

Citigroup is one of world's largest banks, with global consumer banking, corporate banking, and investment banking operations. The company has approximately 200 million customer accounts and does business in more than 160 countries and jurisdictions.

Analyst's Notes

Analysis by Stephen Biggar, April 16, 2025

ARGUS RATING: BUY

- Buybacks to take advantage of notable discount to book value
- On April 15, Citigroup reported 1Q25 earnings from continuing operations of \$1.96 per share, up from \$1.76 a year earlier and above the consensus of \$1.85.
- Management offered updated 2025 guidance that calls for revenues of \$83.1 billion to \$84.1 billion, slightly below prior guidance, or a 2%-3% improvement over 2024.
- In January 2025, directors authorized a \$20 billion share buyback program (or about 15% of market capitalization). We find share buybacks an excellent use of cash given the stock's current 33% discount to book value.
- Our target price is \$81 (down from \$87), implying a multiple of 11-times our 2025 EPS estimate, closer to peer levels as we believe Citi's restructuring is beginning to achieve desired results.

INVESTMENT THESIS

We are reaffirming our BUY rating on Citigroup Inc. (NYSE: C) following the company's 1Q earnings report, which featured 4% higher income from lending and a healthy rise in trading revenues.

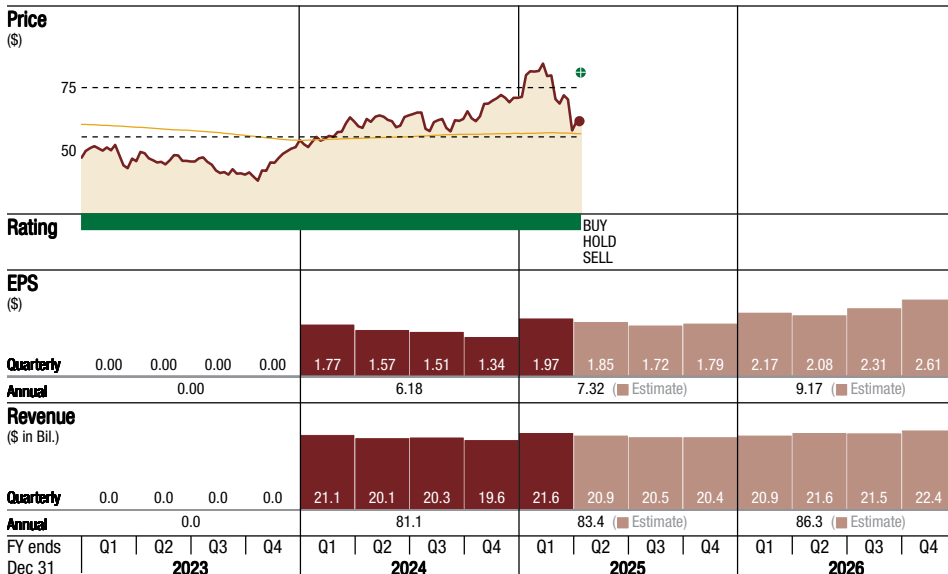
In September 2023, Citigroup announced significant changes in its organizational structure intended to support its business strategy and simplify the bank. Under the new structure, the leaders of the company's five businesses will report directly to the CEO. Citi will also have a streamlined geographic structure and a new client organization that will strengthen client delivery across all business lines. Citi's past restructurings, of which there have been many, have not noticeably improved return on equity. But we view the latest round of changes, along with the company's exit from a substantial number of noncore, non-U.S. businesses, and geographic regions, as well as related headcount reductions, as a new approach with a greater likelihood of success. The five business segments include Services (treasury and trade solutions), Markets (fixed income and equities), Banking (investment banking, corporate banking, and commercial banking), Global Wealth Management (Citi private bank and wealth management), and U.S. Personal Banking (branded credit cards, retail services, and retail banking).

Citigroup hosted an Investor Day in June 2024 that focused on its Services segment,

Market Data

Pricing reflects previous trading week's closing price.

— 200-Day Moving Average ● Target Price: \$81.00 ● 52 Week High: \$75.06 ● 52 Week Low: \$55.51 ● Closed at \$61.64 on 4/11



Argus Recommendations

Twelve Month Rating	SELL	HOLD	BUY
Five Year Rating	SELL	HOLD	BUY
Sector Rating	Under Weight	Market Weight	Over Weight

Argus assigns a 12-month BUY, HOLD, or SELL rating to each stock under coverage.

