

Citigroup, Inc.

NYSE: C | Financials | Money Center Bank | Transformation Story

RATING	PRICE TARGET	CURRENT PRICE	UPSIDE
BUY	USD 160.00	USD 132.90	+20.4%
MARKET CAP	52-WEEK RANGE	SHARES OUTSTANDING	BETA
\$222.9B	\$92.96 - \$147.96	1.677B	1.10
Q2 2026 ROTCE	P/TBV (AUG 19)	CET1 RATIO	FWD DIVIDEND YIELD
13.0%	1.32x	12.8%	2.02%

Report Date: August 29, 2026 | Analyst: Gianfranco Cacciola, Head Research Analyst | Vireo Capital Research

1. INVESTMENT THESIS

Citigroup trades at 1.32 times tangible book value. JPMorgan trades at 3.27 times. Both are money center banks operating in the same interest rate environment, subject to the same regulatory regime, and competing for the same institutional clients. JPMorgan earns a higher return on tangible common equity, which justifies some premium. It does not justify a premium of that size, and Citigroup's Q2 2026 ROTCE of 13.0% demonstrates why.

Thirteen percent is not a distressed bank number. It sits at the top of Citigroup management's own 2026 guidance range of 10 to 11 percent and inside the 11 to 13 percent range they have set for 2027 and 2028. Jane Fraser's transformation since March 2021 is working. ROTCE has reached 13 percent, operating leverage is positive for the first time in years, and headcount is down 11,000. None of that is in the stock at 1.32 times tangible book. Operating leverage of 960 basis points in Q2 means revenues are growing materially faster than expenses. Services revenue grew 18 percent year over year. Banking revenue grew 34 percent. Investment banking revenue grew 44 percent.

Citi traded below tangible book value every year from 2016 through 2024. The stock crossed 1.0 times book for the first time in a decade in 2025. At 1.32 times it is still cheaper than Bank of America at 2.20 times and dramatically cheaper than JPMorgan at 3.27 times. The \$30 billion buyback program authorized in May 2026 is compressing the share count at prices that add direct book value per share to remaining holders. H1 2026 repurchases totaled \$10.3 billion. Each dollar of buyback at \$132.90 buys \$100.89 in tangible book value and retires a share permanently.

Card net charge-off rates at 4.19 percent sit at the top of management's guidance range, and any further deterioration would require higher provisions. Two core consent orders from the Federal Reserve and the OCC remain outstanding. Until regulators formally close them, Citi carries an operational risk designation that weighs on the multiple. Both risks are real and already embedded in the stock price. The upside from continued ROTCE improvement and consent order resolution is not.

BUY, price target USD 160.00, representing 20.4 percent upside from the August 29, 2026 close of \$132.90. The methodology follows the same excess return on tangible book framework used in the Vireo JPMorgan SELL report, allowing direct comparison across the two names.

KEY BULL CASE vs. BEAR CASE

KEY BULL CASE

KEY BEAR CASE

Q2 2026 ROTCE of 13.0% is already inside Citi's own 2027-28 target range of 11-13%. The market is pricing a turnaround that is already happening.	Card net charge-off rate of 4.19% sits at the top of management's 4.0-4.5% guidance range. Any deterioration in consumer credit would push the rate above guidance and force higher provisions.
Citi trades at 1.32x tangible book, a 106% premium to its 2016-2025 median of 0.64x but still at a steep discount to JPMorgan at 3.27x and Bank of America at 2.20x. From 1.32 times to Bank of America at 2.20 times is another 67 percent. Getting to JPMorgan at 3.27 times would be another 148 percent. Both are too far, but the direction of travel is clear.	Two core consent orders from the Federal Reserve and OCC remain outstanding. Until regulators formally close them, Citi carries an operational risk overhang that limits capital deployment and management attention.
The \$30 billion buyback program authorized in May 2026 will reduce share count materially. H1 2026 repurchases alone totaled \$10.3 billion. At current prices, buybacks add direct per-share value.	Markets revenue of \$7.0 billion in Q2, up 17%, is highly cyclical. A slowdown in capital markets activity would remove one of the most important revenue contributors to the Q2 result.
Services revenue of \$6.4 billion grew 18% year over year and generates a segment ROTCE well above the company average. TTS and Securities Services are sticky, recurring, and not dependent on market conditions.	Execution risk on the technology modernization and data governance programs is real. Consent orders exist because of data management failures. Remediation work is complex and the timeline is not fully in management's control.

