

## Citigroup Inc.

# Stock should react positively to FY24 guidance

Reiterate Rating: BUY | PO: 60.00 USD | Price: 52.08 USD

## Stock momentum to continue on FY24 rev/exp guidance

We believe mgmt's FY24 revenue/expense guides – both in-line with BofA/consensus expectations – should be positively received by the Street. The lack of capital build (CET1 ratio -30bp QoQ) vs. peers a slight negative but not the most important thing that investors were looking for in today's print. We had heard a fair amount of concern from investors on whether revenue growth can continue given the outlook for rate-cuts. Mgmt guidance for ~4% YoY growth should allay these concerns, especially given that current mgmt. has generally done a good job delivering on its guidance. Reiterate Buy rating.

## Medium term targets reiterated; conf call: 12pm US-ET

As expected, mgmt reiterated its medium term (2026) 11-12% return on tangible common equity (ROTCE) target. We believe increased clarity on the trajectory of expenses going into 2025 (on the back of the ongoing efficiency actions), visibility on normalized growth/return potential for each of its five businesses (following the new segmentation) should continue to drive investor interest in the stock. Potential for a pick-up in the pace of share buybacks later in the year would be another positive (= accelerated TBV growth).

Citigroup reported GAAP/core 4Q23 EPS -\$1.16/0.84 vs. our/cons \$0.64/0.78. Beat vs. us driven by lower expenses (+\$0.25) partially offset by lower revenue (-\$0.02) and higher provisions (-\$0.01 ex. transfer risk).

Relevant research: [Citigroup Inc.: 2024 Year Ahead: Rubber meets the road 04 January 2024](#) / [Citigroup Inc.: Execution risk should diminish: CEO meeting takeaways 14 December 2023](#)

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	10.73	6.78	5.36	6.20	7.10
GAAP EPS	10.07	6.97	5.22	6.32	7.10
EPS Change (YoY)	121.2%	-36.8%	-20.9%	15.7%	14.5%
Consensus EPS (Bloomberg)			5.62	5.95	7.23
DPS	2.04	2.04	2.08	2.16	2.21
<b>Valuation (Dec)</b>					
P/E	4.9x	7.7x	9.7x	8.4x	7.3x
GAAP P/E	5.2x	7.5x	10.0x	8.2x	7.3x
Dividend Yield	3.9%	3.9%	4.0%	4.2%	4.2%

12 January 2024

### Equity

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### Stock Data

Price	52.08 USD
Price Objective	60.00 USD
Date Established	14-Dec-2023
Investment Opinion	B-1-7
52-Week Range	38.17 USD -54.75 USD
Mrkt Val / Shares Out (mn)	153,808 USD / 2,953.3
Free Float	96.8%
Average Daily Value	1016.39 USD
BofA Ticker / Exchange	C / NYS
Bloomberg / Reuters	C US / C.N
ROE (2023E)	0%
ESGMeter™	High

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CET1: Common equity tier 1  
TBV: Tangible book value

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Timestamp: 12 January 2024 08:38AM EST

# iQprofile<sup>SM</sup> Citigroup Inc.

## Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Interest Income	41,774	48,833	54,414	55,474	56,720
% change	-4.5%	16.9%	11.4%	1.9%	2.2%
Net Fee Income	NA	NA	NA	NA	NA
Securities Gains / (Losses)	NA	NA	NA	NA	NA
Total Operating Income	71,845	74,695	78,207	79,375	79,980
Operating Expenses	(47,141)	(51,185)	(54,227)	(52,239)	(51,770)
% change	9.2%	8.6%	5.9%	-3.7%	-0.9%
Provisions Expense	3,778	(5,239)	(7,881)	(9,141)	(9,154)
% change	-121.6%	NA	50.4%	16.0%	0.1%
Operating Pre-Tax Income	28,482	18,271	16,098	17,995	19,056
Operating Net Income to Comm S/Hold.	21,990	13,318	10,496	11,846	12,588
GAAP Net Income	23,988	14,316	11,753	13,187	14,078

## Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Total Assets	2,291,413	2,416,676	2,356,835	2,394,236	2,420,714
Average Interest Earning Assets	2,144,948	2,173,634	2,227,111	2,222,488	2,243,538
Total Gross Customer Loans	667,767	657,200	668,141	701,174	738,875
% change	-1.2%	-1.6%	1.7%	4.9%	5.4%
Total Customer Deposits	1,317,230	1,365,954	1,261,257	1,322,000	1,325,737
% change	2.9%	3.7%	-7.7%	4.8%	0.3%
Tangible Equity	157,183	158,071	164,353	170,071	173,644
Common Shareholders' Equity	182,977	182,194	188,476	194,194	197,767