- BUY-rated stocks are expected to outperform the market (the benchmark S&P 500 Index) on a risk-adjusted basis over the next year.
- HOLD-rated stocks are expected to perform in line with the market.
- SELL-rated stocks are expected to underperform the market on a risk-adjusted basis.

The distribution of ratings across Argus' entire company universe is: 74% Buy, 26% Hold, 0% Sell.

Key Statistics

Key Statistics pricing data reflects previous trading day's closing price. Other applicable data are trailing 12-months unless otherwise specified

Market Overview

Price	\$62.10
Target Price	\$81.00
52 Week Price Range	\$53.51 to \$84.74
Shares Outstanding	1.88 Billion
Dividend	\$2.24

Sector Overview

Sector	Financial
Sector Rating	OVER WEIGHT
Total % of S&P 500 Market Cap.	14.70%

Financial Strength

Financial Strength Rating	MEDIUM-HIGH
Debt/Capital Ratio	78.1%
Return on Equity	7.0%
Net Margin	8.0%
Payout Ratio	0.32
Current Ratio	--
Revenue	\$168.19 Billion
After-Tax Income	\$13.38 Billion

Valuation

Current FY P/E	8.48
Prior FY P/E	10.05
Price/Sales	0.69
Price/Book	0.60
Book Value/Share	\$103.90
Market Capitalization	\$116.88 Billion

Forecasted Growth

1 Year EPS Growth Forecast	18.45%
5 Year EPS Growth Forecast	11.00%
1 Year Dividend Growth Forecast	6.42%

Risk

Beta	1.26
Institutional Ownership	75.29%

Analyst's Notes ...Continued

which has the highest return on common tangible common equity (ROTCE) of the five segments. For Services, it expects low- to mid-single digit revenue growth with drivers including commercial client wins and a focus on e-commerce and fintechs. Markets also has a low- to mid-single-digit revenue goal with drivers including growth in spread-based product financing and private credit. In Banking, the company sees high-teens revenue growth aided by a focus on leveraged financing and greater cross-selling to its commercial and middle-market customers. In Global Wealth, revenue goals are high-single to low-double-digit revenue growth on improved productivity and capturing greater customer wallet. In U.S. Personal Banking, the revenue target is mid- to high-single digits with drivers including credit card growth and additional partnerships.

Citigroup has been disposing of noncore operations. In 3Q23, it sold its Taiwan consumer business, and in October, it announced the sale to HSBC of its consumer wealth portfolio in China, including some \$2.6 billion in assets under management. We believe the sales of these noncore, non-U.S. operations will improve the company's focus and reduce earnings volatility.

Despite its significant scale, Citi often lags other global banks in league tables for equity underwriting, announced M&A, and global investment banking. However, it does have a leading market share in treasury and trade solutions and the second-largest share in fixed-income and equity markets, in part reflecting its greater exposure to emerging markets.

The shares now trade at about 67% of tangible book value, and in our view offer value relative to those of other large-cap banks. We believe that Citi's improved capital position, focus on core businesses, and planned transformation will result in better ROE metrics. Our target price of \$81 implies a multiple of 11-times our 2025 EPS estimate.

RECENT DEVELOPMENTS

Over the past year, C shares are up 17%, compared to a 6% rise for the broad market.

On April 15, Citigroup reported 1Q25 earnings from continuing operations of \$1.96 per share, up from \$1.76 a year earlier and above the consensus of \$1.85.

Revenues were up 3% to \$21.6 billion, reflecting a 4% rise in net interest income and a 1% gain in noninterest income (led by sharply higher trading revenues). Adjusted expenses were down 3%, aided by savings from restructuring efforts, while credit costs were up 15%.

EARNINGS & GROWTH ANALYSIS

Following a late 2023 restructuring, Citigroup now reports results in five main segments: Services, Markets, Banking, U.S. Personal Banking, and Wealth. First-quarter results by segment are summarized below.