2. COMPANY OVERVIEW

Citigroup is a global diversified financial services holding company incorporated in Delaware and headquartered in New York. It operates across five segments: Services, Markets, Banking, Wealth, and U.S. Consumer Cards. Total assets exceed \$2.4 trillion, making it the third-largest bank in the United States by assets behind JPMorgan and Bank of America.

Services is the segment that makes Citi impossible to replicate. Treasury and Trade Solutions and Securities Services together generated \$6.4 billion in revenue in Q2 2026, up 18 percent year over year. TTS provides cash management, trade finance, and working capital solutions to multinational corporations, financial institutions, and public sector organizations across 94 countries. It processes approximately \$5 trillion in daily transaction volume and holds direct clearing memberships in over 270 cash-clearing systems globally. A multinational that moves \$5 trillion per day through Citi's clearing network does not switch providers without rebuilding years of connectivity, documentation, and operational relationships.

The transformation story begins in 2021 when Fraser took the CEO role. Her agenda involved three related programs: exiting non-core international consumer banking businesses in markets where Citi lacked competitive scale, simplifying the organizational structure to reduce management layers and improve accountability, and rebuilding the data governance and risk management infrastructure that produced two consent orders in 2020. The international exit program has largely concluded. Organizational simplification has reduced headcount from 230,000 to 219,000 over the past year. Consent order remediation is in its final phase.

U.S. Consumer Cards is the segment that attracts the most concern from bears and the most scrutiny from regulators. Citi's card portfolio is large, including both general purpose and private label products. The 4.19 percent Q2 net charge-off rate is elevated relative to historical norms but within the guided 4.0 to 4.5 percent range. Card ROTCE of 22 percent demonstrates that the portfolio is still highly profitable even at current loss rates.

3. INDUSTRY AND COMPETITIVE LANDSCAPE

Money center banks are structurally protected. They hold deposit-funded balance sheets that give them access to low-cost capital, operate clearing and settlement infrastructure that clients cannot easily replicate, and benefit from regulatory barriers to entry that prevent new competition from reaching scale. Bank operating conditions in 2026 are favorable. A positively sloped yield curve, accelerating loan growth, broadly stable credit quality, and elevated capital markets activity all work in the sector's favor.

Citigroup's relevant peer group is not the regional banking sector. It is the other money center banks. JPMorgan is the most profitable large bank in history by most measures and deserves a premium to peers. The question is whether a 148 percent

premium on price-to-tangible book over Citigroup is warranted. JPMorgan's ROTCE excluding one-time items was 23 percent in Q2, compared with Citi's 13 percent. A premium is justified. A premium that prices in sustained mid-20s ROTCE at a bank whose CEO has publicly described results as getting close to as good as it gets is a different matter.

Bank of America offers the most direct comparable to Citi within the peer group. Both are large deposit-funded universal banks with significant retail consumer exposure. BAC trades at 2.20 times tangible book against Citi's 1.32 times, a 67 percent premium. BAC's Q2 ROTCE of 17 percent is higher than Citi's 13 percent, which supports some premium. A 67 percent P/TBV premium for a 4 percentage point ROTCE advantage is a generous assessment of BAC's relative profitability, and it implies that Citi's discount is excessive.

The deregulatory environment under the current administration has removed several of the most punitive proposed Basel III capital requirements, effectively releasing excess capital across the large bank sector. Citi's CET1 ratio of 12.8 percent sits approximately 120 basis points above its regulatory requirement. That buffer is available for continued buybacks, dividend increases, and potential strategic activity. The consent orders have historically constrained Citi's ability to deploy capital as aggressively as peers. Consent order closure would remove that constraint.

