Citigroup CEO Michael Corbat Sees Bright Future for the 'World's Global Bank'

Michael L. Corbat
CEO
Citigroup Inc.

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Excerpts from Mr. Corbat's Remarks

What do you think of recent reforms in banking regulation? Citi supported financial reforms such as Dodd-Frank and Basel III. However, to me there seems to be an element missing from the current conversation, and that's an honest discussion and appraisal of the real value that banks of all sizes contribute to our economy on a local, regional, national, and global level.

Are banks safer today than a few years ago? Do size and scale of some banks still pose threat? Let me answer these questions by speaking to the company that I know best, and that's Citi. First, we're a much different institution than we were before the crisis. Second, our firm isn't big just for the sake of being big. We're deliberately scaled to serve our clients in the communities and cities around the world. And third – and importantly third – in an era of globalization, this country – indeed, all countries – need banks like ours to help multinational companies grow, expand, and remain competitive in a rapidly changing economic environment.

As a company, we've taken responsibility for our actions, and it was right and it was necessary for us to do so. Which means today we can honestly describe ourselves in four words: simpler, smaller, safer, and stronger.

What is Citi's competitive advantage today? Citi's competitive advantage over our domestic and international peers is a network that spans more than a hundred countries. In some of these nations, our presence dates back more than a century. For a client looking to break into a new market or expand into an existing one, Citi's long-established, on-the-ground expertise is invaluable.

What do Citi's business operations look like? Last year alone, Citi facilitated some $600 billion in trade flows for our clients, about half of which was for U.S.-domiciled firms or their overseas subsidiaries. So when Apple opens a store in South Africa or Caterpillar ships a tractor to Thailand, you can be sure an American global bank will be there to support them. From the perspective of Coca-Cola or General Electric, having to navigate 20 or more different banks on a daily basis, handling thousands and sometimes even millions of transactions per day, would be a nightmare.

And if they can't get these services from an American bank, I promise you there are plenty of overseas banks that would be happy to step in, or to at least try. Policymakers who want to eliminate large banks, but only the American ones, should at least understand that if we were to disappear, the demand for our services would not.

And far from it, those services would simply be outsourced to other banks in other countries.
Do you have any fears that you would not be able to pass stress tests by the Fed? Or you're feeling pretty good about the future? When you look at the financial resources of our company today – and I mentioned a bit in my opening remarks – today we've got capital approaching 12 percent, which is amongst the leading in the industry. We opened our doors this morning with highly liquid assets approaching $400 billion, in excess of 20 percent of our balance sheet – term funding, no concentration of risk, diversification of portfolio. So we're confident we could weather a storm.
Are you happy with Dodd-Frank? Dodd-Frank legislation is important legislation because, in particular, what it's trying to end is this concept of Too Big to Fail, and in there the concepts of resolution and recovery. And so one of the things that's important in terms of banks and large banks moving forward is the ability to prove in a challenging situation we have the ability to resolve ourselves, and Dodd-Frank introduced that.
So today would you see that Citi is a global bank or a large U.S. bank? I would say Citi's the most global bank in the world – that this morning we opened our doors in a little over a hundred countries. And if you compare us versus the names that you would know, that's probably from a geographic perspective a third again more global or in more places than our competition.
What do you regard as the biggest challenge that you have as the CEO of Citi and that Citi has? A couple. One is dealing with a bit of the legacy, and trying to tell the story of where we are today as a company, and why that's different from our past, and trying to get people to believe and buy into that.

Two, to operate today in a globally interconnected world that's a very uneven, very unpredictable place. And to come to work in a hundred countries and to make sure from a risk, from a capital, from an expense, from a people perspective you're making sure the right things are happening.
Is China very important to your business? It is. It is. In China, we run a full-service business, both institutional and consumer. There we do operate our consumer business under our own brand and have our own credit card in China. And then from an institutional side, we're a very well-positioned bank on the ground for the foreign multinationals as they come to China. They see the sign. They know the people. They know the way we operate. They get comforted with that. And more and more, we're actually helping the Chinese champions go offshore.

DAVID M. RUBENSTEIN: Welcome, members and guests of The Economic Club of Washington, to this, our fourth event of our 29th season. Welcome to this luncheon event in the Independence Ballroom at the Grand Hyatt Washington, in Washington, DC. Welcome to you all.

We're very honored today to have Michael Corbat, the CEO of Citigroup, as our special guest. All of you probably are familiar with Citi. It's the third-largest bank holding company in the United States, a company with a market capitalization of about

$176 billion. It has revenue of about $70 billion, for the first nine months of this year had earnings of about $14 billion, and employs 237,000 individuals.

Michael came to Citi through a company that was bought by Travelers that later was merged into Citi. Michael grew up in Connecticut. He was recruited to play football at Harvard, played football at Harvard, was a two-time All-Ivy football player, offensive lineman, and also an All-American – first team All-American, Kodak All-American football player. He did not go into the NFL. He graduated from Harvard in 1983 and worked in Salomon for a number of years. Salomon later was acquired by Travelers, and then Travelers ultimately was merged into Citi.

At Citi, he has served in many different positions. Before becoming the CEO in October of 2012, he served as the CEO of the Europe, Middle East, and Africa Division of Citi; prior to that had served as the CEO of Citi Holdings; prior to that had served as the CEO of the Global Wealth Management part of Citi; and prior to that, had headed up its Global Corporate and Commercial Bank.

He is a well-known figure in the financial world. He's also very involved in a number of philanthropic activities and is quite an athlete. He's now on the board of the U.S. Ski Association. And he is here with his wife, Donna. They are the parents of two children who are both in the private sector and capitalists, I believe. [Laughter.]

So we've very pleased to have the CEO of Citi here as our special guest. He will make some opening remarks and then we'll have an interview. Michael Corbat. [Applause.]

MR. CORBAT: Good afternoon, everyone. David, thank you. I'd like to also thank Vice President Carol Melton and all the other organizers of this event for giving me the opportunity to speak on a subject that for obvious reasons I'm passionate about. And that would be the present and future state of banking, not just in the U.S. but globally.

