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Banking & Finance: Citi Hires Raghavan From Rival JPMorgan Hires Raghavan From Rival

By Justin Baer
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Citigroup named JPMorgan Chase's Viswas Raghavan as head of banking, turning to an old rival to fill a key senior role at the bank.

Raghavan joined JPMorgan in 2000 and most recently served as head of investment banking. At Citi, he will run one of the bank's five core businesses and report directly to Chief Executive Jane Fraser.

Raghavan will arrive as Fraser and her management team press ahead with Citi's most ambitious restructuring plan in years while also working to modernize its **technology** and internal controls.

His appointment also ends a guessing game on Wall Street; in its search, Citi had reached out to some of the industry's most prominent investment bankers.

Peter Babej, who served as interim banking head during the search, will now follow through on his plan to retire from Citi.

Citi shares finished Monday's trading 1% lower at $55.36.

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Heard on the Street
Citigroup Can Avoid Another False Dawn --- The bank's stock has outperformed in recent months, but coming reports may be key

By Telis Demos
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There are few more dangerous words in finance than "this time is different." But for Citigroup, perhaps it is safer to say that at the very least, "this time is not quite the same."

Over the past three months, Citigroup shares have led the way among the big six U.S. global banks, rising more than 30% in that time. But the bank's stock has trapped bargain-hunting investors before. Back in 2019, its shares soundly outperformed peers including JPMorgan Chase, with a rise of more than 50%.

Since February 2020, however, it has been the only one of the big six U.S. megabanks to have a negative return, according to FactSet data. Last year at times it ended the trading day at less than half its tangible book value, a level it hadn't been below in over a decade. Over this recent span, the bank dealt with major challenges, including a regulatory consent order, a management transition, a **technology** infrastructure overhaul, business exits and a sharp slowdown in Wall Street activity.

As bank stocks started to recover late last year, so did Citigroup, coming from such a deep discount. Chief Executive Jane Fraser's long-term strategic plan began to gear up, with eliminations of management layers and a realignment of units. And when Chief Financial Officer Mark Mason in December told analysts that the bank was expecting expenses to come down in 2024, it was a strong indicator.

Yet the question remains whether this will be another false dawn. Certainly it would be extraordinary if there were no setbacks in the bank's plans. Citigroup has at times kept living up to its reputation for stepping on rakes, and rebuilding a global bank in flight is hardly straightforward. It also is a tricky time for markets in general after a surprising stock rally in 2023 and a looming Federal Reserve policy pivot.

But the bank remains heavily discounted, still trading at about 60% of tangible book value. So setbacks are arguably priced in. Something working in the bank's favor is that even some bullish analysts, such as Wells Fargo's Mike Mayo, aren't basing their calls on the bank hitting its return targets. Those include a medium-term jump to an 11% to 12% return on tangible common equity, up from 8.3% annualized in the first nine months of 2023.

Back in 2019, whether the bank was going to hit its then-target loomed over the shares in what was, in retrospect, perhaps an unhealthy way. Hitting targets can be signs of fundamental progress; they can also be artificial goal posts that distract investors from underlying problems and sustainable progress.

The next few quarterly reports for Citigroup might be vital ones. There will be justified focus on updates on expenses and capital needs. On the revenue side, important things to watch for include continued revenue growth from its crown-jewel Services business, which does things like payments and custody for corporations and institutions. Another would be indications of more revenue to come from wealth management, a strategic priority but one that so far hasn't lived up to management's aspirations.

The danger would be to put too much faith in cyclical upswings, like an improvement in volatile trading or dealmaking units. Faster revenue growth would certainly be a huge help for hitting targets, but it alone can't break the boom-and-bust cycle. Likewise, slower revenue growth also doesn't mean the bank can't achieve any sustained improvement in returns.

Under Fraser, Citigroup has shown it is at least possible to change the narrative around the stock. But the job is far from done.

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