## Key Metrics (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Interest Margin	1.95%	2.25%	2.44%	2.50%	2.53%
Effective Tax Rate	20.6%	18.1%	24.7%	24.8%	24.4%
Loan / Deposit Ratio	50.7%	48.1%	53.0%	53.0%	55.7%
Tangible Common Equity / Assets	6.9%	6.5%	7.0%	7.1%	7.2%
ROA	1.2%	0.6%	0.4%	0.5%	0.5%
ROE	NA	NA	NA	6.1%	6.4%
RoTE	14.2%	8.4%	6.4%	6.9%	7.3%
Dividend Payout Ratio	19.0%	30.1%	38.0%	34.2%	31.1%
Efficiency Ratio (Cost / Income Ratio)	65.6%	68.5%	69.3%	65.8%	64.7%

## Quality of Earnings (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Total Non-Interest Inc / Operating Inc	41.9%	34.6%	30.4%	30.1%	29.1%
NPLs plus Foreclosed Real Estate / Loans	0.5%	0.4%	0.5%	0.5%	0.7%
Loan Loss Reserves / NPLs	542.35%	784.13%	593.93%	573.77%	368.89%
Loan Loss Reserves / Total Loans	2.74%	2.91%	2.93%	3.02%	2.61%

## Company Sector

Banks-Multinational/Universal

## Company Description

Citigroup (C) is a leading global diversified financial service company that provides consumers, corporations, governments a broad range of financial products and services. C offers services such as consumer banking and credit, corporate and investment banking, securities brokerage, transaction services, and wealth management. Citi operates and does business in more than 160 countries/ jurisdictions in North America, Latin America, Asia, and Europe/Middle East and Africa (EMEA).

## Investment Rationale

We see the risk/reward skewed to the upside given the combination of relatively low investor expectations, sub-TBV valuation and strategic actions focused on reversing nearly 20 years of sub-par shareholder returns.

## Stock Data

Average Daily Volume 19,895,312

## Quarterly Earnings Estimates

	2022	2023
Q1	2.01A	1.86A
Q2	2.18A	1.35A
Q3	1.50A	1.51A
Q4	1.09A	0.64E

## Price objective basis & risk

### Citigroup Inc. (C)

Our \$60 PO is based on a 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 7.3x/0.8x multiples respectively, vs. large-cap peers (13.2x/1.6x) due to the bank's lower return metrics and risks to EPS defensibility.

Downside risks to our PO are execution risk tied to mgmt's franchise transformation efforts, an economic downturn or a macro-economic shock, increased costs tied to the regulatory consent orders, regulatory changes. Faster pace of share buybacks, better than expected operating leverage.