I assume everyone who's been following the Presidential campaign has observed that many of the candidates, party affiliation aside, have quite a lot to say about the business I'm in. And to be frank, it's no surprise that, seven years after the financial crisis, banks are still facing scrutiny from a variety of quarters: candidates, regulators, politicians, and, of course, the general public.

Yet nearly all sides of the debate seem to agree that the answer to all these questions boils down to the same policy response, both in this country and abroad. What's clearly needed, they say, is even stronger and even stricter regulation of financial institutions, particularly large global ones like my own. To be clear, Citi supported financial reforms such as Dodd-Frank and Basel III. However, to me there seems to be an element missing from the current conversation, and that's an honest discussion and appraisal of the real value that banks of all sizes contribute to our economy on a local, regional, national, and global level.

Let me touch first on an issue that I think still is justifiably on many minds. And that's the question of whether our global financial system is safer now than it was before the financial crisis and, whether, in fact, the size and scale of some banks today may still pose a threat to achieving our common goal of making our financial system safer and sounder.

Let me answer these questions by speaking to the company that I know best, and that's Citi. First, we're a much different institution than we were before the crisis. Second, our firm isn't big just for the sake of being big. We're deliberately scaled to serve our clients in the communities and cities around the world. And third – and importantly third – in an era of globalization, this country – indeed, all countries – need banks like ours to help multinational companies grow, expand, and remain competitive in a rapidly changing economic environment.

As a company, we've taken responsibility for our actions, and it was right and it was necessary for us to do so. Which means today we can honestly describe ourselves in four words: simpler, smaller, safer, and stronger.

That's because in many ways, as an institution, we've gone back to our roots, focusing on providing banking services to consumers and institutions. We've shed more than $700 billion of assets, 60 non-core businesses from many parts of the world. We no longer are in the insurance business, hedge funds, private equity. We aren't an asset manager and we aren't a retail broker. We're a bank.

We've completely rebuilt our capital and liquidity base, not just back to but far above pre-crisis levels. And we've lowered our leverage by more than half and overhauled our risk management.

So, for me, the ongoing debate about what role banks – and especially big banks – should play in our increasingly interconnected global economy all comes down to one thing. In the end, if we can't do our jobs and we fail to gain and retain the trust of the people and the communities we serve around the world, we need to tell our story in a more compelling fashion. And we just have to do it better if we want to truly fulfill our mission. And our mission is, in its simplest terms, to drive economic growth and progress.

Basic banking – taking deposits and lending – traces back to loans of grains and other commodities to at least 4,000 years ago. To some extent, finance's current unpopularity is nothing new. Our industry's reputation inevitably suffers during and after financial panics and crisises like the Great Depression and the Great Recession.

But despite such volatility in the court of public opinion, banking has always been essential to growth and innovation. In fact, if you look at a long-term chart, one going back centuries, you'll see a line that stays mostly flat until about 1700, and that's more or less when modern banking and the financial system started to take shape. And from that point on, the line shoots dramatically upward.

Yet even if many of us associated the critical contribution that financial institutions of all types make to the advancement of local, regional, national economies and are interested in looking beyond the basic roles that banks play – such as safeguarding of money, the depositing of paychecks, paying bills – but the reality is, is that just about every aspect of modern life is profoundly touched by modern finance. From schools to roads and airports and financial services like insurance, to the many innovations that make life exciting, none would be possible in scope, extent, or quantity without a modern financial system. Even governments operating at every level – local, state, federal – depend on the banking system to finance their operations, build infrastructure, transfer funds, pay their employees.

And, yes, our global economy is sprawling and multifaceted. It takes financial products and services well beyond just lending to keep today's economic engine running and in gear.

So let's be clear: the louder critics of the banking industry don't take their aim and their arguments at banking itself, but they rather go at the so-called "big banks." Before digging a bit deeper into this raging debate, I'd like to provide some context.

First, this argument, interestingly, gets most heated, ironically enough, right here in the United States, despite the fact that the world's biggest banks are overwhelmingly located in Europe and in Asia, and that only one – one – of the top 10 banks in the world happens to be here in the United States. The U.S. banking system is also less concentrated than its peers overseas, where big banks hold a much higher percentage of total assets in their financial systems.

That being said, there's no denying that some banks, including the one I lead, are large. But we're large for defined and specific reasons. Simply put, we're appropriately scaled to serve our clients. Our size and our scope reflect the expectations and needs of those clients.

So what do big banks do? They help clients meet payroll. They finance supply chains, manage cash, and foreign exchange, in addition to the core lending across a range of geographies, time frames, and terms. We support thousands of companies of all sizes and sectors that create jobs and drive economic growth.

Not just the established companies or the multinationals need our services, but also today's startups hoping to become tomorrow's giants, sources of early support ranging from angel investors to venture capital. But in the end, all of them look to the capital markets to redeem those investments through initial public offerings and the liquidity provided by the securities markets.

Individuals rely on capital markets, as well, to fund and grow their pensions, retirement accounts, college savings plans, and other vehicles for meeting their financial aspirations.

Citi's competitive advantage over our domestic and international peers is a network that spans more than a hundred countries. In some of these nations, our presence dates back more than a century. For a client looking to break into a new market or expand into an existing one, Citi's long-established, on-the-ground expertise is invaluable.

Citi first came into being – an interesting story – as a trade bank more than 200 years ago, when the charter of the First Bank of the United States expired and a group of merchants banded together to pool capital and export goods. That most fundamental of all economic activities, trade, still lies at the heart of what our mission is today. Every day we – and, yes, other big banks – help American firms compete on the world stage, create jobs, and sell their products in markets around the world.

Last year alone, Citi facilitated some $600 billion in trade flows for our clients, about half of which was for U.S.-domiciled firms or their overseas subsidiaries. So when Apple opens a store in South Africa or Caterpillar ships a tractor to Thailand, you can be sure an American global bank will be there to support them. From the perspective of Coca-Cola or General Electric, having to navigate 20 or more different banks on a daily basis, handling thousands and sometimes even millions of transactions per day, would be a nightmare.

And if they can't get these services from an American bank, I promise you there are plenty of overseas banks that would be happy to step in, or to at least try. Policymakers who want to eliminate large banks, but only the American ones, should at least understand that if we were to disappear, the demand for our services would not. And far from it, those services would simply be outsourced to other banks in other countries.

