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'Hold us, Citi, responsible' for economy

**BYLINE:** Anna Bahney

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The top executive for one of the largest banks in the nation told a Sioux Falls audience Monday that his industry has more work to do to regain the trust of American consumers.

Vikram Pandit, the CEO of Citi, visited South Dakota to meet with some of the 3,000 people the company employs here and also learn more about community projects with which it is involved.

In a meeting with the Editorial Board of the Argus Leader, he reflected on the past 18 months of tumultuous economic activity by saying, "We all were part of things that really went wrong."

The banking industry is blamed by some as having a key role in causing the nation's worst economic slump since the Great Depression. Many large banks, including Citi, sought billions in bailout money from taxpayers.

### **Regaining trust**

In the aftermath of such economic turbulence, financial firms earn the trust of consumers through actions, including bolstering their financial strength, Pandit said. But despite these efforts, a gap in confidence remains.

"It is clear to us that when you think about the customer or the client and what they've had to go through in the last year-and-a-half to two years and how they feel about the financial industry - us included - there is a question of trust and confidence that goes beyond financial strength."

Pandit told the Argus Leader his company expects to be held accountable.

"We actually take responsibility for what happened," he said. "You can hold us, Citi, responsible going forward. We also take a lot of time to say to people, 'We get it, we need to reform Citi.'"

Citi continues to bolster its main business: banking.

Pandit discussed the effect of TARP aid, which now stands at \$45 billion, on his company, the financial industry and the nation. He also highlighted the ways Citi is reforming itself and examining executive compensation.

"Not only do we understand that we have to take responsibility, and we are responsible, but that we have to change how we do things," Pandit said. "More importantly, we have to be part of America's recovery."

Pandit said that the TARP aid Citibank received must be viewed in the context of how vital it was to restore confidence in the financial system as a whole.

"What we've all gone through did uncover some real systemic issues out there," he said.

He specifically pointed to compensation structures, adding that there are some structures that increase risk and others that actually cut risk.

The crisis, Pandit said, was not an issue of brand strength for Citi, it was an issue of financial strength.

### **Becoming leaner**

The company quickly addressed its financial situation not only by raising capital in the public markets but also through the Tarp payments it received, he said. In addition, the size of the company has shrunk. Many assets not deemed critical to the core business have been sold and the expense structure has been reduced.

New York-based Citi paid \$390.2 million to 21 people, an average of \$18.6 million each, records released Oct. 22 by Treasury Department paymaster Kenneth Feinberg show.

While Feinberg will cut Citi executives' pay by \$272 million, or 70 percent, from last year, Pandit receives the \$1 annual salary for which he volunteered in January.

### **Responsible finance**

Pandit quipped that he should win an award for "best timing" after being named chief executive in December 2007 just as the crisis was coming to a boil. But personally, he said the vision is simple: "I want Citi to be known as the bank that practices responsible finance better than anyone else."

Of course, the complicated part is that legislators, industry leaders and consumer advocates still are hashing out just exactly what responsible finance is.

The House Financial Services Committee is moving swiftly through regulatory issues ranging from overdraft protection to a Consumer Financial Protection Agency, and from credit card reforms to addressing the notion of what is "too big to fail."

Regarding the "too big to fail" issue, Pandit said simply that Citibank was part of the dialogue with regulators and lawmakers.

On the subject of credit card reforms and the concern by the House Financial Services Committee that some firms are raising interest rates in advance of changes expected to go into effect in February, Pandit said Citibank had raised interest rates.

But that was only because Citibank adopted these reforms three years ago, in the hopes that competitors would follow. They did not, Pandit said.

"We decided to change our rates since then because the cost of providing credit had gone up dramatically," he said, adding that the move was made to catch up to competitors.

Reach reporter Anna Bahney at 331-3236.