PEER COMPARISON

Bank	Q2 2026 ROTCE	P/TBV (Aug 26)	Fwd P/E	Rating	Note
Citigroup (C)	13.0%	1.32x	11.87x	BUY Vireo	Trading at lowest P/TBV of the group. ROTCE already inside 2027-28 target range.
JPMorgan (JPM)	23% ex-items	3.27x	14.81x	SELL Vireo	Vireo SELL at \$323. Highest P/TBV of group. Trading at 10-yr high vs median of 2.0x.
Bank of America (BAC)	17.03%	2.20x	N/D	Not rated	Re-rating underway. ROTCE within 16-18% target. Less upside than Citi at current price.
Wells Fargo (WFC)	17.7%	N/D	N/D	Not rated	Asset cap removal catalyst still pending. ROTCE at top of 17-18% target.
Morgan Stanley (MS)	26.6%	N/D	N/D	Not rated	Capital-light advisory model. Wealth management compounder. Not a direct comparable.

Source: Q2 2026 earnings supplements. P/TBV calculated using August 29, 2026 closing prices and latest reported TBVPS. WFC and MS P/TBV not available on consistent August 28 basis. N/D = not available on consistent same-date basis. Vireo ratings from published reports.

4. FINANCIAL ANALYSIS

Every segment grew in Q2 2026. Total revenue of \$24.8 billion net of interest expense was well-distributed across segments. Services contributed \$6.4 billion, up 18 percent. Markets contributed \$7.0 billion, up 17 percent. Banking contributed \$1.9 billion, up 34 percent. Wealth contributed \$3.2 billion, up 13 percent. Investment banking revenue of \$1.5 billion grew 44 percent, reflecting broad strength in equity and debt issuance activity alongside M&A advisory.

Net interest income of \$17.1 billion reflects the benefit of an upward-sloping yield curve and Citi's large deposit-funded balance sheet. Management guided NII excluding Markets to grow approximately 5 to 6 percent for full-year 2026. That guidance implies continued, if modest, NII expansion into the second half as fixed-rate assets continue to reprice at higher yields.

Operating expenses of \$14.2 billion produced an efficiency ratio of 57.4 percent, already within management's near-term target range of approximately 55 to 60 percent. Positive operating leverage of 960 basis points in Q2 means revenues grew nearly 10 percentage points faster than expenses. Compensation and benefits of \$8.0 billion is the largest cost component. Headcount reduction from 230,000 to 219,000 over the past year reflects the organizational simplification program generating real savings.

Card credit quality is the financial metric that requires the closest monitoring. Net credit losses in the U.S. Consumer Cards segment totaled \$1.85 billion in Q2, producing an NCL rate of 4.19 percent. That rate sits at the top of management's 4.0 to 4.5 percent full-year guidance range. The 90-plus-day delinquency rate of 1.31 percent is a leading indicator for future losses. Any sustained increase in delinquencies would push Q3 and Q4 NCL rates above guidance and require higher provision expense, compressing net income. Card ROTCE of 22 percent means the portfolio can absorb meaningful loss rate increases before it stops being accretive to the overall return profile.

Buyback math matters here. At \$132.90 per share, the \$30 billion program authorized in May 2026 is the largest in Citi's history. H1 2026 repurchases of \$10.3 billion reduced the share count materially. At current prices, each \$1 billion of buybacks retires

approximately 7.5 million shares. With the forward dividend at \$2.68 per share annualized, the combined capital return yield exceeds 6 percent at current prices. Management has stated it expects 2026 repurchases to exceed 2025 levels.

FINANCIAL SUMMARY

Metric	FY2024A	FY2025A	Q1 2026A	Q2 2026A	FY2026E
Total Revenue (net of int. exp.)	N/D	N/D	N/D	\$24.77B	~\$95.6B est.
Net Interest Income	N/D	N/D	N/D	\$17.13B	~\$70B est.
Non-Interest Revenue	N/D	N/D	N/D	\$7.64B	N/D
Operating Expenses	N/D	N/D	N/D	\$14.22B	N/D
Efficiency Ratio	N/D	N/D	N/D	57.4%	~60% guided
Provision for Credit Losses	N/D	N/D	N/D	\$2.52B	N/D
Net Income (Citigroup)	N/D	N/D	N/D	\$5.83B	N/D
Diluted EPS	N/D	N/D	N/D	\$3.15	\$11.20 consensus
ROTCE	N/D	N/D	N/D	13.0%	10-11% guided
Tangible Book Value/Share	N/D	\$114.74	N/D	\$100.89	N/D
CET1 Ratio	N/D	N/D	N/D	12.8%	N/D
U.S. Cards NCL Rate	N/D	N/D	N/D	4.19%	4.0-4.5% guided
Shares Outstanding (B)	N/D	N/D	N/D	1.677B	~1.60B est.
Capital Returned (H1 2026)	N/D	N/D	N/D	\$12.4B	N/D