Services revenues were up 3% to \$4.9 billion, mainly on growth in treasury and trade solutions. Expenses were down 3%. After a cost of credit of \$51 million, down from \$64 million, net income

Growth & Valuation Analysis

GROWTH ANALYSIS

(\$ in Millions, except per share data)

	2020	2021	2022	2023	2024
Revenue	75,494	71,887	74,480	77,024	81,089
COGS	—	—	—	—	—
Gross Profit	—	—	—	—	—
SG&A	23,544	26,740	28,305	30,712	29,745
R&D	—	—	—	—	—
Operating Income	—	—	—	—	—
Interest Expense	-44,751	-42,494	-48,668	-54,900	-54,095
Pretax Income	13,632	27,469	18,807	12,910	17,046
Income Taxes	2,525	5,451	3,642	3,528	4,211
Tax Rate (%)	19	20	19	27	25
Net Income	11,047	21,952	14,845	9,228	12,682
Diluted Shares Outstanding	2,099	2,049	1,964	1,956	1,901
EPS	4.72	10.14	7.00	4.04	5.95
Dividend	2.04	2.04	2.04	2.08	2.18

GROWTH RATES (%)

Revenue	0.6	-4.8	3.6	3.4	5.3
Operating Income	—	—	—	—	—
Net Income	-43.1	98.7	-32.4	-37.8	37.4
EPS	-41.2	114.4	-29.9	-43.2	47.3
Dividend	6.3	—	—	2.0	4.8
Sustainable Growth Rate	3.7	9.8	5.8	4.5	1.4

VALUATION ANALYSIS

Price: High	\$83.11	\$80.29	\$69.11	\$53.23	\$73.38
Price: Low	\$32.00	\$57.40	\$40.01	\$38.17	\$50.51
Price/Sales: High-Low	2.3 - 0.9	2.3 - 1.6	1.8 - 1.1	1.4 - 1.0	1.7 - 1.2
P/E: High-Low	17.6 - 6.8	7.9 - 5.7	9.9 - 5.7	13.2 - 9.4	12.3 - 8.5
Price/Cash Flow: High-Low	659.1 - 253.8	2.7 - 2.0	— - —	— - —	— - —

Financial & Risk Analysis

FINANCIAL STRENGTH

	2022	2023	2024
Cash (\$ in Millions)	342,025	260,932	276,532
Working Capital (\$ in Millions)	—	—	—
Current Ratio	—	—	—
LT Debt/Equity Ratio (%)	149.1	152.6	150.6
Total Debt/Equity Ratio (%)	174.9	172.5	176.0

RATIOS (%)

Gross Profit Margin	—	—	—
Operating Margin	—	—	—
Net Margin	18.4	10.2	14.1
Return On Assets	0.6	0.3	0.5
Return On Equity	7.5	4.2	6.1

RISK ANALYSIS

Cash Cycle (days)	—	—	—
Cash Flow/Cap Ex	4.5	-11.2	-3.0
Oper. Income/Int. Exp. (ratio)	—	—	—
Payout Ratio	19.3	27.4	32.7

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Analyst's Notes ...Continued

was up 7%, to \$1.6 billion.

Markets revenues were up 12%, aided by growth in both equity and fixed income markets. Expenses were up 2% and following a credit of \$201 million (versus \$199 million), net income was \$1.8 billion, versus \$1.4 billion.

Banking revenues were up 12% to \$2.0 billion, reflecting a similar gain from investment banking. Operating expenses were down 12%, mainly attributed to headcount reduction efforts, and following a \$214 million cost of credit (versus a credit loss reversal of \$129 million), net income was up 4% to \$543 million.

Wealth revenues increased 24%, aided by higher investment fee revenues on growth in client assets. Operating expenses were flat, attributed to repositioning actions, and net income was up 62% to \$284 million.

U.S. Personal Banking revenues rose 2%, reflecting loan growth in credit cards. Operating expenses were flat and following a \$1.8 billion cost of credit (versus \$2.2 billion a year earlier), net income more than doubled to \$745 million.

