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Citigroup Overhaul to Take Years

By David Benoit
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Citigroup Inc. has underperformed its peers and needs a comprehensive transformation that will take years, Chief Executive Jane Fraser told investors Wednesday.

Kicking off her first investor-day presentation a year and a day after taking over the bank, Ms. Fraser outlined the conclusions she and her new management team had reached after what she described as an honest review.

The bank's leaders had underinvested in regulatory work and **technology**, she said. They had avoided making hard decisions about getting out of businesses. And they had failed to fully integrate the bank's businesses.

"We have an urgent need to address the issues that have kept our firm from living up to its potential," Ms. Fraser said.

Shares rose 1.7% on Wednesday to $59.56. The stock has lagged behind peers and is trading at a steep discount to other big banks.

In her first year, Ms. Fraser has reshaped the bank and its strategy.

She mapped out a plan to sell off several international consumer businesses. She laid new growth plans in wealth management and commercial banking.

She embarked on a complex transformation of Citigroup's inner plumbing and **technology**, a multiyear project the bank needs to appease regulators who slapped it with a consent order and fine in 2020.

At its core, Ms. Fraser said, Citigroup is a global bank for global companies. She said the bank will double down on that mission while expanding wealth management and remaining committed to U.S. consumer banking.

She said the bank would be leaner, including in its management ranks, and simpler to control.

She set a new target for its closely watched measure of its profitability, return on tangible common equity, of between 11% and 12% in the next three to five years.

Five years ago, the bank told investors the metric would surpass 12% in 2019 and would keep rising.

But the restructuring and increasing costs have led analysts to slash their expectations heading into today's investor day.

"Everybody listening today knows this isn't a quick fix," Ms. Fraser said. "This is a multiyear journey."

Chief Financial Officer Mark Mason forecast low-single-digit percentage revenue growth this year and a 5% to 6% increase in costs.

He said the work to fix the regulatory concerns is going to cost $3 billion to $3.5 billion this year, bringing the total bill so far to nearly $6 billion.

"The reality is that until we address the challenges we face, we won't meaningfully narrow the gaps to peers," Mr. Mason said. "That isn't a reality we like or that we are comfortable with."

In the institutional clients business, executives said they were focused on winning new e-commerce clients running global businesses, expanding the commercial bank for medium-size U.S. businesses and targeting advisory and banking products for private-equity shops.

In retail, the bank said it was committed to the U.S. market and said it was expecting credit-card loan growth this year along with other ways to lend to clients around cards, like **buy**-**now**, **pay**-**later**.

On a new push for wealth management, they said they are targeting growth for assets and revenue in the low teens.

The day was supposed to be in person but was moved last minute to virtual when Mr. Mason and Paco Ybarra, the head of the institutional clients group, caught Covid-19.

"In my 21 years at Citi I've had many memorable moments. I'll add the 2022 investor day to my list," Mr. Mason said. "And not just because I caught Covid from Paco."

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The New York Times

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The Digest

By Lananh Nguyen and Daisuke Wakabayashi
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English

BANKING

Citigroup Plans to Stop Charging Overdraft Fees

Citigroup will eliminate overdraft fees this year, becoming the biggest lender in the nation to get rid of the charges, which regulators have criticized.

The bank will do away with fees for overdrafts and returned items by the summer, it said in a statement on Thursday. It follows smaller lenders, including Capital One and Ally Financial, that said last year that they would halt the fees. Among the nation's banking giants, Bank of America said it would cut -- but not eliminate -- overdraft charges to $10 from $35 this year, while JPMorgan Chase and Wells Fargo have tweaked their services for strapped customers.

Citigroup's move aims ''to make the financial system easier and more equitable for communities who have little or no financial buffer,'' said Gonzalo Luchetti, the chief executive of U.S. personal banking at Citi.

Banking regulators have focused on overdraft practices in recent months. The acting comptroller of the currency, Michael J. Hsu, has said the charges disproportionately affect the most financially vulnerable customers. Rohit Chopra, the director of the Consumer Financial Protection Bureau, has said many lenders have become ''hooked on overdraft fees'' to feed their profits.

The U.S. banking industry's revenue from overdraft and insufficient funds was $15.47 billion in 2019, according to an estimate in December from the consumer bureau. LANANH NGUYEN

WORKPLACE

Google Is Relaxing Rules for Return to U.S. Offices

As Google prepares to bring workers back to its offices, the company is relaxing some of its Covid-19 workplace policies, including a rule requiring U.S. employees to be vaccinated. But workers will still have to be vaccinated if they plan to use the company's offices.