As for our industry colleagues – the small, the mid-size, regional, and community banks across the country – though some maintain that our growth has come at their expense, the reality is that regional and community banks are really not our competitors. Many of them are our clients. And, rhetoric aside, if banks like ours just disappear, the jobs of our smaller peers would actually become harder, not easier.

Banks also create jobs, directly and indirectly. The six largest banks in the U.S., for example, collectively employ about 1.2 million people. And according to the Bureau of Economic Analysis, every financial-sector job creates and supports more than one additional non-financial-sector job, bringing large banks' total employment contribution alone to somewhere around 2 ½ million jobs. That's more than one out of every 50 jobs in the private sector of the U.S.

Large banks are also critical to job creation in less direct ways. We provide 40 percent of the small-business loans, 85 percent of all consumer credit, and continue to service 70 percent of all mortgages.

Financial institutions are playing a key role in the recovery. Lending by banks to American business has increased by over $230 billion in the past two years, helping to fuel a recovery that's finally gaining steam, even if it's distinctly uneven.

And because we at Citi are committed to supporting small business and helping create jobs, four years ago we made a pledge to substantially increase our lending by providing $24 billion in capital over three years dedicated and focused on small business across our country. That was a major increase in our engagement with these critical clients, but the good news is that we not only surpassed that goal, we successfully sustained the elevated levels and haven't looked back. In 2014, we lent an additional. $ 9.2 billion, more than double from where we were five years ago. And today, in 2015, we're on track to lend another $10 billion to that sector.

We also work with state and local governments to finance the construction of necessary infrastructure. Last year we underwrote more than $100 billion in projects ranging from schools to water mains to highways, and over the past year financed the construction of more than 30,000 housing units, of which approximately one-third of those were dedicated for seniors. We financed just under $4 billion of capital for affordable housing projects – including some right here in Washington, where we helped rebuild the housing units at places like Fairfield Park.

Beyond our business activities, we're equally committed to the communities we serve. We can't be indifferent to the larger challenges facing our country, and there are few issues more pressing than the widening wealth gap. It's simply unhealthy for society to fracture this way. So we're doing our part to help young people find jobs and be able to participate in the economic growth our country is experiencing.

That' s why we launched Pathways to Progress, a significant financial and employment engagement commitment designed to jumpstart the career readiness of 100,000 low-income youth in 10 target cities. The program is helping young adults set educational and career goals, and develop the necessary skills to live in the 21st century and contribute to the economic competitiveness in our cities and our country. In less than two years, we've impacted over 70,000 young people and invested $35 million, putting us on path to exceed our initial three-year goal of investing $50 million to impact 100,000 youth. In addition, more than a thousand of my colleagues have engaged with the company in this effort as volunteers, mentors, and coaches.

All of which brings me back to an earlier point. Citi employs about 75,000 people throughout the country. The vast majority of them don't work on Wall Street, but in branches, operations centers, servicing loans, mortgages — in short, helping customers and strengthening the communities in which they operate. It's important that we in positions of leadership in finance continue to inform people about what they do and the value they provide. So I sincerely hope that everyone here today – business leaders, thought leaders, policymakers, legislators, many of whom understand all the good things banks do for our economy and society – will add your voices to the chorus.

Thank you. David, I look forward to our conversation. [Applause.]

CONVERSATION WITH MR. RUBENSTEIN

MR. RUBENSTEIN: So you are in Washington today to meet with Members of Congress, among other things?

MR. CORBAT: Among other things. But here mainly to see you. [Laughter.]

MR. RUBENSTEIN: I doubt that. But will you be seeing Elizabeth Warren today?

MR. CORBAT: I will not. She's not on the list of meetings I have today.

MR. RUBENSTEIN: OK. Will you be sending her a copy of your speech? Because she may disagree with some of the things you said, but.... [Laughter.]

MR. CORBAT: She has in the past.

MR. RUBENSTEIN: OK. [Laughter.] So when you became the head of Citi, it was a bit of a surprise to the financial markets. You weren't as well-known as some people who were operating in New York at the time. But since that time your stock is up 73 percent. So have you renegotiated your contract? [Laughter.]

MR. CORBAT: I haven't.

MR. RUBENSTEIN: Not yet, OK.

MR. CORBAT: Not yet.

MR. RUBENSTEIN: So you gave your third quarter earnings statement recently and you beat analysts' expectations. Your stock went up about 4 percent on the announcement. Would you say that Citi has now turned the corner, and the risk that you might fail a stress test by the Fed is now behind you?

MR. CORBAT: Well, we've done a lot of work. I talked about our concept of being simpler, smaller, safer, and stronger. And so when you look at the things we've done, we've really taken the company back to its roots. We're a bank, and we're a global bank, which gives us the ability, I think, to manage our institution in a much more hands-on, much better way than we were in the past.

The Fed's stress test continues to evolve. They've been very public in terms of saying that they're going to continue to raise the bar. We as an industry, we as an institution, clearly have to make sure that we're positioning our institutions and thinking in a way where we're ahead of that.

MR. RUBENSTEIN: So you were not running Citi when it had its problems in the Great Recession period of time, but what would you say that Citi did wrong or could have done better at that period of time?

MR. CORBAT: David, I would say it's not a problem that's necessarily just about Citi. But we went through a phase. We went through seven, eight, nine years, not just in the U.S. but globally, of financial institutions wanting to become the supermarket, the ability to be everything to everyone. And I think what you've seen is, whether it's Citi or other institutions in the U.S. or Europe, we've really refocused ourselves around our core attributes, the places where we think we can really distinguish ourselves and run our businesses for the benefits of our customers, clients, and shareholders.

MR. RUBENSTEIN: So Citi famously merged years ago with Travelers. And you had been a Travelers part, so you came in through the Travelers part of Citi. But is there anything left of Travelers that was part of that merger, or is all of Travelers essentially gone now from Citi?

MR. CORBAT: Travelers is gone. And so Travelers at one point was spun out, and we were nice enough to sell them their umbrella back so they got that back. [Laughter.] And so Jay Fishman and Travelers have done exceedingly well.