Citigroup is in the midst of a broad restructuring that includes new segment reporting and oversight, headcount reductions, and the sale of many non-U.S. businesses that had resulted in many years of uneven financial performance. The company has announced a targeted headcount reduction through 2026 of 20,000, or about 10% of the workforce (not including its Banamex unit that is slated for an IPO in 2026). A primary goal includes pushing return on tangible common equity (ROTCE) to 10%-11%

in 2026, closer to the peer group. ROTCE was only 7.0% in 2024, though up from 4.9% in 2023, and reached 9.1% in 1Q25

Along with 1Q results, management offered 2025 guidance that calls for revenues of \$83.1 billion to \$84.1 billion. That would be a 2%-3% improvement over 2024, based on gains in investment banking, loan growth in credit cards, and onboarding of new mandates in the services segments. The company also offered guidance for 2025 expenses to be \$53.4 billion, down from \$53.8 billion in 2024, benefiting from organizational simplification. The company continues to strive for 4%-5% annual revenue growth and \$51-\$53 billion in operating expenses over the medium term, resulting in an efficiency ratio below 60%.

We are raising our 2025 EPS estimate to \$7.32 from \$7.28 on the slightly better-than-expected 1Q results. Our 2026 forecast moves to \$9.17 from \$8.52.

FINANCIAL STRENGTH & DIVIDEND

Our financial strength rating on Citigroup is Medium-High.

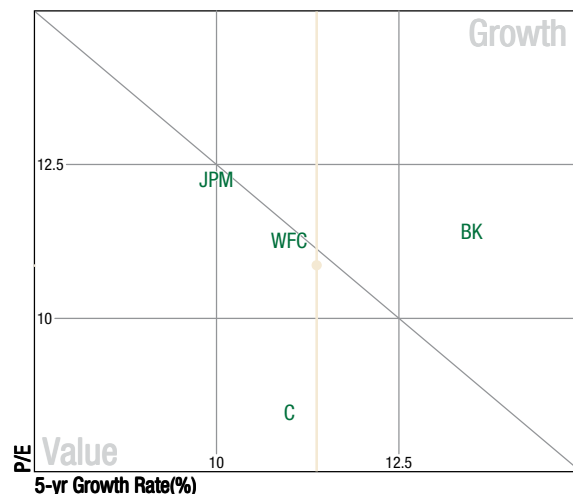
Citigroup estimates that its Tier 1 common equity ratio under Basel III was 13.5% at March 31, 2025, up from 13.4% a year earlier. It estimates a supplementary leverage ratio of 5.8%.

Following the Federal Reserve's June 2024 CCAR stress test results, the company said its stress capital buffer (SCB) requirement would decrease to 4.1%, from 4.3%, effective in 4Q24. After the results, Citi increased its quarterly dividend to \$0.56 per share from \$0.53. Our dividend estimates are \$2.32 for 2025 and \$2.50

Peer & Industry Analysis

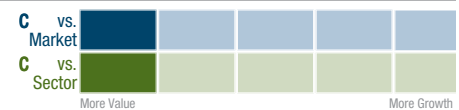
The graphics in this section are designed to allow investors to compare C versus its industry peers, the broader sector, and the market as a whole, as defined by the Argus Universe of Coverage.

- The scatterplot shows how C stacks up versus its peers on two key characteristics: long-term growth and value. In general, companies in the lower left-hand corner are more value-oriented, while those in the upper right-hand corner are more growth-oriented.
- The table builds on the scatterplot by displaying more financial information.
- The bar charts on the right take the analysis two steps further, by broadening the comparison groups into the sector level and the market as a whole. This tool is designed to help investors understand how C might fit into or modify a diversified portfolio.

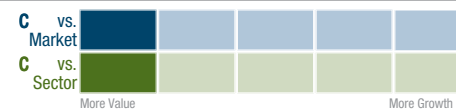


Ticker	Company	Market Cap (\$ in Millions)	5-yr Growth Rate (%)	Current FY P/E	Net Margin (%)	1-yr EPS Growth (%)	Argus Rating
JPM	JPMorgan Chase & Co.	639,004	10.0	12.3	21.2	4.2	BUY
WFC	Wells Fargo & Co.	208,905	11.0	11.3	16.2	15.7	BUY
C	Citigroup Inc	116,882	11.0	8.5	8.0	25.3	BUY
BK	Bank of New York Mellon Corp	54,372	13.5	11.4	11.8	14.3	BUY
Peer Average		254,791	11.4	10.9	14.3	14.9	