In an email to San Francisco Bay Area employees last week, Google said it was easing some of its pandemic restrictions. It will no longer require employees to be tested weekly to enter its U.S. offices. Also, it will not require staff to wear masks in the office, with the exception of Santa Clara County -- home to Google's main Mountain View headquarters.

Google also said it planned to restore many of its famed office amenities, such as fitness centers, cafeterias, massage services and commuter shuttles. CNBC reported the change in policies earlier.

''Based on current conditions in the Bay Area, we're pleased that our employees who choose to come in now have the ability to access more on-site spaces and services,'' Google wrote in a statement.

Separately, the company has dropped its requirement that U.S. employees provide evidence of vaccination status or apply for a medical or religious exemption, Lora Lee Erickson, a Google spokeswoman, said.

Last year, Google said employees who failed to do so would be placed on administrative leave and could be fired eventually. Ms. Erickson did not explain why the company had changed its position.

Like many companies, Google has had to adapt its policies to the frequently changing conditions of the pandemic. It has repeatedly pushed back plans for when it will ask employees to start working on a hybrid schedule that mixes remote work and in-office time.

Google's offices are a key component to its work culture, and the company has resisted going fully remote like other **technology** companies. DAISUKE WAKABAYASHI

(PHOTOGRAPH BY HIROKO MASUIKE/THE NEW YORK TIMES)

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As Wall St. Churns, Sometimes Money Isn't Enough

By Lananh Nguyen
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It didn't matter that Citigroup paid Amy Wu Stratton $450,000 in 2021 -- her most lucrative year ever -- to work with some of its biggest private equity clients. It didn't even matter that she was on track for a promotion that could double her pay.

After almost 16 years in banking, she was ready for something new.

''I was just so tired of it. It wasn't making me happy,'' said Ms. Stratton, 45, a former director in a Citi division that worked on financing and risk management for deals. A job she loved had become a hamster wheel, she said -- an unfulfilling chase for more money and promotions.

''You don't have time to breathe,'' she said. ''The pandemic slowed me down and made me take stock.''

Up and down Wall Street, droves of bankers are changing jobs -- switching banks, moving to investment firms, taking equity stakes in financial **technology** companies or cryptocurrency start-ups -- and sometimes getting out altogether. Pandemic-inspired ennui, blockbuster profits and a war for talent across the industry has accelerated the job churn at the country's big banks.

''People are exhausted,'' said Alan Johnson, the managing director of Johnson Associates, a Wall Street compensation consultancy. The ranks of those earning $10 million or more will grow amid competition for top performers after a bumper year for earnings, Mr. Johnson said, but ''money doesn't always make you happy.''

Ms. Stratton left Citi in June, moved by social upheaval: the Black Lives Matter protests, the Jan. 6 riot at the U.S. Capitol and an increase in anti-Asian attacks. She and two partners are developing a website, myasianvoice.com, for Asian women who are focused on careers and social impact.

It was an obvious choice, said Ms. Stratton, a Chinese immigrant whose Upper East Side co-op and Wall Street rewards had already exceeded her humble upbringing in a rural village that lacked running water.

''I was so happy to get out of that thinking of always having more and more,'' she said.

Itchy feet have forced big banks to open their wallets: The combined compensation costs the nation's six largest lenders rose 12 percent to nearly $178 billion in 2021.

Goldman Sachs gave special stock awards to about 30 top executives and some 400 partners to help retain them. Bank of America bumped up salaries for thousands of senior and midlevel investment bankers and handed out stock awards to its rank-and-file. Even junior analysts across the industry have seen their typical base pay rise to $100,000 or more, from about $85,000.

In many cases, the banks are fighting among themselves for talent. Sarah Youngwood, the finance chief for JPMorgan Chase's consumer-banking division since 2016, will become chief financial officer at the Swiss bank UBS in May. She'll join an executive team whose members made an average of $9.5 million in 2020, according to UBS's most recent compensation report.

Other bankers who are moving to rivals spoke on the condition of anonymity because of the sensitivity of the matter. One sacrificed his bonus to leave, but the new firm covered his lost earnings and gave him a role with more responsibility. Another with decades of experience was lured away by a competitor to build a new business, shedding what he felt was the frustrating bureaucracy of his old firm.

But the wealth of opportunities extends well beyond direct competitors.

Stephen M. Scherr, who left his post as finance chief at Goldman Sachs at the end of December, quickly pivoted to the helm of Hertz. He earned $38 million in 2019 and 2020, even after being docked $7 million for Goldman's role in raising money for a Malaysian sovereign wealth fund looted by a former prime minister and his inner circle. At Hertz, Mr. Scherr will get a base salary of $1.5 million and more than 12 million shares of company stock that vest over several years if he meets targets.

