Citi Finance's Forecast to 31 Dec '22

Citi's business could be broadly split among the following operating units:

- Institutional Clients Group (ICG)
- Personal Banking and Wealth Management (PBWM)
- Legacy Franchises
- Corporate/Other

High-level comments covering the forecast over the 12 months ending 31 Dec '22 from each of the business partners are included below:

Institutional Clients Group (ICG)

- Overall, ICG's revenue is expected to increase to $9.2 billion (i.e., YoY 3% increase), as strength in Treasury and Trade Solutions (TTS), Securities Services, and Fixed Income Markets is expected to be partially offset by a decline in Banking and Equity Markets.
- Services revenues are expected to increase to $4.3 billion (i.e., YoY 32% increase). TTS revenues are expected to increase by 36%, driven by 61% growth in net interest income, partially offset by a 1% decrease in non-interest revenue.

Strong performance expected in TTS driven by business actions, including managing deposit repricing, deepening of relationships with existing clients, and expected significant new client wins across all segments, as well as the benefit of expected higher interest rates.

Securities Services revenues are expected to increase by 22%, as net interest income is expected to increase significantly due to higher interest rates across currencies, which would be partially offset by a 9% decrease in non-interest revenue due to the impact of lower market valuations on assets under custody and administration.

- Markets revenues are expected to increase to $3.9 billion (i.e., YoY 18% increase), largely driven by growth in Fixed Income Markets.

Fixed Income Markets revenues are expected to increase by 31%, driven by strength in rates and currencies.

Equity Markets revenues are expected to drop by 14%, primarily reflecting an expected reduction in client activity in equity derivatives, partially offset by growth in prime services.

- Banking revenues are expected to decrease to $0.9 billion (i.e., YoY 62% decrease), including gains/losses on loan hedges in Q4'22 and the prior-year period. Excluding gains/losses on loan hedges, Banking revenues are expected to decrease by 48%, driven by lower revenues in Investment Banking and Corporate Lending.

Investment Banking revenues of expected to decrease by 58% as heightened macroeconomic uncertainty and volatility impact client activity. Excluding gain/losses on loan hedges, Corporate Lending revenues are expected to decrease by 26% versus the prior-year period, driven by lower volumes, higher credit default swap premiums, and impacts of foreign exchange translation.

- ICG's Operating expenses are expected to increase to $6.6 billion (i.e., YoY 6% increase), driven by transformation investments, business-led investments, and volume-related expenses, partially offset by the impacts of foreign exchange translation and productivity savings.
- ICG's cost of credit is expected to increase to $56 million, compared to $(281) million in the prior-year period, including a net ACL release for loans and unfunded commitments of $(54) million and net credit losses of $104 million. The ACL release would be primarily driven by the reduction of certain direct exposures in Russia, partially offset by an increase related to the deterioration in macroeconomic assumptions.
- Overall, ICG's net income is expected to decrease to $1.9 billion (i.e., YoY 18% decrease), largely driven by the higher expenses and the higher cost of credit, partially offset by the higher revenues.

Personal Banking and Wealth Management (PBWM)

- Overall, PBWM's revenues are expected to increase to $6.1 billion (i.e., YoY 5% increase) due to net interest income growth, driven by strong loan growth across US Personal Banking and higher interest rates, which is expected to be partially offset by a decline in non-interest revenue, driven by the lower investment product revenues in Global Wealth Management and higher partner payments in Retail Services.

- US Personal Banking revenues are expected to increase to $4.4 billion (i.e., YoY 10% increase).

Branded Cards revenues are expected to reach $2.4 billion (i.e., YoY 15% increase), primarily driven by the higher net interest income. In Branded Cards, card spending volumes are expected to increase by 9%, and average loans to increase by 13%.

Retail Services revenues are expected to reach $1.4 billion (i.e., YoY 10% increase), driven by higher interest-earning balances, partially offset by the higher partner payments.

Retail Banking revenues are expected to reach $608 million (i.e., YoY 3% drop), primarily driven by lower mortgage volumes.

- Global Wealth Management revenues are expected to decrease to $1.7 billion (i.e., YoY 6% decrease) as investment product revenue headwinds more than offset net interest income growth from the higher interest rates, particularly in Asia. Excluding Asia, revenues were largely unchanged.
- PBWM's operating expenses are expected to increase to $4.3 billion (i.e., YoY 7% increase), primarily driven by transformation investments and other risk and control initiatives.
- PBWM's cost of credit is expected to increase to $1.7 billion compared to $(296) million in the prior-year period. The increase is largely expected to be driven by a net build in the ACL for loans and unfunded commitments of $752 million in Q4'22, primarily driven by cards volume growth and the deterioration in macroeconomic assumptions, compared to a net ACL release of $869 million in the prior-year period. Net credit losses are expected to increase to $908 million (i.e., YoY 60% increase) from near historically low levels, reflecting ongoing normalization, particularly in Retail Services.
- Overall, PBWM's net income is expected to decrease to $114 million (i.e., YoY 93% decrease), driven by the higher cost of credit and the higher expenses, partially offset by the higher revenues.

Legacy Franchises

- Legacy Franchises' revenues are expected to decrease to $2.1 billion (i.e., YoY 6% decrease), primarily driven by the reduction in revenues from the closing of five exit markets and the impact of the Korean consumer and Russian consumer wind-downs, partially offset by the Thailand consumer business gain on the sale.
- Legacy Franchise's expenses are expected to decrease to $1.8 billion (i.e., YoY 38% decrease), driven by the absence of the $1.2 billion divestiture-related costs in the prior-year period and the benefits from exit markets.
- Legacy Franchise's cost of credit is expected to increase to $123 million, compared to $112 million in the prior-year period, primarily driven by a larger net ACL release for loans and unfunded commitments in the prior-year period, partially offset by lower net credit losses in Q4'22.
- Legacy Franchise's net income is expected to be c. $72 million, compared to a net loss of $616 million in the prior-year period, primarily reflecting the lower expenses, partially offset by the lower revenues.

Corporate/other

- Corporate/other revenue is expected to increase to $699 million from $131 million in the prior-year period, largely driven by higher net revenue from the investment portfolio, primarily due to higher interest rates.
- Corporate/other expenses are expected to drop to $247 million (i.e., YoY 23% decrease), driven by lower consulting expenses.
- Corporate/other income from continuing operations is expected to be c.$ 431 million, compared to a loss of $144 million in the prior-year period, reflecting the higher net revenue from the investment portfolio and the lower expenses.