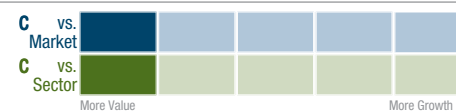
P/E



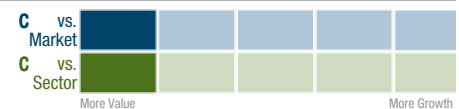
Price/Sales



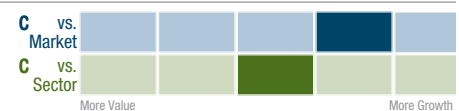
Price/Book



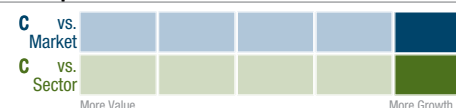
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5 Year Growth



Debt/Capital



Analyst's Notes ...Continued

for 2026. In early 2025, directors authorized a \$20 billion share buyback program. The company repurchased \$1.75 billion of shares in 1Q25 and planned a similar amount for 2Q25.

Management has a 2026 goal for a return on tangible common equity of 10%-11%, up from 7.0% in 2024 and 4.9% in 2023.

MANAGEMENT & RISKS

Citigroup has been led since February 2021 by CEO Jane Fraser. Ms. Fraser succeeded Michael Corbat, who had been CEO since October 2012. Ms. Fraser previously served as president and CEO of Global Consumer Banking and has been with the company for 20 years. Mark Mason is the CFO.

In October 2020, Citigroup was fined \$400 million by the Federal Reserve and the Office of the Comptroller of the Currency for deficient risk-management practices. The fine follows the accidental wiring of \$900 million to a group of lenders for Revlon, deficient policies for money laundering, and violations of the Fair Housing Act and the Flood Disaster Protection Act. Regulators also required Citi to revamp its risk management practices.

In July 2024, the Federal Reserve Board issued an additional \$60.6 million civil money penalty to Citigroup due to a delay in completing milestones included in its approved plan related to its data quality management program and inadequate measures for managing and controlling its data quality risks. The Office of the Comptroller of the Currency also issued a \$75.0 million civil money penalty for similar reasons.

Of the largest U.S. banks, Citigroup has by far the greatest exposure to international consumer finance, with major businesses in Latin America and Asia.

COMPANY DESCRIPTION

Citigroup is one of world's largest banks, with global consumer banking, corporate banking, and investment banking operations. The company has approximately 200 million customer accounts and does business in more than 160 countries and jurisdictions.

VALUATION

Citigroup shares have traded between \$53 and \$85 over the past year and are currently toward the low end of that range. We believe that Citi's generally improving capital levels and better ROE metrics point to a firm that is well positioned. We also believe that Citi has a catalyst for improving earnings in its divestiture of noncore international operations and ongoing restructuring efforts.

C shares appear attractively valued at 8.4-times our 2025 EPS estimate, a discount to large bank peers. In addition, the shares trade at just 67% of tangible book value, which has been generally improving over the past two years. Our target price of \$81 (lowered from \$87) implies a multiple of 11-times our 2025 EPS estimate, still a modest discount to peers.

On April 16, BUY-rated C closed at \$62.10, down \$2.23.

About Argus

Argus Research, founded by Economist Harold Dorsey in 1934, has built a top-down, fundamental system that is used by Argus analysts. This six-point system includes Industry Analysis, Growth Analysis, Financial Strength Analysis, Management Assessment, Risk Analysis and Valuation Analysis.

Utilizing forecasts from Argus' Economist, the Industry Analysis identifies industries expected to perform well over the next one-to-two years.

The Growth Analysis generates proprietary estimates for companies under coverage.

In the Financial Strength Analysis, analysts study ratios to understand profitability, liquidity and capital structure.

During the Management Assessment, analysts meet with and familiarize themselves with the processes of corporate management teams.

Quantitative trends and qualitative threats are assessed under the Risk Analysis.

And finally, Argus' Valuation Analysis model integrates a historical ratio matrix, discounted cash flow modeling, and peer comparison.

THE ARGUS RESEARCH RATING SYSTEM

Argus uses three ratings for stocks: BUY, HOLD, and SELL. Stocks are rated relative to a benchmark, the S&P 500.

- A BUY-rated stock is expected to outperform the S&P 500 on a risk-adjusted basis over a 12-month period. To make this determination, Argus Analysts set target prices, use beta as the measure of risk, and compare expected risk-adjusted stock returns to the S&P 500 forecasts set by the Argus Market Strategist.
- A HOLD-rated stock is expected to perform in line with the S&P 500.
- A SELL-rated stock is expected to underperform the S&P 500.

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