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Pandit making lemonade at Citi

By [Lindsey White](#)

A difficult environment magnifies the importance of the message that a CEO gives to investors, and Citigroup CEO Vikram Pandit seems to be crafting his signals carefully lately.

As [Citigroup Inc.](#) reported third-quarter [results](#) Oct. 17, CEO Vikram Pandit struck a balance between pessimism and optimism, between having the answers and being just as lost as the rest of the world when it comes to the economy, the mortgage market and new regulations.

During a conference call to discuss the quarter's results, the message was that Basel III remains unclear, but Citi is still confident it will meet new capital guidelines ahead of schedule. The mortgage market is one of the biggest problems facing U.S. banks, but Citi is engaged in aggressive risk mitigation efforts. Europe's sovereign debt crisis presents risks, but Citi has been reducing its exposures for more than a year.

Observers agreed that Pandit did a solid job of telegraphing the company's position during the two-hour call.

"[Pandit] is doing his job under the circumstances as well as can be expected," said Adam Hurwich, a portfolio manager with Ulysses Management LLC, during an [interview](#) Oct. 17. "You've got to give the man credit where it's due. He's doing a credible job in a difficult institution."

Analysts generally agreed that earnings were in line with expectations and yielded few surprises.

RBC Capital Markets LLC analyst Gerard Cassidy said the results were a step in the right direction. "We believe investors recognize that going from its death (bed) in 2008-2009 to reporting *core* 3Q11 earnings of \$2.5 billion is an achievement," he wrote in an Oct. 18 report.

As most bank stocks were getting [smoked](#) Oct. 17 — the SNL U.S. Bank Index fell 4.15% — Citi fell less than its large-cap peers. While Citi's loss of 1.65% is nothing to brag about, it compares favorably to [JPMorgan Chase & Co.](#), down 2.67%, and [Bank of America Corp.](#), which fell 2.58%.

Since mid-September, Citi's share price has risen 3.07%, while the SNL U.S. Bank Index ticked up 0.48%. JPMorgan shed 0.86%, and BofA dropped 8.16% during that period.

Citi recently has been spared some of the heat that other banks are taking.

At Bank of America, CEO Brian Moynihan has taken steps to refresh [investor sentiment](#) toward the company, such as an efficiency initiative dubbed "Project New BAC." Despite the efforts, BofA evoked nationwide [ire](#) and a stream of negative headlines with news of its planned [\\$5 monthly fee](#) for some debit card users. Even President Barack Obama [weighed in](#) on the debate, arguing that the bank does not have "some inherent right" to a certain amount of profit.

Meanwhile, news that Citi will charge [\\$15](#) or even [\\$20 per month](#) for some checking accounts has attracted comparatively little attention, as the company did not use the move to amplify its opposition to the Durbin amendment.

Donald Musso, president and CEO of FinPro Inc., said many banks across the country are planning to charge for the use of debit cards but have not attracted the same attention as BofA. "I think Bank of America to some extent was made a scapegoat because they came out so publicly with it and they blamed it directly on the Durbin amendment," he told SNL.

Musso said Moynihan foisted the debate into the public eye on a national scale. "It's clear that this might have been handled in a more nonconfrontational way and not made the front pages of the newspaper," he said.

Moynihan is not the only combative bank chief. JPMorgan Chairman, President and CEO Jamie Dimon has engaged in a running argument with regulators. In June, Dimon [publicly challenged](#) Federal Reserve Chairman Ben Bernanke over new bank regulations and capital rules. More recently, Dimon has made [headlines](#) for calling Basel III capital surcharges "anti-American."

By comparison, Musso said Pandit and Citi have stayed below the radar. "The best thing they can do is just take a low profile and hopefully let the storm pass over," he said.

Similarly, Pandit has taken a nonconfrontational approach with Occupy Wall Street [protesters](#), reportedly calling their feelings "completely understandable" and saying that he would be "happy to talk to them any time they want to come up." The conciliatory approach recalls his humble gesture of taking a \$1-per-year [salary](#) while Citi was unprofitable.

"If I'm Bank of America right now, I would take Pandit's approach," Musso said. "I would low-key this thing and let the storm blow over, and not continue to agitate."

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