MR. RUBENSTEIN: OK. So today, if there were a Great Recession again or even a modest recession, let's say, do you have any fears that you would not be able to pass stress tests by the Fed? Or you're feeling pretty good about the future?

MR. CORBAT: When you look at the financial resources of our company today – and I mentioned a bit in my opening remarks – today we've got capital approaching 12 percent, which is amongst the leading in the industry. We opened our doors this morning with highly liquid assets approaching $400 billion, in excess of 20 percent of our balance sheet – term funding, no concentration of risk, diversification of portfolio. So we're confident we could weather a storm.

MR. RUBENSTEIN: Well, one of the results of the storm last time was the Dodd-Frank legislation. In hindsight, would you say that that legislation is helpful or not helpful to you? Are you happy with the legislation?

MR. CORBAT: Dodd-Frank legislation is important legislation because, in particular, what it's trying to end is this concept of Too Big to Fail, and in there the concepts of resolution and recovery. And so one of the things that's important in terms of banks and large banks moving forward is the ability to prove in a challenging situation we have the ability to resolve ourselves, and Dodd-Frank introduced that.

MR. RUBENSTEIN: All right. Are you an advocate or a supporter of the Volcker Rule, so-called?

MR. CORBAT: For us the Volcker Rule was not a big thing because we were never a big proprietary trading company. So again, our business is really built around customer-client flows.

MR. RUBENSTEIN: All right. What about the Consumer Financial Protection Bureau? [Laughter.]

MR. CORBAT: You know, again, if you look at what their mandate is in terms of protecting consumers, it's –

MR. RUBENSTEIN: So nothing negative to say about it?

MR. CORBAT: I don't.

MR. RUBENSTEIN: OK. [Laughter.] All right. So today would you see that Citi is a global bank or a large U.S. bank?

MR. CORBAT: I would say Citi's the most global bank in the world – that this morning we opened our doors in a little over a hundred countries. And if you compare us versus the names that you would know, that's probably from a geographic perspective a third again more global or in more places than our competition.

MR. RUBENSTEIN: Your profits that you now have this year – I said earlier you had about $14 billion in net income for the first nine months. What percentage of that comes from overseas and what percentage is coming from the United States?

MR. CORBAT: We have a good balance in this. So our largest business is here in the U.S., actually our second-largest business is in Mexico, and then the rest of the world makes up the balance. So we are probably looking at a mix somewhere – and it can vary quarter to quarter – of probably somewhere 60/40.

MR. RUBENSTEIN: Sixty in the U.S.?

MR. CORBAT: U.S. versus 40 outside the U.S.

MR. RUBENSTEIN: Some people say that banks make a lot of money on ATM fees. I know you would say that's not true, but is that a profitable business?

MR. CORBAT: It's – [laughter] – well, for us it's not because what we do – and I'm hoping you are a card-carrying member of our team – for our clients, we waive ATM fees. So in those cities where we operate, use our ATMs, it's free. And in places where we don't operate, we'll pay the ATM fee on your behalf.

MR. RUBENSTEIN: OK. Well, I actually have my credit card here, but – [laughter] – but see, I have this Advantage card. Is that a –

MR. CORBAT: Advantage card. That's a perfect card for you.

MR. RUBENSTEIN: It is because I get American Airlines points.

MR. CORBAT: American Airlines. But you know what your challenge around that is, that we don't give upgrades on G650s[1]. [Laughter.]

MR. RUBENSTEIN: OK, no. OK, right. [Applause.] Right. Have you considered that? You haven't considered that, OK. [Laughter.]

MR. CORBAT: Well, you know, again, it all depends on the spend.

MR. RUBENSTEIN: OK.

MR. CORBAT: But I actually think as part of that, well, I should always, you know, be mindful of our clients' needs.

MR. RUBENSTEIN: OK, you can work on that. OK.

MR. CORBAT: We can get you a card that fits your profile a bit better.

MR. RUBENSTEIN: All right. Thanks. [Laughter.]

MR. CORBAT: Those air miles aren't worth a whole lot to you.

MR. RUBENSTEIN: Right, I know. I can see. [Laughter.] Somebody's using them, I don't know who. But OK.

So today, as you look at the global banking world, you mentioned that only one out of the 10 largest banks in the world is American. Are you worried about the European banks or the Asian banks becoming more dominant? Or do you think the U.S. banks can prosper in this regulatory environment?

MR. CORBAT: If we're given the chance to operate and compete on a relatively level playing field, I have no doubt, through innovation and approach and hard work, we can compete with any bank in the world. If that playing field becomes too lopsided, it certainly puts our position at risk. And then we also, in addition to those, have to worry about the shadow system as well – those people coming in to fill that void not just from the formal banking system, but from the informal banking system.

MR. RUBENSTEIN: Let's talk about your background for a moment. In the introduction I indicated that you were a football player in high school. You were All-State. So you were recruited to play at Harvard. Did you have a chance to play at, let's say a, you know, Notre Dame or Texas? Were you that good? Or you just wanted to go to Harvard to play football?

[1] Reference is to Gulfstream 650s.

MR. CORBAT: Well, I know it's near and dear to you – I did get recruited to go to Duke.

MR. RUBENSTEIN: What happened? [Laughter.]

MR. CORBAT: I chose Harvard. [Laughter.]

MR. RUBENSTEIN: OK. Well, OK. Well, it hasn't hurt you. But all right. [Laughter.] So –

MR. CORBAT: Well, I don't know. It could.

MR. RUBENSTEIN: So you went to Harvard.

MR. CORBAT: I could be working at Carlyle right now. [Laughter.]

MR. RUBENSTEIN: OK. So you went to Harvard – but you actually worked your way through it because you don't get athletic scholarships, really, to go to Harvard. So you actually worked your way through, and you were driving the Zamboni? Is that how you did it?

MR. CORBAT: Yeah. Little-known fact.

MR. RUBENSTEIN: So is that hard to do, drive a Zamboni, or?

MR. CORBAT: It took some training. And by the way, it's a pretty pressure job. When you're out on that ice – and Ted knows – when you're out on that ice and everybody's watching, you can't screw up.

MR. RUBENSTEIN: You can't screw up. Right, OK.

