to be the first woman to run a global financial institution, and equally proud that we have one of the most senior Black executives in our industry, Mark Mason, as our CFO. Of my US-based direct reports, five are women, one is Black, one is Hispanic and three are members of the AAPI community.

We are notable in our industry for recognizing the importance of transparency and accountability to our diversity efforts. In 2018, Citi was the first major U.S. financial institution to publicly release the results of a pay equity review comparing compensation of women to men and U.S. minorities to U.S. non-minorities. To close these gaps, we have set goals to increase our representation at senior levels of our firm. We are focused on increasing female representation to at least 40% globally, up from 37% when we established our goals in 2018, and to boost the representation of Black employees in those same roles in the U.S. to at least 8%, up from the 2018 baseline of 6%.

To help us recruit more racially diverse talent, we have established pipelines from historically Black colleges and universities and have expanded the diverse slates of candidates we interview for open roles. To help solve the two-pronged issues of representation and pay equity, we must have more women and minorities in senior, high-paying roles. Career development is one of our top priorities, and we promote from within to continue developing our existing talent. In 2020, 33% of open positions at Citi were filled with internal candidates.[8]

4. Human Rights

We are committed to identifying, preventing and disrupting human rights wherever we do business, regardless of a government's human rights record. As part of this effort, we engage human rights experts, clients and peers in line with the U.N. Guiding Principles on Business and Human Rights, a global framework for preventing and addressing the risk of adverse impacts on human rights linked to business activity.

We regularly initiate investigations concerning illicit activity related to sexual exploitation and human trafficking. Red flags may be the result of information received from law enforcement, NGOs or various global public-private partnerships that track activity suggesting human

[7] Citi GPS Report: Closing the Racial Wealth Gaps - The Economic Cost of Black Inequality in the U.S., September 2020

[8] For more information on Citi's diversity and racial equity efforts, see pages 60-91 in Citi's 2020 ESG Report.

trafficking and child sexual exploitation. In addition, Citi was one of the first financial institutions to engage with the U.N. on their Survivor Inclusion Initiative, in which we provide financial services to survivors to help them transition back into society.[9]

I thank you for the opportunity to respond to your questions and to discuss our support for our customers, clients and the communities hit by the crisis.

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[9] For more information on Citi's work regarding human rights, see pages 118-124 in Citi's 2020 ESG Report.

APPENDIX

Arbitration clauses in contracts with consumers, employees, investors, and contractors

Select consumer products offer arbitration as a way to resolve disputes with an opt-out right for consumers, and there are no arbitration clauses in our mortgage products. We do require arbitration of employment disputes for U.S. employees, as permitted by law and as is customary in many firms in our industry and others. Our arbitration agreements with our employees specifically state that they are not prohibited from reporting their concerns to government agencies, such as the Equal Employment Opportunity Commission, other state and local human rights agencies, or our regulators.

Compensation, including minimum wage, and clawback policies.

Citi's compensation policy is designed to encourage prudent risk-taking and management of controls while attracting the world-class talent necessary to our success. Our approach is summarized by the following five objectives: reinforce a business culture based on the highest ethical standards; manage our risks by encouraging prudent decision-making; reflect regulatory guidance in compensation programs; attract and retain the best talent to lead us to success; and align compensation programs, structures, and decisions with stockholder and other stakeholder interests.

To support compensation decisions and to promote accountability among executives, we use a proprietary tool that evaluates their performance across four pillars – risk and control, financial, client and franchise and leadership. The results of these evaluations, combined with the market rates of pay adjusted to reflect each executive officer's experience and the scope of his or her role in our system, form the basis for our compensation committee's determination of incentive compensation amounts.

We provide an hourly minimum wage of $15 for all U.S. employees, and the median hourly wage is $43.52. In 2020, during his last full year as CEO, Mike Corbat's pay compared to the median pay of U.S. employees was a ratio of 213 to 1. In 2020, as president of Citi, Jane Fraser's pay ratio was 155 to 1.

Our robust clawback policies are applicable to incentive awards to executive officers and all other employees eligible for similar awards. The clawback provisions provide us with the right to cancel unvested deferred incentive compensation under a range of adverse outcomes. We will also consider making public disclosures whenever a decision has been made to cancel deferred compensation payable to an executive officer because he or she had significant responsibility for a material adverse outcome or otherwise.

Share buybacks, dividend payments, and other capital distributions

See attached

Federal and State enforcement actions since April 2019

See attached