

The **foam peanuts** for financial decision making.

**COGNOS** AN IBM COMPANY

# The Home Page of Corporate Finance Financial Week

## Regional banks NatCity, Fifth Third and Sovereign get seriously smacked

By Tim Catts

September 29, 2008 ET



National City Bank

The failure to get a bailout package out of Congress Monday hit regional banks especially hard.

Shares of regional banks sank on Monday, with Sovereign Bancorp down 72% and National City Corp. down more than 60%, as investors feared the sector would be steamrolled by the deepening global credit crisis.

"We're getting one level below the big banks and that's where we should expect that there will be more bankruptcies unless a facility is put together very quickly to allow them to offload their toxic assets," said Georges Ugeux, CEO of Galileo Global Advisors, who is a former New York Stock Exchange executive and former president of the European Investment Bank. "That will have huge consequences for the entire country."

Among other losers on Monday, Fifth Third Bancorp dropped 44%, FirstFed Financial Corp. gave up 44% and KeyCorp slumped 31%. The closely watched S&P Financial index sank 10%.

"There will be a large number of smaller banks that will likely have significant problems across the Southeast and Southwest," said James Ellman, portfolio manager of hedge fund Seacliff Capital. "Many of those are small enough that the FDIC [Federal Deposit Insurance Corp.] can actually seize them and sell them off....They do not create a risk to the entire system. That is something different than Wachovia and WaMu."

Earlier Monday, Citigroup Inc. said it agreed to buy the banking operations of Wachovia Corp—a deal brokered by the government to ensure "financial and economic stability," Federal Reserve Chairman Ben Bernanke said in a statement.

Two weeks after the financial crisis reached a new and more serious level, including the disappearance of the traditional Wall Street investment bank, several European banks were rescued on Monday.


Goldman Sachs and Morgan Stanley, which have agreed to become bank holding companies so they can accept deposits, nonetheless also got hit on Monday. Morgan agreed to sell a 21% stake to Japan's Mitsubishi UFJ Financial Group Inc for \$9 billion to shore up its finances, but investors balked at the deal's terms and helped send the investment bank's shares down 12%. Goldman fell 17% despite an infusion of capital late last week from Warren Buffet.

"It's clear we're in a situation where the entire economy is now at stake," Mr. Ugeux said. "Maybe the collapse of the market will give the political world a sense that this is as serious as we were all telling them it was."

—Reuters contributed to this report

URL for this article:  
<http://www.financialweek.com/apps/pbcs.dll/article?AID=/20080929/REG/809299967/0/imag>

### Financial Week Reprints

 This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers, use the Reprints tool or the Reprints link at the top or bottom of any article, respectively.

- [View reprint options](#)
- [Order a reprint article now](#)