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Citi’s Creator, Alone With His Regrets

By KATRINA BROOKER

“THIS is my final annual meeting as chairman,” says Sandy Weill, standing near the window of his office, peering at a grainy photograph of him and his wife on stage at Carnegie Hall more than three years ago. They are smiling broadly, and behind them is a packed house of cheering Citigroup shareholders. A huge banner dangling from the balcony reads “Thank You Sandy.”

On that day, April 18, 2006, Citi’s share price was $48.48. After studying the photo for a few moments, Mr. Weill says quietly, “I thought the company was impregnable.”

He knows now, of course, that he was wrong.

Over the last two years, Mr. Weill has watched Citi — a company he built brick by brick during the final act of a 50-year career — nearly fall apart. Although every taxpayer in the country has paid for Citi’s outsize mistakes, for Mr. Weill the bank’s myriad woes are a commentary on his life’s work.

“Sandy will forever be identified with Citigroup,” says Michael Armstrong, a Citi board member and a former chief of AT&T. “He put everything he had into its creation.”

Mr. Weill built his wealth, status and power by creating what was once the world’s largest bank. Now, as Citi struggles to regain its footing, Mr. Weill’s legacy has taken on a darker hue. Though he was once viewed as a brilliant dealmaker, some critics now cast him as the architect of a shoddily constructed, unmanageable financial supermarket whose troubles have sideswiped investors, employees and average citizens nationwide.

“The dream, the mirage has always been the global supermarket, but the reality is that it was a shopping mall,” says Chris Whalen, editor of The Institutional Risk Analyst, of Citi’s evolution over the last decade. “You can talk about synergies all day long. It never happened.”

Citi’s troubles are well chronicled: a failure to integrate its disparate parts worldwide or to keep tabs on risky investments and free-wheeling operations. These lapses led to billions of dollars in losses and multiple bailouts, and the government now owns a quarter of the company. Citi’s shares fell from a high of $55.12 in 2007 to about a dollar early last spring, and now trade at $3.31.

In its efforts to recover, Citi is dismantling itself, scrapping many of the assets that Mr. Weill threw together.

During a series of recent interviews, Mr. Weill spoke candidly about the loss, frustration and humiliation caused by Citi’s fall. “I feel incredibly sad,” he says. He remains baronially wealthy, but says he has endured financial pain, too: until a year ago, he says, the bulk of his investment portfolio was split equally between Citi stock and Treasuries.

While he acknowledges some of his own mistakes for the Citi debacle, he is also quick to give the back of his hand to his former co-C.E.O., John Reed, and his successor, Charles Prince.

And Mr. Weill vigorously defends his record, rebutting critics who say that Citi was an unstable creation. Judah Kraushaar, a hedge fund manager and former banking analyst who worked with Mr. Weill on his autobiography, said that Citi's problem wasn't that it was unmanageable, but that it lacked enough good managers — and that Mr. Weill was a good manager.

"When he left, the company had all the hallmarks of how Sandy ran a business: it was lean; it didn't have a bloated balance sheet," says Mr. Kraushaar. "Had he picked a different successor things could have turned out very differently."

At one point, Mr. Weill had hoped to return and help the company recover and to defend his legacy himself. But the bank no longer has a place or a need for its old C.E.O. Now, Mr. Weill, 76, is trying to move on to a life without Citi.

"It's never going to be the same company that it was," he said one morning shortly before Christmas.

Sitting in his office on the 46th floor of the General Motors building in Manhattan, he is surrounded by reminders of a lifetime on Wall Street. The space is breathtaking with floor-to-ceiling windows and views stretching out over Central Park. One wall is devoted to framed magazine and newspaper articles chronicling his career. A Fortune magazine clipping from 2001 declares Citi one of its "10 Most Admired Companies."

On another wall hangs a hunk of wood — at least 4 feet wide — etched with his portrait and the words "The Shatterer of Glass-Steagall." The memento is a reference to the repeal in 1999 of Depression-era legislation; the repeal overturned core financial regulations, allowed for the creation of Citi and helped feed the Wall Street boom.

