Citigroup profit beats on investment banking boost

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(Reuters) - Citigroup Inc reported higher-than-expected earnings on Monday despite declining revenue as the New York-based lender cut costs, grew its investment-banking business and expanded net-interest margin.

Still, Citi improved its results in ways, including expense cutting, that may be tough to replicate in future quarters. A lower tax rate
also played a big role in Citi’s improvement from a year ago.

The bank’s income from continuing operations declined slightly. On a call with reporters, Chief Financial Officer Mark Mason said the decline was due in part to a divestiture last year. But net income rose because the bank’s effective tax rate declined to 21 percent from 24 percent a year earlier.

Citi has been investing in digital capability to try to win deposits domestically despite its light U.S. branch network. Chief Executive Mike Corbat said in a statement its efforts are showing positive early results.

But the bank is still growing deposits faster abroad than in the United States: International consumer deposits rose 3 percent during the quarter, while retail North American deposits edged up 1 percent.

JPMorgan Chase & Co on Friday reported that its U.S. consumer deposits were up 3 percent from a year earlier.

Corbat also pointed to the bank’s improved 11.9-percent return on average tangible common shareholder’s equity and the $5.1 billion it returned in capital to shareholders during the quarter.

“Both our consumer and institutional businesses performed well and we saw good momentum in those areas where we have been investing,” he said.

Investment banking revenue rose 20 percent to $1.4 billion, as strong growth in advisory and investment-grade debt underwriting more than offset a drop in equity underwriting.

Bond trading rose 1 percent in sharp contrast to Goldman Sachs and JPMorgan, both of which reported double-digit declines.
But a 24-percent drop in equities trading pressured Citi’s overall revenue, which fell 2 percent to $18.58 billion, slightly below analysts’ estimates.

Revenue from consumer banking, the bank’s largest business, was flat at $8.5 billion, due to weakness in Asia.

North American branded cards revenue jumped 5 percent during the quarter, including the impact of a one-time gain the year before.

In 2018, Citigroup ranked third in the United States for outstanding credit-card loans, with an 11.4 percent market share, behind first-place JPMorgan Chase and second-place American Express, according to The Nilson Report.

Earlier this year, the bank said it would earn $2 billion more in revenue from lending activities than it did in 2018.

Total loans at the third-largest U.S. bank by assets rose 3 percent to $682.3 billion, while deposits grew 5 percent to $1.03 trillion, excluding foreign exchange fluctuations.

Citi’s net-interest margin, a closely watched metric, expanded 8 basis points to 2.72 percent in the quarter. Total operating expenses fell 3 percent to $10.58 billion.

Leading into the reporting season some analysts feared that net interest margin would peak since the Federal Reserve signaled it would not raise interest rates this year. On a call with analysts, Mason said that a rate cut or the absence of a rate hike would not have a material impact on results for the year.

Net income rose to $4.71 billion, or $1.87 per share, for the first quarter ended March 31 from $4.62 billion, or $1.68 per share, a year earlier.
Analysts were looking for a profit of $1.80 per share, according to IBES data from Refinitiv.

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