## Analyst Certification

I, Ebrahim H. Poonawala, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### North America - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Ares Capital Corporation	ARCC	ARCC US	Derek Hewett
	Ares Commercial Real Estate Corporation	ACRE	ACRE US	Derek Hewett
	Bank of Montreal	BMO	BMO US	Ebrahim H. Poonawala
	Bank of Montreal	YBMO	BMO CN	Ebrahim H. Poonawala
	Barings BDC Inc	BBDC	BBDC US	Derek Hewett
	Blackstone Mortgage Trust Inc	BXMT	BXMT US	Derek Hewett
	Blue Owl Capital Corporation	OBDC	OBDC US	Derek Hewett
	Carlyle Secured Lending Inc	CGBD	CGBD US	Derek Hewett
	Citigroup Inc.	C	C US	Ebrahim H. Poonawala
	Compass Diversified Holdings	CODI	CODI US	Derek Hewett
	Crescent Capital BDC	CCAP	CCAP US	Derek Hewett
	Cullen/Frost Bankers Inc	CFR	CFR US	Ebrahim H. Poonawala
	East West Bancorp, Incorporated	EWBC	EWBC US	Ebrahim H. Poonawala
	Fifth Third Bank	FITB	FITB US	Ebrahim H. Poonawala
	First Bancorp Puerto Rico	FBP	FBP US	Brandon Berman
	First Horizon Corporation	FHN	FHN US	Ebrahim H. Poonawala
	FNB Corporation of Pennsylvania	FNB	FNB US	Brandon Berman
	Goldman Sachs	GS	GS US	Ebrahim H. Poonawala
	JPMorgan Chase & Co.	JPM	JPM US	Ebrahim H. Poonawala
	KeyCorp	KEY	KEY US	Ebrahim H. Poonawala
	M&T Bank	MTB	MTB US	Ebrahim H. Poonawala
	Morgan Stanley	MS	MS US	Ebrahim H. Poonawala
	New Mountain Finance Corporation	NMFC	NMFC US	Derek Hewett
	New York Community Bancorp	NYCB	NYCB US	Ebrahim H. Poonawala
	Northern Trust Corporation	NTRS	NTRS US	Ebrahim H. Poonawala
	Royal Bank of Canada	RY	RY US	Ebrahim H. Poonawala
	Royal Bank of Canada	YRY	RY CN	Ebrahim H. Poonawala
	Safehold, Inc	SAFE	SAFE US	Derek Hewett
	Sixth Street Specialty Lending, Inc	TSIX	TSIX US	Derek Hewett
	Starwood Property Trust	STWD	STWD US	Derek Hewett
	Synovus Financial Corp.	SNV	SNV US	Ebrahim H. Poonawala
	The Bank of New York Mellon Corporation	BK	BK US	Ebrahim H. Poonawala
	Truist Financial	TFC	TFC US	Ebrahim H. Poonawala
	U.S. Bancorp	USB	USB US	Ebrahim H. Poonawala
	Webster Financial Corp.	WBS	WBS US	Brandon Berman



## North America - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Wells Fargo & Company	WFC	WFC US	Ebrahim H. Poonawala
	Western Alliance Bancorp	WAL	WAL US	Ebrahim H. Poonawala
<b>NEUTRAL</b>				
	AGNC Investment Corp	AGNC	AGNC US	Derek Hewett
	Ally Financial	ALLY	ALLY US	Brandon Berman
	Annaly Capital Management	NLY	NLY US	Derek Hewett
	Apollo Commercial Real Estate Finance	ARI	ARI US	Derek Hewett
	Associated Banc-Corp	ASB	ASB US	Brandon Berman
	Bain Capital Specialty Finance, Inc.	BCSF	BCSF US	Derek Hewett
	Bank of Nova Scotia	YBNS	BNS CN	Ebrahim H. Poonawala
	Bank of Nova Scotia	BNS	BNS US	Ebrahim H. Poonawala
	Blackstone Secured Lending Fund	BXSL	BXSL US	Derek Hewett
	BrightSpire Capital Inc.	BRSP	BRSP US	Derek Hewett
	Canadian Imperial Bank of Commerce	CM	CM US	Ebrahim H. Poonawala
	Canadian Imperial Bank of Commerce	YCM	CM CN	Ebrahim H. Poonawala
	Citizens Financial Group	CFG	CFG US	Ebrahim H. Poonawala
	Comerica Incorporated	CMA	CMA US	Brandon Berman
	Commerce Bancshares Inc.	CBSH	CBSH US	Brandon Berman
	Goldman Sachs BDC, Inc.	GSBD	GSBD US	Derek Hewett
	Golub Capital BDC, Inc.	GBDC	GBDC US	Derek Hewett
	Huntington Bancshares Inc.	HBAN	HBAN US	Ebrahim H. Poonawala
	Ladder Capital Corp	LADR	LADR US	Derek Hewett
	PennyMac Mortgage Investment Trust	PMT	PMT US	Derek Hewett
	Popular Inc	BPOP	BPOP US	Brandon Berman
	Regions Financial	RF	RF US	Ebrahim H. Poonawala
	The PNC Financial Services Group, Inc.	PNC	PNC US	Ebrahim H. Poonawala
	Toronto-Dominion Bank	TD	TD US	Ebrahim H. Poonawala
	Toronto-Dominion Bank	YTD	TD CN	Ebrahim H. Poonawala
	TPG RE Finance Trust, Inc.	TRTX	TRTX US	Derek Hewett
<b>UNDERPERFORM</b>				
	Bank of Hawaii Corp.	BOH	BOH US	Brandon Berman
	First Hawaiian Inc.	FHB	FHB US	Brandon Berman
	Guild Holdings Company	GHLI	GHLI US	Derek Hewett
	Invesco Mortgage Capital, Inc.	IVR	IVR US	Derek Hewett
	loanDepot Inc	LDI	LDI US	Derek Hewett
	MidCap Financial Investment Co	MFIC	MFIC US	Derek Hewett
	Prosperity Bancshares Inc	PB	PB US	Ebrahim H. Poonawala
	State Street Corporation	STT	STT US	Ebrahim H. Poonawala
	Texas Capital Bancshares Inc.	TCBI	TCBI US	Brandon Berman
	Zions Bancorp	ZION	ZION US	Brandon Berman

