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# Jane Fraser's ruthless remake of Citigroup

The bank has sold assets, cut jobs and made controversial new hires while cultivating a closer relationship with Trump. Is it enough to get back into the big time?

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Citigroup boss Jane Fraser addressed shareholders at her bank’s Manhattan headquarters in May in an upbeat mood.

Over the preceding 12 months, Citi — once one of Wall Street’s most prestigious institutions — had finally regained the market value it had last enjoyed before the 2008 financial crisis, with shares outperforming rivals such as JPMorgan and Bank of America.

“We have rebuilt the engine,” said Fraser. “Now we will show you what it can deliver.”

The Scottish-born chief executive has reorganised the 214-year-old bank, selling assets and shedding tens of thousands of jobs while making controversial new hires and cultivating relations with the Trump administration.

Some employees fret over the institution’s aggressive new culture, worrying that it will make it more difficult for Citi to deal with the legacy of past errors, while the bank still has far to go to match the profitability of its bigger rivals.

Brian Mulberry, chief market strategist at Zacks Investment Management, which owns Citi shares, says that while there was “a lot of disbelief” that Fraser would succeed where her predecessors failed in reinventing the bank, “it looks like she’s done a fantastic job”.

He adds: “Big banks don’t necessarily play fair, and they certainly don’t play nice . . . It is just a clear indication of how competitive this segment is.”

But seven former employees have told the FT they believe the bank’s culture discouraged staff from speaking up about sensitive issues such as shortcomings in complying with banking rules.

One, who previously held a senior position responding to regulators’ demands, says that Citi quashes internal dissent rather than operating as “an organisation that is able to speak truth and expose and [report] uncomfortable problems upwards”.

Citi has outperformed peers over the past year, but since the financial crisi
it has gone from being the largest major US bank to the smallest

FINANCIAL TIMES Sources: LSEG; S&P Capital IQ

A senior Citi executive says that the “behavioural shifts at the top” of the bank seek to win more business and reduce its tolerance of underperformance. “Not everyone is going to be comfortable with that type of style or approach,” the executive adds.

Investors, analysts and executives at rival institutions say that Citi is clearly a better-functioning bank under Fraser. But they add that she now needs to show she can grow the lender, not just fix it.

Results due on July 14 should show Citi still on track to hit its annual target of a 10-11 per cent return on tangible common equity, a key profitability metric in the industry. But even its midterm target of 14-15 per cent is below the 20 per cent achieved by JPMorgan in 2025.

"They're crossing a very low bar that is very necessary and . . . long overdue," says Mike Mayo at Wells Fargo Securities, who is one of the sector's most prominent analysts.

## Back to basics

For much of the 20th century, Citi was the bank that helped finance wars, aided US companies operating abroad and managed the money of middle-class Americans at home.

Its $140bn merger with Travelers Corp in 1998 — which led to the repeal of landmark Depression-era legislation — was predicated on a "financial supermarket" strategy of offering a wide range of services to all customers wherever it operates. But it failed to live up to expectations.

Citi's first HQ at 38 Wall Street (later renumbered 52 Wall Street) in New York in 1812. The bank grew to be the biggest in the world but is now dealing with the legacy of errors it made during and after the financial crisis of 2008 © Archibald Robertson

There was a tendency towards hubris, too. On the eve of the global financial crisis in 2007, then-CEO Chuck Prince famously brushed off concerns about shrinking market liquidity, telling the FT that "as long as the music is playing, you've got to get up and dance. We're still dancing."

In the aftermath of the crash, Citi received $476bn worth of federal assistance, loans and guarantees — the largest bailout of any Wall Street bank.

Citi's reputation was further battered in 2020 when it accidentally wired almost $900mn to creditors of cosmetics group Revlon, instead of the $7.8mn interest payment it meant to send.

The high-profile error resulted in a $400mn fine and the imposition of so-called consent orders by the Federal Reserve and the Comptroller of the Currency, which regulate US banks. These tasked it with a long list of improvements to its financial controls and risk management.

But the bank's issues were not limited to shaky systems. The business model itself had stopped making sense to investors. The Citigroup that Fraser inherited in February 2021 was a bloated and complex relic of a bygone era of banking, and Wall Street had little hope left for it.

"You really just had a disorganised and quite frankly unprofitable business model," says Mulberry. "They didn't really know where the growth was coming from or what direction they were going to move in."