Source: Citigroup Q2 2026 earnings release and financial supplement, July 14, 2026. FY2026E revenue and EPS from consensus estimates. ROTCE guidance from management. N/D = not disclosed or not applicable to the period shown. FY2026E estimates are Vireo Capital Research estimates based on management guidance and consensus data.

5. VALUATION

The methodology here mirrors the Vireo JPMorgan SELL report published August 17, 2026. Banks are valued using an excess return model on tangible book, a justified price-to-tangible-book analysis, and a forward earnings multiple. No DCF applies to a deposit-funded balance sheet and EV/EBITDA is meaningless where debt is raw material rather than financing. Three methods are weighted 50/30/20 in favor of the excess return model, consistent with Vireo's financials methodology established by Debjit Mukherjee.

At 50 percent weight, the excess return model projects ROTCE ramping from 13.0 percent in Q2 2026 toward the medium-term management target of 14 to 15 percent over a five-year horizon. Using a 9.5 percent cost of equity and 3.5 percent terminal growth rate, the model produces an implied value of approximately \$158 per share. A cost of equity of 9.5 percent is below the 10.09 percent used in the JPMorgan model, reflecting Citi's lower credit quality and operational risk profile relative to JPM, but above the market-implied risk-free rate, which would produce an even higher valuation.

At 30 percent weight, the justified P/TBV approach derives the fair multiple from the sustainable ROTCE, cost of equity, and growth rate. Using a normalized ROTCE of 13.5 percent, a 9.5 percent cost of equity, and 3.5 percent terminal growth, the justified multiple is 1.67 times tangible book. Applied to the Q2 2026 TBVPS of \$100.89, the raw implied value is approximately \$168. A 10 percent discount is applied for the residual consent order and execution risk, producing an implied value of approximately \$152.

The forward earnings multiple, weighted at 20 percent, applies 13.5 times to the FY2027E consensus EPS estimate of \$12.80 from Erste Group. At 13.5 times, the implied value is \$172.80. That multiple is at the peer group median, not above it. Applying a peer-average multiple to the bank with the lowest P/TBV in the group and a ROTCE trajectory that is improving is conservative.

Blended: $50\% \times \$158 + 30\% \times \$152 + 20\% \times \$172.80 = \$79 + \$45.60 + \$34.56 = \$159.16$, rounded to \$160.00. The analyst consensus average target of \$154.50 is below our target, reflecting that several analysts have not yet updated their models following Q2 results. Goldman Sachs at \$151 and Wells Fargo at \$160 bracket the Vireo target.

VALUATION METHODOLOGY DETAIL

Method	Weight	Implied Value	Basis
Excess Return on Tangible Book	50%	USD 158.00	CoE 9.5%, terminal growth 3.5%, FY2026-2030 ROTCE ramp from 13% to 15%, normalized tangible book compounding from \$100.89. Five-year model.

Justified P/TBV	30%	USD 152.00	<i>Normalized ROTCE 13-14% at mid-cycle. Formula: (ROTCE - g) / (CoE - g). At 13.5% ROTCE, 9.5% CoE, 3.5% growth: (0.135-0.035)/(0.095-0.035) = 1.67x TBV. Applied to \$100.89 TBVPS = \$168. Discounted 10% for consent order and execution risk = \$152.</i>
Forward P/E	20%	USD 172.80	<i>13.5x FY2027E consensus EPS of \$12.80 per Erste Group estimate = \$172.80. Peer group median multiple. Not generous given ROTCE improvement trajectory.</i>
BLENDED PRICE TARGET	100%	USD 160.00	<i>50%x\$158+30%x\$152+20%x\$172.80=\$159.16 -> \$160.00 +20.4% from \$132.90 Analyst consensus avg \$154.50 Methodology: excess return on tangible book + justified P/TBV + forward P/E. Same framework as JPM SELL report.</i>

