Citigroup posts another loss amid credit woes

By Global Research
Theme: Global Economy
Global Research, October 16, 2008
AP 16 October 2008

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Citigroup Inc. suffered its fourth straight quarterly loss and cut another 11,000 jobs, drubbed again by the relentless downturn in housing and turmoil in the financial markets.

The New York-based bank said Thursday it lost $2.8 billion, or 60 cents per share, in the third quarter, compared with a profit of $2.2 billion, or 44 cents per share, a year ago. The deficit for the June-to-September period brings Citi's total losses over the past 12 months to $20.2 billion.

The shortfall for the quarter was narrower than anticipated. Analysts polled by Thomson Reuters expected a loss of 70 cents per share.

But the results were hardly reassuring. Citi wrote down $4.4 billion in investments, plus another $612 million from a settlement related to auction-rate securities; recorded $4.9 billion in credit losses; and took a $3.9 billion charge to boost reserves. The bank has written down the value of its investments tied to souring mortgages and other bad debt by some $51 billion since this time last year.

Shares fell 14 cents to $16.09 in premarket trading.

The frailty of the financial system has led the government to pledge $25 billion to each of the big four U.S. banks — Citigroup, JPMorgan Chase & Co., Bank of America Corp. and Wells Fargo & Co. Of these four institutions, Citi appears to be on the shakiest footing. It is the only one to have posted quarterly losses over the past year, and it is shrinking while its peers are growing.

With $2.05 trillion in total assets now, Citigroup has officially forfeited the title of largest bank by assets, falling behind JPMorgan Chase's $2.25 trillion in total assets. Bank of America currently has $1.91 trillion in assets, and will have more when it completes its buyout of Merrill Lynch, which on Thursday reported a $5.2 billion loss. Wells Fargo has assets of $622 billion ahead of its acquisition of Wachovia Corp.

Citi not only eliminated 11,000 jobs during the third quarter — bringing its total headcount reduction so far this year to 23,000 — but it also shed $50 billion in assets. Pandit announced in May that Citi intends to rid itself of nearly $500 billion in assets to get out of businesses such as risky mortgages; the bank said that over the past year, it has lopped off $308 billion in total assets.

Meanwhile, the bank has not made any major acquisitions. While JPMorgan Chase snapped up Bear Stearns Cos. and Washington Mutual Inc., and while Bank of America nabbed Merrill Lynch, Citigroup lost the bid for Wachovia and its massive deposit base to Wells Fargo.

On the positive side, Citigroup's write-downs were smaller than in the second quarter. Expenses were down $1.2 billion compared with the previous quarter and the bank maintained a Tier 1 capital ratio of 8.2 percent. A Tier 1 capital ratio essentially measures equity against risky assets. Citi's ratio is considered strong by historical measures, and is expected to tick higher when the government takes its stake.

But as JPMorgan's and Wells Fargo's third-quarter reports illustrated on Wednesday, the credit environment, particularly when it comes to consumers, is worsening.

In North America, more credit card holders became delinquent and more had to be written off, Citi said. The credit loss rate jumped to 7.3 percent from 6.46 percent in the second quarter and from 4.37 percent a year ago. Credit card loss rates worsened in Latin America and Asia, too.

Citigroup also said defaults in residential real estate loans, notably first mortgages, increased.

"While our third quarter results reflect both a difficult environment as well as continued write-downs on our legacy assets, we are making excellent progress on the parts of our business we control, including expense reduction, headcount, and balance sheet and capital management," CEO Vikram Pandit, who took the company's reins in December following the ouster of former CEO Charles Prince, said in a statement. "We expect these improvements will enable us to realize the full earnings power of our franchise as the economy stabilizes."

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