

**From:** [Cave, Jason C.](#)  
**To:** [Bair, Sheila C.](#)  
**Cc:** [Villarreal, Jesse O.](#)  
**Subject:** Fw: CONFIDENTIAL - Citigroup - Deterioration of Stock Price and CDS Spreads  
**Date:** Thursday, November 20, 2008 7:46:09 PM

---

----- Original Message -----

**From:** Richardson, Mark D.  
**To:** Corston, John H.; Cave, Jason C.; Thompson, Sandra L.; Spoth, Christopher J.; Ellis, Diane; Murton, Arthur J.  
**Cc:** Lane, John M.; Burns, Robert L.; Hirsch, Pete D.; Grum, Christine; Frye, Daniel E.; Watkins, James C.; Conneely, John P.; Wyka, Gregory P.; Fahey, Joseph F.  
**Sent:** Thu Nov 20 19:38:02 2008  
**Subject:** RE: CONFIDENTIAL - Citigroup - Deterioration of Stock Price and CDS Spreads

UBS was the only major counterparty that has reduced its lines (\$1.8 billion). The other three counterparties were hedge funds (names were not given) and totaled \$300 million. However, the considerable amount of inquiries from investors about Citi's viability is a major cause for concern.

The private bank also had deposit inflows today of \$350 million, so the net deposit outflow was \$590 million. Deposit details for the entire bank for today will be available by tomorrow afternoon.

The Fed funds were purchased below market, but at levels approximately 10bps higher than the past few days. Citi has been able to purchase Fed funds below many of the other large financial institutions, including Bank of America and JPMorgan. However, today it purchased Fed funds at the same rate as these financial institutions.

Mark

-----Original Message-----

**From:** Corston, John H.  
**Sent:** Thursday, November 20, 2008 7:09 PM  
**To:** Cave, Jason C.; Thompson, Sandra L.; Spoth, Christopher J.; Ellis, Diane; Murton, Arthur J.  
**Cc:** Lane, John M.; Burns, Robert L.; Hirsch, Pete D.; Grum, Christine; Frye, Daniel E.; Watkins, James C.; Richardson, Mark D.; Conneely, John P.; Wyka, Gregory P.  
**Subject:** Re: CONFIDENTIAL - Citigroup - Deterioration of Stock Price and CDS Spreads

I just talked to Mike Brosnan at the OCC and he noted that 4 counterparties reduced their lines with the bank and \$940MM was pulled out of private banking of which \$710MM was pulled as a result of the stock price and CDS spreads. They were able to purchase FFs at below market so the above trends while small relative to the size of the bank are worth noting and will be of concern if they continue. On the plus side the passage of the TLGP rule will have a stabilizing impact on the bank.

-----  
Sent from my BlackBerry Wireless Handheld

----- Original Message -----

**From:** Corston, John H.  
**To:** Cave, Jason C.; Thompson, Sandra L.; Spoth, Christopher J.; Ellis, Diane; Murton, Arthur J.  
**Cc:** Lane, John M.; Burns, Robert L.; Hirsch, Pete D.; Grum, Christine; Frye, Daniel E.; Watkins, James C.  
**Sent:** Thu Nov 20 18:48:38 2008

Subject: CONFIDENTIAL - Citigroup - Deterioration of Stock Price and CDS Spreads

The on-site DE staff provides the following:

Company: Citigroup Inc., New York, NY (TA \$2.05 trillion, RFI 332/3-3)  
Lead Bank: Citibank, NA, Las Vegas, NV (TA \$1.20 trillion, UFIR 223333/3)

Citigroup's stock declined 26% to \$4.71 on heavy volume and CDS spreads widened by 30bps to 400bps today due to general concerns for financial institutions, along with Citigroup's restructuring, which was announced on Monday, the purchase of the SIV trading account assets by Citibank, and the liquidation of Citigroup's CSO hedge fund (European Leveraged Loan Fund with \$1.2 billion in assets). The stock price traded below \$5 mark for the first time since 1994. The parent company and broker dealer funding was only down a little today and Citigroup has had minimal counterparty pressure. However, UBS did pull \$1.8B of repo lines today and Citigroup has gotten a considerable amount of inquiries from investors about its viability. The bank remains long cash. Estimated total foreign and domestic deposits decreased by 1% or \$7B from Tuesday to Wednesday.

Supervisory Perspective: Citigroup and its subsidiary banks have been under enhanced monitoring by FDIC dedicated examiners since the current financial crisis began. Given the recent deterioration in Citigroup's stock price and CDS spreads and the considerable amount of negative inquiries from investors, the region is marshalling additional resources to assist in the risk assessment of the institution, including the use of examination specialists from the Large Bank Section.

Potential Impact on FDIC Insurance and Resolutions Missions: No immediate impact on the Resolution Mission.

Importance to the Banking Industry: This situation carries significant importance due to Citigroup's considerable systemic risk.

-----  
Sent from my BlackBerry Wireless Handheld