Sayena Mostowfi, 44, took over as president of the Long-Term Stock Exchange, an upstart equities exchange, this month. Ms. Mostowfi, a former global chief operating officer of electronic equities at Citi, said she had jumped at the chance to build a new business.

"What's great about working at a smaller company is there's a direct correlation between the effort that you put into the work that you're doing and the results that you get," she said. "I'm willing to bet that being at a start-up will bring better results for me than being at a bank."

Booming markets have given wandering bankers plenty of money to fall back on, said Roosevelt D. Bowman III, a senior investment strategist at the asset manager AllianceBernstein.

Mr. Bowman said midcareer professionals who had led business units and made millions of dollars a year had "already hit the first home run," making it easier to take a risk. "There is so much wealth being created in so many different ways," he said.

Michael Litt, chief executive of Vidyard in the Waterloo region of Ontario, is recruiting an investment banker for a senior role at his 300-person video messaging company. Such deal makers can be assets because they have "incredible work ethic and focus," Mr. Litt said.

In return, he can offer equity and the greater influence that comes with working at smaller firm. Another perk that's rare on Wall Street: Work where you want. One Vidyard executive, Mr. Litt said, lives in a boat docked off Los Angeles.

Tim Shea left Truist Securities to open a Chicago office for the boutique investment bank Solomon Partners in September. Alongside another managing director, Mr. Shea has hired two vice presidents, two associates, an analyst and summer interns. He is also in late-stage talks to hire senior bankers, and expects his team to grow to about 20 people by the end of the year.

Those candidates can count on good treatment because of the hot job market. If new hires left money on the table at their old job, like a pending bonus or deferred compensation, they can "expect to be made whole," Mr. Shea said.

Prospective employees are thinking more deeply about their careers, knowing they're going to be putting in long hours, he said. They're wondering, "How can I make that as meaningful as possible and feel good about it?" he said.

Big paydays are still a powerful draw, of course. Just two years ago, Steven G. Eckhaus, a Wall Street employment lawyer at McDermott Will & Emery who represents top bankers in job talks, locked in a $20 million signing bonus for a client after a four-month bidding war. It was an eye-watering amount then, but Mr. Eckhaus has negotiated a handful of similar packages in the last few months with little fanfare.

"These guys are real good poker players -- in the end, everybody shows little emotion," Mr. Eckhaus said. "They feel they're getting what they should."

This year's job-hopping season isn't even in full force -- bonuses often land in mid-February, and stock awards in March -- but plenty of heavy hitters made the jump in 2021, too.

Gregg Lemkau, who co-led Goldman's investment banking division, left to be chief executive of MSD Partners, which manages more than $20 billion for the Dell Technologies founder Michael Dell and others. Jack MacDonald, Bank of America's former co-head of global investment banking, left to join the boutique investment bank Centerview Partners. And a former head of Goldman's Marcus consumer unit, Omer Ismail, moved to Hazel, a **fintech** start-up backed by Walmart that will be rebranded One.

At the executive recruiting firm True Search, demand for **fintech** candidates rose more than 200 percent last year, said Grant Beighley, who leads searches for the company's **fintech** clients. October was the busiest month in the history of its financial-services practice, with more than 60 new searches.

And many bankers, Mr. Beighley said, are in the market to try something different.

"They're tired of feeling like a cog in a machine," he said.

On Wall Street, the recent job turnover has been extensive. (PHOTOGRAPH BY VICTOR LLORENTE FOR THE NEW YORK TIMES) (B1); "I was so happy to get out of that thinking of always having more and more," Amy Wu Stratton said.; Steven G. Eckhaus, a Wall Street employment lawyer, has negotiated multimillion-dollar signing bonuses. (PHOTOGRAPHS BY AN RONG XU FOR THE NEW YORK TIMES) (B3)

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Pay on Wall Street Will Surge After Year of Record Profit

By Lananh Nguyen
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Quarterly profit at JPMorgan Chase was down, but it still earned a record $48.3 billion for the year. Citi's annual profit nearly doubled, even though quarterly profit fell 26 percent.

Coming off a year of blockbuster profits, Wall Street is handing out fatter paychecks even as uncertainty creeps into the economic outlook.

JPMorgan Chase reported record profits for the year on Friday, and Citigroup's annual profit more than doubled. But both banks said the costs of doing business were going up: Higher compensation curbed their final quarterly earnings of 2021.