Fraser had little other choice than to take drastic action to fix the bank's deep-seated issues, and set about getting rid of legacies from its expansionary past that were holding it back.

Citi’s profitability has lagged behind rivals even as it has made hefty job cuts

FINANCIAL TIMES Source: FactSet

Her aim was a bank that could leverage its main competitive advantage — a hugely profitable global cash management business that moves trillions of corporate dollars across the globe every day — in the service of wealth management, commercial and investment banking.

Citi retained its US retail bank, partly as a source of cheap funding from customer deposits. But Fraser has cut back such activity outside the US, even if this at times meant divesting profitable businesses.

One such subsidiary was Banamex, Mexico's fourth largest bank, where she went against internal resistance and some scepticism outside to sell a 49 per cent stake. One prominent Wall Street leader — and former Citi executive — has privately questioned the logic of divesting from a rapidly growing market. Citi plans to eventually list Banamex separately.

Fraser also set out to simplify the bank's complex structure, which some former employees blamed for breeding a toxic culture of overly political fiefdoms. She dismantled layers of management and set out to cut about 20,000 jobs over three years in an initiative dubbed "Project Bora Bora".

Attention and resources were instead focused on markets where, as she put it, the bank had "the right to win", such as wealth management in fast-growing markets like Asia and the Middle East.

"Jane Fraser doesn't get a Nobel Prize for making that change, but it makes this a more simple, transparent and understandable company," says Mayo.

Executing her high-stakes gamble meant pushing through some unpopular decisions, in particular Banamex, which has been part of the group for more than two decades.

Workers enter Citigroup headquarters in New York. Citi — once one of Wall Street's most prestigious institutions — has finally regained the market value it had last enjoyed before the 2008 financial crisis © Juan Cristobal Cobo/Bloomberg

At one point, the Goldman Sachs alumnus and former McKinsey consultant bluntly told employees to "help us deliver the changes, or get off the train".

Noor Menai, who spent more than a decade as an emerging markets banker at Citi and is now chief executive of CTBC Bank USA, says that Fraser "has proven that under this very unassuming, charming exterior . . . she is resolute".

## Friends in high places

Fraser has also pulled levers outside the bank, including taking advantage of a lighter regulatory environment under the Trump administration and cultivating closer relations with the president.

She personally congratulated Donald Trump after his 2024 election victory and has managed to retain his favour even as he publicly disparaged JPMorgan's Jamie Dimon, Bank of America's Brian Moynihan and David Solomon at Goldman Sachs.

Like other Wall Street banks, Citi rolled back some of its diversity and climate change initiatives, changed its code of conduct to state that it "does not discriminate on the basis of political affiliation" and scrapped restrictions around banking firearms companies.

It has also considered opening a private account for Trump, who struggled to maintain business relationships with mainstream banks following the January 6 2021 attacks on the Capitol and has sued JPMorgan for closing his accounts. Citi declined to say whether it ultimately opened an account for the president.

One reward for her networking has been unusual, if not strictly accurate, praise from the White House. "Wow! CITI was ranked Number 1 in topping M&A Advisory Market by Value in Q1," Trump wrote on Truth Social last month.

Citi was, in fact, not the leading bank for M&A work that quarter, but Trump nevertheless added: "Congratulations to Jane F and ALL of her great people. They've worked really hard! BIG comeback for CITI!!!"

Citi CEO Jane Fraser with other US business leaders in Beijing during Donald Trump’s visit to China in May. Fraser personally congratulated Trump after his 2024 election victory and the president has since praised Citi’s progress © Go Nakamura/Pool/Reuters

Fraser was also one of two female business leaders to accompany Trump on his state visit to China in May.

But the bank’s engagement with Trump is a tricky balancing act that has already sparked legal proceedings. A former managing director, referred to in court documents by the pseudonym Jane Doe, has accused the bank of pushing her out after she flagged “several risk-management deficiencies” including concerns about accepting Trump as a client.

Citi’s legal defence stated that the executive was fired for other reasons and the bank said in a statement that her suit “has absolutely zero merit, and we’ll demonstrate that through the legal process”.

## New blood, and bad blood

Citi’s overtures to America’s mercurial president are not the only area of controversy within the bank. Two of Fraser’s key outside hires, Andy Sieg and Viswas Raghavan, have also ruffled feathers internally.