"Sandy took advantage of changes in the industry to build a financial colossus," says Michael Holland, founder of Holland & Company, a money management firm. "In the end it didn't work, and we are now paying for that as taxpayers."

Elsewhere in Mr. Weill's office, a bust honors him as Chief Executive magazine's "C.E.O. of the Year" in 2002. There are pictures of him with world leaders like Nelson Mandela, Bill Clinton, Vladimir Putin and Fidel Castro. There is also one of his humble childhood home in Brooklyn — a reminder of how far he has come.

Despite these trappings, what's most noticeable about Mr. Weill's office is this: It feels empty. Other than a few assistants, he is alone. Down the hallway, some furnished offices are uninhabited; a conference room big enough for a Citi board meeting has no executives to fill it. The phones are largely silent. It seems incongruous for a man who once commanded a global powerhouse of 200,000 employees.

Here, from this solitary perch, Sandy Weill has watched his banking colossus come undone.

"IN the beginning I felt that we should be able to weather that storm," Mr. Weill says, recalling the late summer days of 2007, when the collapse of the subprime market brought Citi's troubles to the surface. The early warning cries were dire but didn't seem terminal: a $6 billion write-down, a $2.8 billion third-quarter loss and the announcement of $55 billion in exposure to souring assets. At this point, Mr. Weill believed that the company could be fixed, and he wanted to fix it.

He no longer had any official position at Citigroup, having retired as chief executive in 2003 and as chairman in 2006. But he was still hugely invested in the company. He owned more than 16 million shares in 2006, according to his last public filing as Citi chairman. In January 2008, he bought more stock.

At the same time, he remained close with Citi employees, shareholders and board members. They had been keeping him up to date about events at the company. “People were calling him all the time, trying to get him wound up, get him mad,” says Todd Thomson, the former head of wealth management at Citi.

When Mr. Thomson was forced out in 2007, Mr. Weill was one of his first calls: “I unloaded to Sandy,” Mr. Thomson says.

For Mr. Weill, calls like these — coupled with the collapsing share price — burned; they made him want to act.

Starting in late 2007, he began approaching some members of Citi’s board about returning to help with its recovery. He tried first when the board was looking to replace Mr. Prince as C.E.O., and later after Vikram Pandit got the job. At the time, Mr. Weill imagined that he would be welcomed. “I had 50 years of experience,” he says. “I think I was a pretty good student of the markets, and the business. I had a good feel of things. I felt that just because I retired didn’t mean my brain went to mush. Maybe I could help.”

No one responded to his offers.

The rejection stung. Citigroup had for so long been central to his life. It was hard to accept that he had no control or influence over it anymore. “It’s very hurtful. Even though he says, ‘No, no, it’s fine,’ ”says Joan Weill, his wife of 54 years. “I know him. The company means so much to him. It was his baby.”

Mr. Weill continued to track it closely. “He was watching every movement of the stock; he was reading everything,” recalls Mike Masin, a longtime friend and a former chief operating officer of Citigroup. “We have had conversations about the fact that he has to make Citi less a part of his life.”

One news item, in particular, was crushing: Last winter, The New York Post ran a picture of Mr. Weill on its front page with the headline, “Pigs Fly: Citi Jets Ex-C.E.O. to Cabo.” He had taken the corporate plane to vacation in Mexico, weeks after Citi had accepted a $45 billion taxpayer bailout. The flight provoked a public outcry and media frenzy.

Mr. Weill says he was horrified by being cast as a greedy, out-of-touch Wall Streeter taking advantage of taxpayers. That is not how he sees himself or how he wants the public to see him. The night the Post article came out, he issued a press release promising to never again use the Citi jet.

In April, Mr. Weill and Citi agreed to terminate the consulting contract in which he was provided use of that jet, as well as office space, cars and security.

Mr. Weill firmly contends that what he built at Citigroup created huge value for employees and shareholders. Beyond that, he has been an enormously generous philanthropist, giving some $800 million to charity over the last three decades, he says. This, he says, is what he wants to be remembered for.