The bigger payouts coincide with a labor market in which demand is high for workers, who have been hopping between jobs and winning wage increases.

''We want to be very, very competitive on pay,'' Jamie Dimon, JPMorgan's chief executive, told analysts on a conference call Friday. ''There's a lot more compensation for top bankers and traders and managers, who I should say, by the way, did an extraordinary job in the last couple years.''

JPMorgan, the country's largest bank by assets, posted a record $48.3 billion in profit in 2021, but its profit in the three months ending in December fell 14 percent, to $10.4 billion, from the same quarter in 2020, despite a 37 percent jump in fees collected by its investment bankers.

Revenues were roughly flat for the quarter, and much of the decline in profit was a result of raising pay and spending more on **technology**, the company said in its earnings statement.

''There is a war for talent -- it's real,'' and it will probably spark higher compensation across Wall Street, said David George, a senior bank analyst at Robert W. Baird & Company in St. Louis. JPMorgan's position as an industry leader means that ''if they're going to spend a lot of money, others are going to have to follow suit or else they'll be vulnerable,'' Mr. George said.

Two other banking giants -- Citigroup and Wells Fargo -- also reported higher annual profits on Friday. Top executives from all three banks were quizzed on earnings calls about inflation, which has climbed to the highest level in four decades.

While rising prices are making businesses more uncertain about the future of the pandemic-stricken economy and knocking consumer confidence as housing, gas and food become more expensive, they have also helped American workers clinch higher incomes.

Wages are rising across the economy -- in December, average hourly earnings were up 4.7 percent from a year earlier. The issue of pay has been particularly fraught on Wall Street: Banks have raised starting pay for junior bankers as a reward for grueling jobs with long hours, but for some, that is not enough to restore the allure of a career in finance.

''There's a lot of competitive pressure out there on wages and pay,'' affecting everyone from senior staff to entry-level employees at Citigroup, Mark Mason, the bank's chief financial officer, told journalists on a conference call.

Jane Fraser, Citigroup's chief executive, told analysts that the company planned to change its compensation structure for executives and leaders of business units to give them more stock instead of cash as an incentive to boost performance.

Like JPMorgan, Citigroup reported lower fourth-quarter profit, sliding 26 percent to $3.2 billion but still exceeding analyst forecasts. For the year, profit nearly doubled, to $21.9 billion.

Wells Fargo bucked the quarterly trend: Profit increased 86 percent to $5.8 billion. And full-year profit rose to $21.5 billion in 2021 -- more than six times that of 2020, when the company stockpiled rainy-day funds in case of a surge in loan defaults that did not materialize.

While the fourth-quarter results at JPMorgan and Citigroup may have taken some shine off 2021, it was still a banner year. Banks' consumer divisions recovered as Americans emerged from pandemic shutdowns and spent more on goods, travel and entertainment. And lenders cashed in as they advised companies on a flurry of mergers and acquisitions. Goldman Sachs -- which reports next week, along with Bank of America and Morgan Stanley -- had already exceeded its record full-year profit by the end of September.

Bank executives have been upbeat about the economy in recent months, particularly during periods that the pandemic ebbed. On Friday, top bankers acknowledged the potential for disruptions from rising prices and the Omicron variant of the coronavirus, which has caused staffing shortages in schools and businesses, but they maintained their rosy outlook about the direction the economy is heading.

"Everybody seems to be getting more and more confident that the recovery is continuing," Michael P. Santomassimo, the chief financial officer of Wells Fargo, said on a conference call. Given consumer spending and business activity, "we're optimistic," he said.

Shares of Wells Fargo climbed 3.7 percent on Friday, while JPMorgan slid 6.2 percent and Citigroup dropped 1.3 percent. The KBW index of bank stocks has risen more than 11 percent this month as investors predict the Federal Reserve will raise interest rates this year to get inflation under control.

Rising rates would clear a path for banks to increase their profits: They would be able to charge customers more in interest.

That would take some of the sting out of the rising labor costs driven by what Wells Fargo's chief, Charles W. Scharf, called a "very, very competitive" market for talent that is giving many workers opportunities to move on for bigger paychecks.

But Mr. Scharf wasn't overly concerned about attrition.

"We never want to lose good people," he said. "But it happens."

Stephen Gandel contributed reporting.

Stephen Gandel contributed reporting.

JPMorgan Chase posted $48.3 billion in profit last year, but its profit in the last quarter of 2021 fell 14 percent from the same quarter in 2020. (PHOTOGRAPH BY JOHN TAGGART FOR THE NEW YORK TIMES)

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