All right. So when you graduated – and it's hard to believe that you were an All-American, because usually Harvard doesn't produce first team All-American football players, but you were a Kodak All-American First Team. Did you ever consider going to the NFL?

MR. CORBAT: I did briefly, but not going through school on scholarship, I didn't go per se for the money. I didn't go in thinking that I would play pro. And coming out of school, I had some job offers I liked. My knees, my nose, my teeth were all still in place, and I considered that a victory. [Laughter.]

MR. RUBENSTEIN: OK. So do you run into a lot of All-American football players in financial circles? When you're meeting with other CEOs, how many of them are All-American football players?

MR. CORBAT: You know, I don't know All-American, but for those of you who We've got Eric here, who was ahead of me at Harvard, was a darn good football player. So there's some out there.

MR. RUBENSTEIN: All right. So you lived for many years, when you were working for Citi overseas, is that right? Right before you became the CEO, you were living in –

MR. CORBAT: London.

MR. RUBENSTEIN: – London. So when you got the call, were you surprised because, you know, you didn't know that there was going to be a change in the leadership? Were you surprised? And what was your reaction?

MR. CORBAT: I was surprised. The call came, and I was thrilled and honored to be asked to consider that position. And so it came completely out of the blue.

MR. RUBENSTEIN: You didn't negotiate the terms of it? You didn't say, here's my compensation if you want me to do this? You just said, I'll take the job, and?

MR. CORBAT: You know, you can read in the paper, and anytime you want to change paychecks let me know. [Laughter.]

MR. RUBENSTEIN: OK, all right. Probably not right now. [Laughter.]

So what is the biggest challenge in being the head of Citi? I mean, you have to overcome certain images, the images of large banks. What do you regard as the biggest challenge that you have as the CEO of Citi and that Citi has?

MR. CORBAT: A couple. One is dealing with a bit of the legacy, and trying to tell the story of where we are today as a company, and why that's different from our past, and trying to get people to believe and buy into that.

Two, to operate today in a globally interconnected world that's a very uneven, very unpredictable place. And to come to work in a hundred countries and to make sure from a risk, from a capital, from an expense, from a people perspective you're making sure the right things are happening.

MR. RUBENSTEIN: But you now have 237,000 employees. That's a lot. How can you possibly give them direction and so forth? And how many times a day or year do you have to go out and meet all your employees? How do you do that?

MR. CORBAT: So that number, when we talk about being smaller, we're smaller in a few different ways. We peaked at 375,000 employees. We're down to 237,000. We've created alignment in the firm through scorecarding and creating common senses around goals and things that we're trying to achieve.

And if you go back and you look historically at one of the ways we got in trouble, one of the things you realize is when you sit in your chair or my chair running a company and you ask for things, people try and do it. One of the things we asked for is we said, as a company, we're going to grow. And today, as an example, there's a lot of places in the world we'd like to grow and there's absolutely places in the world where we do not want to grow, and making sure that you're very focused as an institution and those messages get on the ground in a very clear way.

As part of that, I do spend a lot of time traveling – approaching, at certain times, half of my time. I think I made it to about 60 countries last year. I haven't kept track so far this year, but like you I was in Asia last week and was in four countries while I was there.

MR. RUBENSTEIN: Is China very important to your business?

MR. CORBAT: It is. It is. In China, we run a full-service business, both institutional and consumer. There we do operate our consumer business under our own brand and have our own credit card in China. And then from an institutional side, we're a very well-positioned bank on the ground for the foreign multinationals as they come to China. They see the sign. They know the people. They know the way we operate. They get comforted with that. And more and more, David, we're actually helping the Chinese champions go offshore. And whether that's here to the U.S. or in Canada's case – with CNOOC,[2] we helped them. But helping the Chinese champions go abroad as well.

MR. RUBENSTEIN: So credit card, talk about that for a moment. That's, I assume, a reasonably profitable business, the credit-card business?

MR. CORBAT: It's a good business.

MR. RUBENSTEIN: So you make the money when people don't pay on time and you charge interest. Is that – or that's not where you make the money?

MR. CORBAT: No. We make the money in a few ways. There's transactors.

MR. RUBENSTEIN: Fees.

MR. CORBAT: You're probably a transactor. You probably pay your bill off right away.

MR. RUBENSTEIN: Well, I pay it right away. Sometimes they call up and say it was late for a day or two and they want to charge interest, but –

MR. CORBAT: Well, call me and we'll waive it.

MR. RUBENSTEIN: Really? OK, great. [Laughter.] Let me –

[2] China National Offshore Oil Corporation.

MR. CORBAT: Depending what your spend is.

MR. RUBENSTEIN: All right, OK. [Laughter.]

MR. CORBAT: And so in the credit-card business, you know, there's two ways. One is transaction fees, which are part of the process when you buy goods. And for those who revolve, we lend money on the card and they borrow and pay off.

MR. RUBENSTEIN: So how many people are like me, you know, kind of old fashioned? I actually write a check out and pay off my credit-card bill. I write out a check. I don't do online banking, because I haven't figured out how to do that yet. What percentage of your people actually do that, online, or pay their credit cards by writing out a check? Is that a small percentage, like –

MR. CORBAT: It's a growing percentage.

MR. RUBENSTEIN: Really?

MR. CORBAT: We've got very rapid growth rates. But what's really interesting is, for those of you who've lived in Europe, you'd have a hard time ever finding a check. It's all chip-and-PIN card. The statistic – and Rob, you may know it better than I do – but the number I heard, that last year there was 30 billion checks written in the United States. So in spite of moving to digital, society still operates 80 percent in cash globally. We're still a cash-based society. And in the U.S., we're far behind in terms of where we're going to end up and really where we should be from a digital perspective. But it's growing rapidly.

MR. RUBENSTEIN: So you have all this data from your credit cards and other things going on around the world. So based on that, would you say that the U.S. economy today is in reasonable shape and likely to grow? Or are you nervous about the U.S. economy?

MR. CORBAT: We are in what we would describe as a cautious recovery.