## **IQmethod<sup>SM</sup> Measures Definitions**

### **Business Performance**

Return On Capital Employed

Return On Equity  
Operating Margin  
Earnings Growth  
Free Cash Flow

### **Quality of Earnings**

Cash Realization Ratio  
Asset Replacement Ratio  
Tax Rate  
Net Debt-To-Equity Ratio  
Interest Cover

### **Valuation Toolkit**

Price / Earnings Ratio  
Price / Book Value  
Dividend Yield  
Free Cash Flow Yield  
Enterprise Value / Sales

EV / EBITDA

### **Numerator**

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income  
Operating Profit  
Expected 5 Year CAGR From Latest Actual  
Cash Flow From Operations – Total Capex

### **Numerator**

Cash Flow From Operations  
Capex  
Tax Charge  
Net Debt = Total Debt – Cash & Equivalents  
EBIT

### **Numerator**

Current Share Price  
Current Share Price  
Annualised Declared Cash Dividend  
Cash Flow From Operations – Total Capex  
EV = Current Share Price × Current Shares + Minority Equity + Net Debt +  
Other LT Liabilities  
Enterprise Value

### **Denominator**

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill  
Amortization  
Shareholders' Equity  
Sales  
N/A  
N/A

### **Denominator**

Net Income  
Depreciation  
Pre-Tax Income  
Total Equity  
Interest Expense

### **Denominator**

Diluted Earnings Per Share (Basis As Specified)  
Shareholders' Equity / Current Basic Shares  
Current Share Price  
Market Cap = Current Share Price × Current Basic Shares  
Sales

Basic EBIT + Depreciation + Amortization

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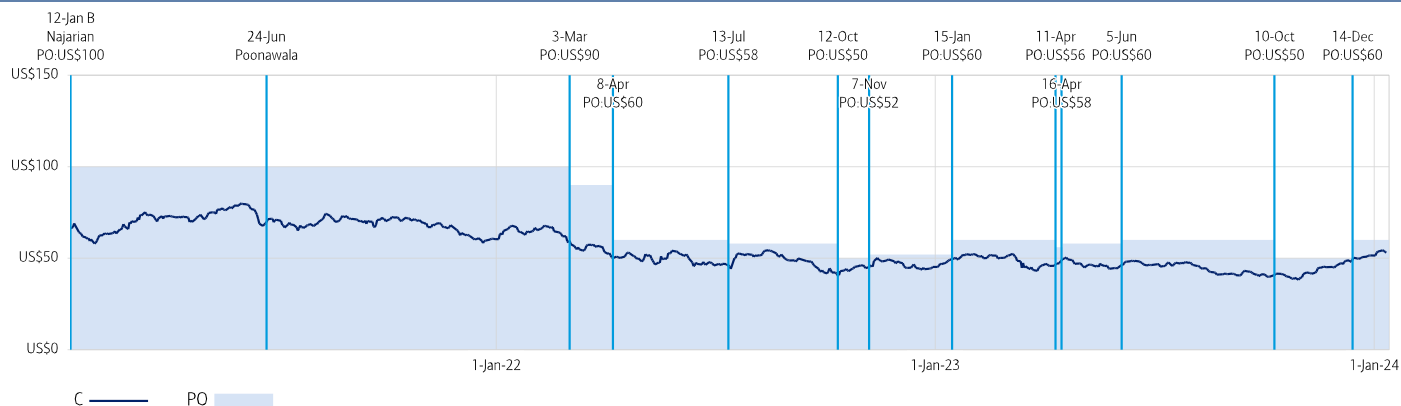
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### Citigroup (C) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

### Equity Investment Rating Distribution: Banks Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	100	49.75%	Buy	84	84.00%
Hold	54	26.87%	Hold	41	75.93%
Sell	47	23.38%	Sell	35	74.47%

### Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup> Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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