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## Citigroup shrs drop; CEO plans to keep Smith Barney

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NEW YORK, Nov 21 (Reuters) - Citigroup Inc shares tumbled for a fifth straight day on doubts about its survival prospects after its chief executive downplayed speculation the bank might sell major businesses or merge with a rival.

Vikram Pandit told employees on Friday that the No. 2 U.S. bank by assets does not want to change its business model and plans to keep its Smith Barney brokerage, according to two people who heard him on a conference call.

He also said Citigroup had a solid capital position, and that employees should not focus on the bank's falling share price because that is not what regulators and credit rating agencies worry about, the people said.

Citigroup's board is meeting Friday to discuss the bank's options, a person familiar with the matter said. The [Financial Times](#) reported that although there were no concrete plans for [management changes](#), the board was looking at Pandit's position.

The shares closed down 94 cents, or 20 percent, at \$3.77, their lowest level since December 1992 and bringing their decline for the week to 60 percent. The latest declines left Citi smaller by market value than each of Canada's top three banks: Bank of Nova Scotia, Royal Bank of Canada and Toronto Dominion Bank .

Citigroup's market value fell to \$20.5 billion on Friday. That's less than the \$25 billion taxpayer-funded injection that Citigroup just received from the federal government, and a fraction of the \$75 billion of capital that Citigroup has raised since the credit crisis began last year.

The bank's market value topped \$270 billion in late 2006.

'It's fear and panic at this point,' said Gerard Cassidy, a banking analyst at RBC Capital Markets in Portland, Maine. 'Investors have seen similar movies this year, and the endings are very unpleasant.'

Citigroup's market value is now also in line with Goldman Sachs Group Inc's. Investors speculated on Friday that Goldman might look to buy Citigroup, but a person familiar with Goldman's strategy said it is not interested. Meanwhile, the cost to protect Citigroup debt against default rose, suggesting that fixed-income investors see increased risk.

### THE CLOCK TICKS

Citigroup is looking at options including a sale of parts of the company, or a merger with another company, a person familiar with the matter said on Thursday. Analysts speculated that the bank may look to sell Banamex, Mexico's No. 2 bank, in a deal that could raise as much as \$15 billion for Citigroup.

But asset sales take time, and Citigroup has little to spare. Concerns are rising that the drumbeat of negative news about Citigroup could prompt customers or trading partners to flee. 'We worry if the lack of [investor confidence](#) leads to (a) lack of customer confidence,' wrote Barclays Capital analyst Jason Goldberg.

The bank is running ads in major U.S. and international newspapers on Sunday emphasizing its trustworthiness. Sean Egan, analyst at ratings agency Egan-Jones Ratings, said, 'Citigroup needs a deep-pocketed investor that is ready, willing, and able to step up in the next few days, and the only one who comes to mind is the government,' adding that at least \$50 billion may be necessary.

## REGULATORS HAVE INTERVENED BEFORE

Within the last three months, major U.S. lenders Wachovia Corp and Washington Mutual Inc suffered rapid outflows of deposits, as losses mounted on mortgages and other debt. Under pressure from regulators, Wachovia agreed to sell itself, while Washington Mutual failed and its assets were bought by JPMorgan Chase & Co.

On Monday, Pandit set plans to shed 52,000 of Citigroup's 352,000 jobs by early 2009, and to move tens of billions of dollars in troubled securities onto its balance sheet. The bank is also pushing the U.S. Securities and Exchange Commission to reinstitute a temporary ban on short sales of financial stocks, a person familiar with the matter said.

The cost to protect its debt for five years rose to \$470,000 annually, up from \$395,000 annually on Thursday, according to Phoenix Partners Group.

Those levels are fairly low compared to other banks that have been in distress recently. Protecting \$10 million of Wachovia's debt against default just before it agreed to sell itself would have cost \$1.49 million a year.

The comparatively low cost to protect Citigroup's debt combined with the low share price signal that markets expect the company to raise large amounts of preferred or common equity, potentially with government help. But the cratering stock price, on top of the job cuts, had employees on edge.

'Now I know what the people at Lehman Brothers felt like,' one bank staffer said, referring to the investment bank that filed for [bankruptcy protection](#) on Sept 15.

**Gustavo Dolfino, president of recruiting firm WhiteRock Group, said he has been receiving more calls from managing director level employees at Citigroup in recent days. 'I've spoken to a number of people that are very concerned about their jobs and the bank's survival,' Dolfino said.**

On Thursday, Saudi Prince Alwaleed bin Talal said he planned to increase his stake in Citigroup to 5 percent from less than 4 percent. The bank's largest individual investor called Citigroup's shares 'dramatically undervalued.'

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