So coming out of the crisis, QE[3] was quite effective in addressing two very important things. We said that the recovery in the U.S. needed to be largely consumer-driven. So when we think of a U.S. consumer, what's going to motivate a consumer? If my house is going down in value, it's pretty tough to engage me. So first things we needed to do is we needed to get a floor in the housing crisis and get housing headed in the right direction. And you saw the numbers yesterday or this morning, housing prices in aggregate across the U.S. up somewhere around 5 percent year over year. So we can largely check that box. We can argue about the securitization markets, but we can largely check that box.

[3] Quantitative Easing, a method of easing interest rates used by the Federal Reserve.

Second piece, we had unemployment peaking somewhere near 10 percent. Today, unemployment right around 5 percent, headline. Underlying, still some challenges in labor participation rates, but we've largely got the economy back to where we'd like it to be.

What we see is, in some ways, an under-engaged consumer. So as we track spend rates and credit cards, revolving rates are down. People are borrowing less. More and more spend and pay off. Interestingly, the purest form of stimulus you could have – a reduction in oil, and in particular in gasoline prices – really didn't make its way into the economy. People saved that money, and away from reinvestment or capex in their homes or autos. You can see third quarters, a lot of the merchants are struggling. So there's a real conservatism still there.

MR. RUBENSTEIN: Well, let's suppose Janet Yellen[4] were to call you tomorrow and say, you know, I don't know whether I should increase interest rates or not increase interest rates; what would you recommend to me? What would you tell her?

MR. CORBAT: I certainly don't have the insight into the Fed data. But if at all being able to operate from a position of strength, we should absolutely move towards – and it's not what I would describe as a rate hike, but a beginning of a re-normalization of monetary policy.

MR. RUBENSTEIN: But this year or next year?

MR. CORBAT: If the Fed has the opportunity to do it and they can do it and they see data that at all gives them confidence, this year. That decision hasn't been made, in my opinion, and I think we'll watch the data right up to the end. But if given the chance to do it, I think they'd like to do it.

MR. RUBENSTEIN: What about China? You just were in China. What do you think of the Chinese economy? Is it growing as slowly as some people say – it's growing below 6 ½ percent, perhaps?

MR. CORBAT: We just actually last week had our Board of Directors in China and it was quite fortuitous timing to be able to get them there, because China is one of the places that, for us, is important. And when you're on the ground here and you watch some of the shows, you read the newspapers, you get a real, in some cases, dire sense of what's going on in China. My takeaway – and I know you were there as part of something different – was a real appreciation for what's occurring in terms of a real bimodal economy – that without a doubt the old manufacturing, the old investment, export-driven manufacturing economy is without a doubt slowing, but there's real growth happening in the services sector. And so you've got these two economies that give a blended rate of whatever it is – and we can choose to believe or not believe the numbers – but you can really feel the growth of the service sector of the Chinese economy.

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[4] Chair of the Board of Governors of the Federal Reserve System.

MR. RUBENSTEIN: What about India? Do you have any views on India?

MR. CORBAT: India, you know, continues to be one of the top growers in the world. And the economy, despite the lack of infrastructure, despite some of the challenges that exist, is an economy that continues to grow somewhere 6, 6 ½ percent, very engaged consumer.

MR. RUBENSTEIN: Western Europe. You've lived in Europe. Where do you think the European economy is, Western Europe?

MR. CORBAT: Europe is a mixed bag. We had fairly low expectations of where Europe would be. We felt it would be a long recovery, and it in fact has been. And what you see there is that QE has been very effective in terms of giving politicians and the policymakers time, and those economies that have taken the tougher steps around reform – I'll pick one, Ireland, growing at 5 percent. Those that haven't, still in recession. And so mixed bag, but getting better.

MR. RUBENSTEIN: You mentioned that there's some places you don't want to be. Is –

MR. CORBAT: No, places we would choose now not to grow.

MR. RUBENSTEIN: Not to grow, all right. So you are everywhere, but you don't – or where would you choose not to grow?

MR. CORBAT: So, importantly, when I make that statement, what I mean in that statement is there are places in the world where we're there and all we're doing is servicing the multinationals. And if I raise the flag and say let's grow, someone's going to go have to create a new strategy around that. And we know historically that oftentimes, as those strategies get created, they're fraught with issues.

But, as you can imagine, around the sanctions, it's tough to grow in Russia right now. We've got a business there. Again, you look at parts of Europe – Greece, other places – where it would certainly be challenged.

MR. RUBENSTEIN: What about Latin America? Where are you on Latin America, Brazil in particular?

MR. CORBAT: You know, Brazil's going through some real challenges, and the challenges are a couplefold.

One is Brazil boomed during the commodities-fueled environment. Clearly, commodities have come way off. And Brazil is also dealing with the fallout from the Petrobras scandal, which in many ways – politically, and importantly from an infrastructure perspective – has really stalled the economy. Very difficult to get anything done in Brazil. And so that economy's really feeling the challenges and pains in particular of those two events.

MR. RUBENSTEIN: Now, Citi does a lot of advertising, and one of your advertising vehicles, I guess, is you have a stadium named after you in New York. And you have the Mets in the World Series, so I assume you're a Mets fan, or?

MR. CORBAT: Absolutely.

MR. RUBENSTEIN: So how do you –

MR. CORBAT: That's why I'm tired today. [Laughter.]

MR. RUBENSTEIN: OK. Well –

MR. CORBAT: And disappointed.

MR. RUBENSTEIN: Well, I'm sure it'll turn around at some point.

MR. CORBAT: Thank you.

MR. RUBENSTEIN: But how do you decide where to put your advertising dollars? In those kind of promotional activities or television ads – what works the most effectively for you in terms of getting the Citi brand out there?

MR. CORBAT: Well, first, in terms of Citi Field, that's a deal we've been in for a while. So that's one of the things that I inherited along the way.

But we try and – I'll give you a great example of, you know, things that we're very invested in: the concept of Citi Bikes, for those that have been to New York, where we get our branding but we get it around a purpose that we think is very meaningful and has the ability to change the communities that we operate in. So now we have Citi Bikes in the city. We've got Citi Bikes in Brooklyn. We've taken Citi Bikes to Miami.

MR. RUBENSTEIN: Yeah, here.

MR. CORBAT: We're not here. We're not here. Somebody else has it here. But –

MR. RUBENSTEIN: But when you do that, you pay somebody to do that and you get an advertising kind of fee? Or how does that work?