“The most important thing to my husband was his reputation, ” says Mrs. Weill, who still feels angry at the portrayal of him in the press. “There are a few people I want to kill, but I am not going to name names.”

Still, many people see Mr. Weill as a root cause of Citi’s troubles. He bought up businesses around the globe, from New York to Tokyo to São Paolo, but his critics say he never managed to meld them into a cohesive company. To some, this was the foundation of its failure.

Old accomplishments — once sources of admiration — now draw criticism. Mr. Weill’s successful push to repeal the Glass-Steagall Act is under attack. To create Citi, he fought to change laws that had prevented banks, insurers and brokerage firms from merging. But in the wake of the economic crisis last year, Congress has introduced laws to reinstate parts of the legislation. In November, Mr. Weill’s former co-C.E.O. at Citi, John Reed, told Bloomberg News that he was sorry for his role in helping to end Glass-Steagall.

When asked about Mr. Reed’s apology, Mr. Weill says: “I don’t agree at all.” Such differences, he says, were “part of our problem.”

Mr. Reed, who lost a battle with Mr. Weill for control of Citi, declined to comment for this article.

Mr. Weill says that the model on which he built the company was not at fault, that it was the management that failed. For this, he accepts partial responsibility.

“One of the major mistakes that I made was my recommending Chuck Prince,” he says of his handpicked successor, who ran the company from 2003 to 2007. Mr. Weill blames Mr. Prince for letting Citi’s balance sheet balloon and taking on huge risks.

Once close friends and colleagues, the two men no longer speak. In their last conversation, in fall 2007, Mr. Prince called his old boss, furious because he’d heard that Mr. Weill was urging directors to replace him. “He hung up on me,” Mr. Weill recalls.

Mr. Prince declined to comment for this article.

In addition to initially supporting Mr. Prince as C.E.O. — even though Mr. Prince had never run a bank — Mr. Weill also pushed out Jamie Dimon, a well-regarded banker who now runs JPMorgan Chase. And Mr. Weill personally recruited Robert Rubin to Citi after Mr. Rubin stepped down as Treasury secretary. Mr. Rubin, who has since left Citi and declined to comment about his tenure there, has been criticized as failing to help rein in the bank’s excesses.

Mr. Weill says he has no regrets about hiring Mr. Rubin and wishes that things with Mr. Dimon had worked out differently.

“The problem was in 1999 he wanted to be C.E.O. and I didn’t want to retire,” he says of Mr. Dimon. “I regret that it came to that. I don’t know what else could have been done except for him to be more patient.” A JPMorgan spokesman said Mr. Dimon declined to comment.

Analysts say that managerial problems plagued the Citi empire and that its board, which might have imposed some order, became little more than a rubber stamp during the Weill era. “Sandy surrounded himself with yes men,” says Mr. Whalen. “He never wanted anyone second-guessing him.”

THESE days, Mr. Weill keeps busy with charities and his personal investments. He is up at 5 a.m., reads all the papers, turns on CNBC. He is chairman of Carnegie Hall, Weill Cornell Medical College and the National

Academy Foundation and is on the boards of six other institutions.

His foundation gave $170 million in cash last winter to Weill Cornell; such generosity has endeared him to the philanthropic world. He has raised $950 million for Weill Cornell’s $1.3 billion fund-raising campaign and recently put together a $110 million bond offering for Carnegie Hall.

“It was like being back in business again,” he says. “I get the same kind of kick by getting somebody to make a major charitable contribution. It’s the same kind of adrenaline rush.”

Such giving shows that Mr. Weill remains in far better shape than most other Citi investors. Although Forbes bounced him from its list of the 400 wealthiest Americans — the magazine once estimated his net worth at $1.5 billion — he still lives regally: a $42 million apartment in Manhattan; homes in Greenwich, Conn., and the Adirondacks; and a yacht.

Citi, meanwhile, has recently shown some signs of improvement: it posted a third-quarter profit and repaid $20 billion to the government last month. But for so many who depended on Citi, the bank has caused irreversible damage. It’s a reality that Mr. Weill says pains him.

“Look what it’s done,” he says. “It’s hurt the dreams of so many people.”