

Citigroup Inc

Wall Street doubts Citi chief Jane Fraser can hit crucial target

Bank has lagged well behind rivals on important measure of profitability



'We are on a deliberate path,' Citi chief Jane Fraser told analysts in October. 'We're making the progress that we need to' © Valerie Plesch/Bloomberg

Stephen Gandel in New York

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Wall Street analysts are betting Citigroup will miss a critical long-term target, heaping pressure on chief executive Jane Fraser to prove her sweeping overhaul will succeed in turning around one of America's biggest banks.

Analysts expect Citi to reach return on tangible common equity — a closely watched profitability measure — of just over 9 per cent next year, well short of Fraser's goal set in 2022 of hitting 11 per cent to 12 per cent by 2026, FactSet data shows.

The gulf highlights how the overhaul Fraser has led since taking the helm as CEO four years ago has yet to revive the third-biggest US bank by assets, which has struggled to find its footing since its near collapse at the height of the 2008 financial crisis.

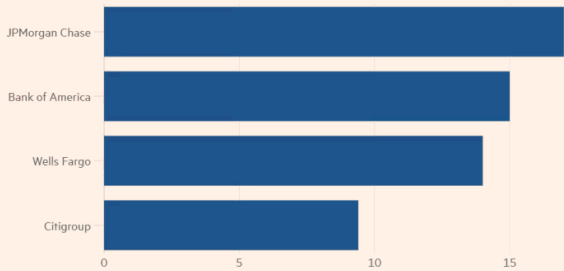
"We suspect that if [Fraser] doesn't show real progress relatively soon, she will be forced out to make way for someone who can," Oppenheimer analyst Chris Kotowski wrote in a note to clients on Friday.

Doubts over whether Citi can boost revenues and cut costs enough to meet its profitability target have left its shares, even after rising by more than a third in the past year, trading at about 30 per cent below book value. That compares with an average premium of 40 per cent for the 24 large banks that make up the KBW Bank index.

Citi will report its fourth-quarter earnings next week. The bank is expected to swing to a profit from a loss in the last three months of 2023, but the bank's return on tangible equity is only predicted to be 5.6 per cent. Citi declined to comment on the analysts' forecasts.

Citi's profitability is expected to remain below its rivals

Return on tangible equity (%)\*



\*Based on average analysts estimates for full-year 2026  
Source: FactSet

While analysts expect Citi's return on tangible common equity to rise to 9.4 per cent by the end of 2026, rivals JPMorgan Chase, Bank of America and Wells Fargo are forecast to register 17 per cent, 15 per cent and 14 per cent, respectively, according to FactSet. Despite Citi lagging behind its rivals on return to tangible equity, about 70 per cent of Wall Street analysts have assigned the bank a "buy" rating.

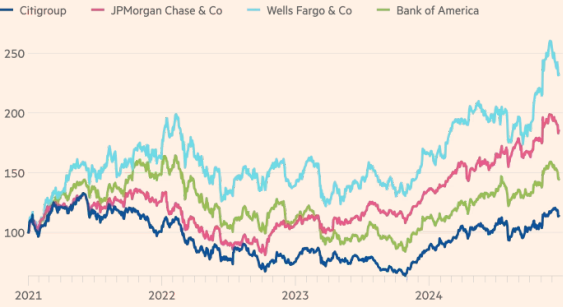
"The outcomes for Jane are about as wide as you can get," said Wells Fargo analyst Mike Mayo, who recently predicted Citi would reach its return on tangible equity target, but not until 2027.

"If Citi can't get to a double-digit return then she is a failed CEO, but if she gets there she will be viewed as a Wall Street turnaround legend."

James Hollier, whose firm Silver Beech Capital sold its entire stake in Citi in early 2024, said Citi's share price — now just over \$73 — suggested investors have lost faith in Fraser's plan.

# Citi lags behind other big US banks

Share prices rebased



Source: LSEG via markets.ft.com

“The market is in the ‘show me’ camp with Citi at about \$70 a share,” Hollier said. The stock “would be above \$100 if investors believed Jane’s targets”.

Brian Mulberry, a portfolio manager at Zacks Investment Management, which holds Citi shares, said “there will be more focus on results in 2025”.

He added: “I don’t think it is just one target, but if there are a series of targets that Citi misses then I think Fraser will have a problem.”

Fraser, a Citi veteran and former McKinsey partner, has sought to meet her profitability target by streamlining the sprawling bank. Citi has exited consumer banking in 13 countries, including China, India and the UK.

Fraser has also flattened Citi’s management structure, cutting down its levels of seniority from 13 to eight. And she has refocused the bank around five core businesses, as well as its mission to woo the world’s largest companies and wealthiest individuals to become clients.

“We are on a deliberate path,” Fraser told analysts on its October earnings call. “We’re making the progress that we need to and actually pretty excited.”

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