MR. CORBAT: Well, those bikes turn into rolling billboards for us. So there's an operator. We don't own. We pay a fee. But for that fee we're branding the bikes, we're branding the kiosks, we're getting that exposure.

MR. RUBENSTEIN So of all the businesses you're in, what's the highest-margin business?

MR. CORBAT: Highest margin? Well, I think, David, you need to think about capital. And so we've got businesses that have high margin, but they're very high capital. And so from a return-on-equity perspective, you have an industry that's earning below its cost of capital, so that's one of the challenges of the industry.

MR. RUBENSTEIN: So, well, the industry has those challenges, but some people running for President are saying that we should have a tax on big banks because they're too risky. Have you heard of this proposal, or?

MR. CORBAT: I have. [Laughter.]

MR. RUBENSTEIN: So –

MR. CORBAT: Vaguely.

MR. RUBENSTEIN: Yeah. Do you have any thoughts about the desirability of it?

MR. CORBAT: Well, certainly from our perspective, it's not desirable, and I think from general society it's not desirable, because you know, you think about – and again, you can go look at all the public information – very few banks today – large, medium, small – are earning in the U.S. above their cost of capital. And so if we're taxed, sure, we'll absorb what we can of that, but to be long-term viable shareholder propositions – to stay in business – we've got to cover our cost of equity. And that means that some portion of that tax is going to need to be passed on to people who borrow, people who transact. And we absolutely don't want to do that.

MR. RUBENSTEIN: So you pointed out that people have been borrowing money, lending money for 4,000 years at least. Why is it that bankers have an image that's not so wonderful? Not that private equity people have an image that is maybe better, but – [laughter] – but why is it that people don't seem to like bankers?

MR. CORBAT: I think bankers, in particular, in this environment, are easy to pick on. And you know, it's one of the few things here in Washington, as I described, that's probably bipartisan. And –

MR. RUBENSTEIN: Everybody picks on you.

MR. CORBAT: Yeah. And –

MR. RUBENSTEIN: And when you go visit Members of Congress, what is your view of their financial knowledge in terms of the way the banks work? Do you think that they really understand the financial system, or?

MR. CORBAT: I think some are very astute and others, who it's just not their natural course of business, probably don't understand all that well in particular what global banks do.

MR. RUBENSTEIN: And what percentage of your time do you have to spend with regulators or legislators, just trying to educate them about what you do?

MR. CORBAT: It varies from time and tends to probably get clustered a bit. But you know, a very typical part of what you would describe as an average day is the combination of – with our clients and customers, I have a client meeting every day as a general rule; with our employees; with our regulators; with our shareholders; obviously some with our board. So in particular today, you know, our regulators are an extremely important constituent, not just here in the U.S. but around the globe. And part of that is around what we talked about, of trying to create this level playing field, harmonization, coordination, making sure that everybody understands what everybody else is doing and how that comes together.

MR. RUBENSTEIN: One of the concerns, when the Great Recession happened, was subprime loans that banks like Citi were lending. Are you doing a lot of subprime loans now? And what are you doing to kind of help with the mortgage market for people who want to buy houses?

MR. CORBAT: Part of our go forward business is completely out of subprime. We have one business that we're in the process of closing, which is a terrific business, but a business called OneMain, and we're selling that to a company named Springleaf. And that's one of the very few of-scale nationwide subprime lending businesses, which – subprime carries this nasty moniker to it. Subprime is not payday lending. Subprime is providing credit to those that would otherwise have a very hard time of getting it. And in an environment of Basel capital standards and stress testing and CCAR,[5] it's quite difficult for parts of our population to have access to traditional forms of borrowing and lending.

MR. RUBENSTEIN: So if you were to go back to your alma mater, Harvard, or to Harvard's Business School, and try to say to young people they should come into banking because it's such a great business to be in, what would be your best argument about why people should go in and want to be a banker?

MR. CORBAT: Well, probably twofold.

One is you look at what's going on in the world – and I describe to our employees, we have a front-row seat and are on the field to most things going on in the world. And there are very few industries, very few professions, very few companies where you have the ability to really stitch the world together. The world's only going to become more global.

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[5] Comprehensive Capital Analysis and Review, an analytic tool of the Federal Reserve commonly called the stress test.

Second, very exciting time from a technology perspective. The push to digital and what's happening there, and the transformation that we're just starting in terms of what banking is going to look and feel like, it's very exciting.

MR. RUBENSTEIN: So is recruiting hard or easy these days at good college campuses?

MR. CORBAT: I would say it's not difficult. But in fairness to that, the banking industry's not hiring the way it used to. So we have the ability to attract good candidates. We have the ability to be selective in terms of the people that we hire. We have the ability to compete at, you know, all the schools. But the numbers are down.

MR. RUBENSTEIN: So today you are, by my standards, a teenager. You're 55, or?

MR. CORBAT: Fifty-five, yeah.

MR. RUBENSTEIN: Fifty-five, OK. So I regard that as a teenager. [Laughter.] You could do this for presumably a long period of time. You keep getting the stock up by 73 percent, from, you know, things like that you can stay a long time. But let's suppose the President of the United States called you and said I'd like you to be Secretary of the Treasury or something that's important to the government. Would you ever want to be in government, or would you have no interest in that?

MR. CORBAT: Well, first, today, we as an institution, we've got more work to do, and so I'm very focused on our company.

I'd say politically, in this environment, it would be challenging to think about doing that. Unfortunately, in the environment we're in, it's pretty difficult to go from finance into some of those –

MR. RUBENSTEIN: And getting confirmed would be difficult.

MR. CORBAT: Getting confirmed, which is a shame because I think that, again, the industry gets painted with one brush. There's a lot of people who would like to give back and probably stay away from it because of the process.

MR. RUBENSTEIN: So what do you do when you're relaxing? I presume that being the Citi CEO is not a relaxing job. And maybe it's fun, but not relaxing. So what do you do when you're actually relaxing? You're still an athlete and you exercise a lot, or what do you do?

MR. CORBAT: I do. I like being outside every chance I get. I like to exercise. I try and exercise as often as I can. My extracurricular, so to speak, I love skiing. We talked about the Ski Board, the Ski Foundation. Fly fishing, mountain biking, you know, you name it, I'll go do it with you.