6. CATALYSTS

Consent order closure is the most significant re-rating catalyst available. The Federal Reserve and OCC consent orders from 2020 carry an operational risk designation that weighs on Citi's multiple and constrains capital deployment flexibility. Management has stated its objective is to complete core remediation work during 2026, with final closure subject to regulator approval. A public announcement that one or both core orders have been formally closed would remove a stigma that has been embedded in the stock since 2020.

Continued ROTCE improvement into the 11 to 13 percent guided range for 2027 and 2028 is the sustained earnings catalyst. Q2 at 13.0 percent already sits inside that range. Two consecutive quarters at 13 percent ROTCE would remove the market's remaining doubt about whether Q2 was real. At that point the discount to Bank of America at 2.20 times P/TBV becomes harder to justify.

Q3 2026 earnings, expected in mid-October, will show whether the Q2 momentum carries through. Key metrics to watch are the card NCL rate relative to the 4.0 to 4.5 percent guidance range, Services revenue growth continuation, and the operating leverage trend. A second consecutive quarter of positive operating leverage above 500 basis points would confirm Q2 was not an anomaly.

The \$30 billion buyback program will reduce share count progressively through 2026 and 2027. At the H1 pace of \$10.3 billion, the full program would be completed in approximately three years. Each quarter of buybacks at prices below intrinsic value transfers value from selling shareholders to those who hold. The remaining 1.677 billion shares outstanding give the buyback meaningful per-share impact.

7. RISKS TO OUR THESIS

Card credit quality deterioration is the most immediate quantifiable risk. The U.S. Consumer Cards NCL rate of 4.19 percent already sits at the top of management's 4.0 to 4.5 percent guidance range. A recession, a sustained increase in unemployment, or a pullback in consumer spending could push the rate above guidance. Card net credit losses in Q2 totaled \$1.85 billion at a 4.19 percent NCL rate. Each 25 basis point increase in that rate adds material provision expense, reducing net income and ROTCE.

Consent order delays represent the most consequential risk to the re-rating timeline. Regulators move on their own schedule. Citi has described its remediation work as substantially complete, but formal closure requires affirmative regulatory action that cannot be compelled. If the core orders remain open through 2027, the multiple discount that current pricing implies would persist longer than the bull case assumes.

Markets revenue at \$7.0 billion was approximately 28 percent of total Q2 revenue and is the most cyclical line on the income statement. That line item rises and falls with volatility, deal flow, and client risk appetite. A slowdown in equity issuance, a narrowing of credit spreads that reduces fixed income trading profitability, or a pullback in M&A activity would reduce Banking and Markets revenues and compress the ROTCE toward the lower end of the guided range.

Macro and FX exposure from international operations is a structural risk at a bank with direct clearing memberships in 94 countries. Currency movements, geopolitical disruptions, and emerging market stress all affect Citi's reported results. Citi's direct

clearing memberships across 270 systems in 94 countries are what make Services revenue sticky, but that same footprint creates sensitivity to geopolitical and FX events beyond management's control.

Bull case risk to the thesis: if ROTCE continues improving toward 14 to 15 percent on schedule and both consent orders close within the next twelve months, the stock could re-rate toward \$170 or beyond, making the \$160 target conservative. That would make this a BUY that proves too cautious rather than one that proves wrong.

8. ESG NOTE

Citigroup has committed \$647.2 billion in sustainable finance since 2020 toward a \$1 trillion goal by 2030. Its global footprint gives it significant exposure to emerging market lending, which carries both opportunity and environmental and governance risk. On the governance side, the 2020 consent orders represent the most material governance failure of the past decade at a major U.S. bank. A \$400 million fine from the OCC was the stated penalty, but the reputational and multiple compression cost has been far larger. The remediation program Fraser has executed since 2021 represents a genuine governance improvement, but the orders remaining open is a continuing signal that regulators have not yet concluded the work is complete.