Fraser poached Sieg from Merrill Lynch in 2023 to turn round the fortunes of Citi's wealth management business. She lured Raghavan from JPMorgan the following year, offering a $52mn package, to boost its underperforming commercial and investment banking franchise.

But Sieg's assertive management style sparked the departure of several senior executives, including former private bank chief Ida Liu, who now leads HSBC's private bank.

An anonymous letter to Citi's board, seen by the FT, accused Sieg of having displayed "a pattern of misogyny, manipulation, and reputational suppression" that led the bank to commission a probe into his behaviour.

Citi has not made the findings of the probe public, but has robustly defended Sieg, who denies wrongdoing. He was later also accused of sexual harassment in a lawsuit against Citi by former managing director Julia Carreon, but the bank, and Fraser, have continued to back him. He has denied the allegation and the bank said the lawsuit "has absolutely no merit".

Raghavan moved to New York from London for the job and has since poached more than a dozen bankers from his former employer. Despite a Fraser edict against having co-heads of business lines, he has installed several and fired many of the bank's old guard.

Citi CEO Jane Fraser has reorganised the bank, selling assets and shedding tens of thousands of jobs while making controversial new hires and cultivating the Trump administration © SCMP via Reuters Connect

Viswas Raghavan, who was brought to Citi by Fraser. Several current and former Citi employees say the culture shock brought on by some of her new hires has gone too far and could translate into reputational risk for the bank © Bloomberg

While Citi touted Raghavan's hire as a coup for the bank, several people familiar with the process told the FT that the banker was in fact being pushed out of JPMorgan at the time, following years of complaints about his behaviour and management style.

Several current and former Citi employees have told the FT that the culture shock brought on by the new hires has gone too far and could yet translate into tangible reputational risk for the bank.

Some have been rattled by meetings held by Raghavan after his bankers had missed out on high-profile or lucrative deals.

Mayo at Wells Fargo says "there's always risks if a company goes too far and too aggressive", citing "restructuring stories in banking . . . that pushed too hard and broke the story".

But the senior executive at Citi says it is usual "to have fallout when you bring in new leaders, and that's exacerbated when you bring in leaders from the outside".

He adds that "as people have been asked to perform to a certain standard, if they haven't been able to perform at that standard . . . they have had to leave".

Some investors also view the reactions to Sieg and Raghavan's appointments as a signal that some much-needed shock therapy is finally being administered to a bank that had punched below its weight for far too long.

The clearest proof that Citi has moved on from its inglorious recent past will come once it is released from the regulators' consent orders.

"As a signalling mechanism, it is extremely important, and it actually might be a catalyst for a larger group of investors to buy the stock who otherwise would not do so," says Mayo.


A Citi branch in New York in the 1920s. For much of the 20th century, Citi was the bank that helped finance wars, aided US companies operating abroad and managed the money of middle-class Americans at home © Citi

People inside the bank have refrained from speculating about when that may happen. But Citi — which has dedicated 4,000 staff to this regulatory and compliance work — says it has completed nearly all of the required work.

Regulators have also given indications that the bank is making progress, having resolved an amendment to one of the orders that regulators imposed in 2024 after concluding the bank was not progressing fast enough. In May, the Federal Reserve approved Citi's latest resolution plan.

The bank has upgraded more than 2,000 ATMs throughout the US to improve security and allow contactless transactions, and automated controls for an average of 3.5mn daily transactions to prevent human error causing erroneous payments.

One particularly complex project was overhauling Citi's $817bn total loan exposure to large corporations, previously a messy web of disparate underwriting standards and processes. It is now administered on a single modern platform and governed by common standards and processes.

"These might sound unsexy, but they are fundamental to be able to increase your client responsiveness and dynamism," says another senior Citi executive. "You've got more accurate data, it comes from a system, so you're more confident in it."

Regulators and policy experts at some of the country's largest banks say the current looser regulatory environment is facilitating Citi's progress. While examiners are still thorough, they say they are being encouraged to favour outcomes over processes.

"Trump is making it a lot easier," says the same former senior risk executive who complained that the bank quashed internal dissent. "Regulators will be hesitant to push back because they don't have any support from Washington."

Mayo stresses that despite still being on regulatory probation, Citi has avoided any further Revlon-type blunders. "Every quarter and every year that Citigroup doesn't have an outsized mistake, they earn back a little bit more credibility."

*Data visualisation by Patrick Mathurin*



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