MR. RUBENSTEIN: Fly fishing, I know Bob Rubin and Paul Volcker are big fly fishermen. I never could understand it. You stand there and – [laughter] – you're not supposed to, you know, make a big noise or anything. You cast the thing, then you catch the fish and you're supposed to release it.

MR. CORBAT: Yeah.

MR. RUBENSTEIN: And my theory has been that your brain is this big and the fish's brain is this big; why is it so challenging to trick a fish into touching this thing, because your brain is so small and you're so much smarter? Why is it so challenging? [Laughter.]

MR. CORBAT: Well, I'm going to speak from a fly fisherman's perspective: because you're convincing the fish to eat something that's artificial. If I hang a worm in front of them, I'm with you. If I take a piece of plastic or something on a feather and I have the ability to imitate something that it eats and to get the fish to eat, you've actually been successful in terms of fooling the fish, which is not easy to do.

MR. RUBENSTEIN: OK. But then you release it, so you don't really have the fish anymore, right? [Laughter.]

MR. CORBAT: Yeah. And then – right, you don't have it anymore. But you have the chance to catch it again, to fool it again.

MR. RUBENSTEIN: OK, all right. OK. [Laughter.] It isn't a sport that I quite understand, but OK, each to his own. So today what do you regard as the greatest pleasure of your job?

MR. CORBAT: Our people. Our people are fantastic. That is, as I get to travel the world to see the people – the people that we have, the impact that we have on their lives, the impact that we have in the communities around the world. As I said, last week I was in Asia, had the chance to go visit our operation in Vietnam and to see on the ground the things that we're doing and the differences we're making in consumers and companies and in societies and lives there.

MR. RUBENSTEIN: What's the worst part of the job, other than doing interviews like this, perhaps? But what is the worst part, what you don't really like?

MR. CORBAT: I won't say that it's the worst part, because it comes with this, and I guess you know this, is that it truly is a 24/7 job. In a company that operates globally in these places, the phone, the email go off anytime and you've got to be on call.

MR. RUBENSTEIN: By the way, when you use your credit card, have you ever had them call and decline? They never do that, right? [Laughter.] Has that ever happened to you?

MR. CORBAT: It has happened.

MR. RUBENSTEIN: It has happened?

MR. CORBAT: Yeah.

MR. RUBENSTEIN: And so you call them and tell who you are, and they still don't pay attention, or how does that happen? You're the CEO and you can be declined?

MR. CORBAT: But that's OK, I like to mystery shop. So I don't tell them –

MR. RUBENSTEIN: Oh, you don't tell them?

MR. CORBAT: Well, I obviously tell them who I am, but I don't make a big fuss about it. And you want to find out why those things happen.

MR. RUBENSTEIN: What was the problem? You weren't paying your bills, or? [Laughter.]

MR. CORBAT: No, I was actually in an obscure country buying a plane ticket and it was a bit offbeat, and so –

MR. RUBENSTEIN: You congratulated them for catching you.

MR. CORBAT: Well, they didn't prevent fraud, but they were trying to do the right thing.

MR. RUBENSTEIN: All right. So one final question I'd like to ask you is, today, if you could live your career over again, is there something you would have preferred to do, other than do what you're doing? You're obviously at the peak of your profession, but now looking back in hindsight, would you wish you had done something different, or you're quite happy with what you've done?

MR. CORBAT: Aside from the interview at Carlyle?

MR. RUBENSTEIN: Right. [Laughter.] Well, aside from the highest calling of mankind, private equity, is there something else – [laughter] – you would have preferred to do? Or you're quite happy with where you are?

MR. CORBAT: I would say I had taken an international assignment sooner. We had a chance to go do that, and the chance to live and operate outside the U.S. has had a big influence. You talked a bit about our family and having lived abroad. Our son now lives in Hong Kong. Our daughter lives in London. And those experiences have truly made them citizens of the world, and they were very positive family experiences and work experiences for me and for us I probably would have done sooner.

MR. RUBENSTEIN: And your children, they must be proud of you, but have they bragged to everybody and say, by the way, if you're using a Citi card, my father is the CEO? Or they don't tell anybody?

MR. CORBAT: I'd say they don't tell anybody.

MR. RUBENSTEIN: Don't tell anybody, OK. [Laughter.]

Well, Michael, I want to thank you very much for giving us your time today and for the great job you've done for Citi and its shareholders. I'm going to give you a gift. [Applause.)] This is a map – a copy of the original map of the District of Columbia. [Applause.]

MR. CORBAT: I was hoping for the Magna Carta.

MR. RUBENSTEIN: Right, right. Right. [Laughs.]

Michael L. Corbat

Michael L. Corbat is Chief Executive Officer of Citigroup, the world's global bank, with approximately 200 million customer accounts and activities in more than 160 countries and jurisdictions.

Since becoming CEO in 2012, he has focused on leveraging Citi's unique global network to serve its institutional and consumer banking clients with an emphasis on strong execution and the highest ethical standards. In the process, Mr. Corbat has made Citi a simpler, smaller, safer, and stronger institution. Citi has improved the quality and consistency of earnings, and Mr. Corbat is committed to creating shareholder value by serving Citi's stakeholders and fulfilling Citi's mission of enabling economic growth and progress.

Prior to his current role, Mr. Corbat was CEO of Europe, Middle East, and Africa, where he oversaw all of Citi's business operations in the region, including consumer banking, corporate and investment banking, securities and trading, and private banking services. Previously, Mr. Corbat served as the CEO of Citi Holdings, Citi's portfolio of non-core businesses and assets. In this role, he oversaw the divestiture of more than 40 businesses and divested more than $500 billion assets, reducing risk on the Company's balance sheet and freeing up capital to invest in Citi's core banking business.

Mr. Corbat has also served as the CEO of Citi's Global Wealth Management unit and was Head of the Global Corporate and Global Commercial Bank at Citi, a role in which he led the firm's efforts to provide best-in-class financial services to top-tier multi-national corporations and financial institutions around the world.

Mr. Corbat has been at Citi and its predecessor companies since his graduation from Harvard University with a bachelor's degree in economics in 1983.