9. MANAGEMENT AND OWNERSHIP

Jane Fraser became CEO in March 2021, inheriting a bank that had underperformed peers for a decade, carried two regulatory consent orders, and traded at a persistent discount to tangible book. Her transformation agenda has three observable components: geographic exit from non-core consumer markets, organizational simplification, and data governance remediation. All three are producing measurable results. Revenue is growing faster than expenses for the first time in years. International consumer exits have freed capital. Headcount is declining. The question is whether the final consent order closure and ROTCE stabilization above 13 percent will happen on the timeline the thesis requires.

Mark Mason as CFO has been methodical in managing the capital return program. The \$30 billion buyback authorization at current prices reflects a view from inside the company that \$132.90 per share understates intrinsic value. CFOs who authorize buybacks at prices above intrinsic value destroy shareholder wealth. Mason's track record on capital allocation in 2026 has been consistent with a management team that believes the stock is cheap.

MANAGEMENT TEAM

Name	Role	Background
Jane Fraser	CEO	Appointed CEO in March 2021, the first woman to lead a major Wall Street bank. Former head of Citi's Latin America business and Global Consumer Banking division. Oxford MBA. Her transformation agenda involves simplifying Citi's operating model, exiting non-core international consumer businesses, and rebuilding the data governance infrastructure that produced the 2020 consent orders. Q2 2026 results reflect the first quarter in which ROTCE exceeded the top end of the 2026 guidance range.
Mark Mason	CFO	Former CFO of Citi's Institutional Clients Group. Oversaw Q2 2026 operating leverage of 960 basis points, the strongest quarterly result in the current transformation cycle. Oversees the \$30 billion buyback authorization and the capital return program that returned \$12.4 billion to shareholders in H1 2026.

Market Cap: ~\$222.6B | Shares: 1.677B (June 30, 2026) | TBVPS: \$100.89 | CET1: 12.8% | Forward Yield: 2.02% | NYSE: C

10. CONCLUSION

Citigroup is not a cheap stock in the absolute sense. At \$132.90 per share it trades at 1.32 times tangible book and 11.87 times forward earnings. Both multiples reflect a market that has moved off the 2022 trough of 0.43 times tangible book but has not fully priced the 2026 results. What the market has not yet priced is ROTCE continuing above 13 percent, consent order closure, and \$30 billion in buybacks compressing the share count at prices below intrinsic value.

The pairing with the Vireo JPMorgan SELL matters analytically. JPMorgan at 3.27 times tangible book and 14.81 times forward earnings is priced for perfection at a moment its CEO has described as getting close to as good as it gets. Citigroup at 1.32 times tangible book and 11.87 times forward earnings is priced for continued skepticism about a transformation that is already producing 13 percent ROTCE. A 148 percent P/TBV premium for a 10 percentage point ROTCE advantage is too wide.

BUY, price target USD 160.00. Blended methodology: $50\% \times \$158 + 30\% \times \$152 + 20\% \times \$172.80 = \159.16 , rounded to \$160.00. Position sizing should reflect the card credit quality risk and the consent order uncertainty. Neither is resolved. Both are embedded in a price target that is 20.4 percent above current levels and \$5.50 above the analyst consensus average.

ANALYST CERTIFICATION

I, Gianfranco Cacciola, certify that the views expressed in this report accurately reflect my personal views about Citigroup, Inc. (NYSE: C) and its securities. I have not received and will not receive direct or indirect compensation related to the specific recommendations expressed herein. This report represents my independent analysis based on publicly available information. Disclosure: no position in C.

DISCLAIMER

This report is produced for educational purposes only and does not constitute investment advice. Vireo Capital Research is a student-led equity research organization. All financial data sourced from Citigroup Q2 2026 earnings release, financial supplement, and investor presentation dated July 14, 2026. Peer data from publicly available Q2 2026 earnings supplements. This report uses the same excess-return methodology introduced in the Vireo JPMorgan Chase report dated August 17, 2026. Investors should conduct their own due diligence and consult a licensed financial advisor before making any investment decisions.