

Maiden Lane III  
Counterparty Briefers  
November 5, 2008



## Societe Generale

## Societe Generale Negotiations

**Negotiating Position:** Societe Generale (Soc Gen) views the substantial expected recoveries on CDOs and the funding benefit from collateral posting as providing great negotiating leverage

- Soc Gen believes expected recoveries will exceed collateral shortfalls under the CDS. BlackRock cash flow projections support this view
  - Cash flow projections discounted at bond coupon in the base case indicate that Soc Gen's portfolio is of higher quality than other counterparties (based on projected value of 89% for Soc Gen vs. 86% for all counterparties)
- The funding benefit Soc Gen receives from AIG on collateral posted is the spread between LIBOR and Fed funds (Soc Gen receives LIBOR and pays AIG Fed funds)

**Concessions:** Soc Gen has been unwilling to sell reference CDOs to AIG below par

- Soc Gen would be resistant to deep concessions, i.e., anything greater than a few points, because it believes economic value from collateral and expected recoveries on CDOs are worth more than par in some cases
- Soc Gen expressed willingness to unwind lowest-quality trades at an effective price of ~90 but only if it retains the reference CDOs (i.e., for a CDO priced at 30%, Soc Gen keeps 70% collateral, receives 20% more in cash from AIG, keeps the bond and the upside, and rips up CDS with AIG). This arrangement would not be acceptable under the contemplated structure of Maiden Lane III.

**Access to the Assets:** We believe that Soc Gen owns most of the reference assets in its portfolio (~\$14bn of \$16.4bn)

- ~\$1bn worth of reference assets may have been sold to Goldman Sachs
- We have heard second-hand from a trader that Soc Gen has pledged much of the portfolio to the Fed discount window for future liquidity

### Other Factors

- Soc Gen and AIG are currently in dispute over existing events of default and credit events under transaction agreements for 2 deals, totaling ~\$650M of notional exposure

## Societe Generale Portfolio Overview

### **Societe Generale is the largest counterparty**

- \$16.4 billion, representing 25% of total counterparty exposure

### **\$1.4 billion in additional collateral has been requested, but not posted as of 10/24**

- Societe Generale has received collateral independent amounts from a number of bonds that have been downgraded
- BlackRock's projected values are in line with values implied by collateral posted, but higher than collateral requested, i.e., BlackRock expects the portfolio to perform better than values implied by requested collateral

**In the base case, Societe Generale's portfolio has similar expected losses to the overall portfolio, but in stress cases, Societe Generale's portfolio deteriorates more rapidly than the overall portfolio**

### **Societe Generale's portfolio is heavily concentrated in subprime RMBS and in earlier vintages**

- 52% of the portfolio is comprised of residential subprime securities, compared to only 36% for all counterparties
- 28% of the portfolio is concentrated in the 2004 vintage, compared to just 18% for all counterparties

**There are fewer high quality assets in Societe Generale's portfolio on a relative basis, but the bottom of the credit spectrum resembles the overall portfolio**

- Only 21% of Societe Generale's portfolio is rated AAA (vs. 36% overall)
- But below Investment Grade is identical between Societe Generale and the total portfolio (18%)



## Societe Generale Portfolio vs. All Portfolios

### Exposure and Collateral Posting Totals

Implied CDO Bond Value Based On:

	Exposure	Rank	Collateral Posted (9/16)	Collateral Posted (10/24)	Collateral Requested (10/24)	Collateral Posted (9/16)	Collateral Posted (10/24)	Collateral Requested (10/24)	BlackRock Intrinsic
All Counterparties	56,900		17,454	10,254	34.39%	49,445	56,646	32,504	33,029
Societe Generale	16,399	1	4,271	8,378	9,767	12,128	8,321	6,532	7,982
Percent of Total	24.5%	1	24.5%	23.7%	26.4%	24.5%	21.9%	20.4%	24.2%

### Prices Implied by Collateral Posting vs. BlackRock Model Price

	Implied Price			IRR used to discount CFs	BlackRock Model Price	
	9/16 Collateral Posted	10/24 Collateral Posted	10/24 Collateral Requested		Base CFs Discounted for IRR	Extreme Stress CFs Discounted at Bond Coupon
All Counterparties	74	55	49	16%	49	53
Societe Generale	74	49	40	16%	49	57

### BlackRock Cashflow Projections

	Cashflows Discounted at Bond Coupon (%) of Current Face			Tranche Principal Losses			Collateral Principal Losses		
	Base	Stress	Extreme Stress	Base	Stress	Extreme Stress	Base	Stress	Extreme Stress
All Counterparties	80	76	53	32	46	54	24	34	46
Societe Generale	89	76	57	35	57	68	25	35	56

## Societe Generale Portfolio vs. All Portfolios

### Sector

	Exposure	Real Subprime	CMBS	Real Alt-A	Other Real (Prime/Agency)	Inner CDUs	ABS (Student Loans, Auto, Credit Cards)	Manuf Housing	Other
All Counterparties	66,899,540	36%	18%	1%	1%	10%	1%	0%	1%
Societe Generale	16,398,762	52%	6%	1%	12%	10%	2%	0%	0%

### Ratings

	Exposure	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Below Baa3	NR
All Counterparties	66,899,540	36%	5%	9%	4%	3%	6%	6%	5%	5%	2%	18%	1%
Societe Generale	16,398,762	21%	8%	11%	6%	6%	10%	5%	3%	5%	2%	18%	1%

### Vintage

	Exposure	2001	2002	2003	2004	2005	2006	2007	2008	Other
All Counterparties	66,899,540	0%	2%	4%	13%	38%	23%	11%	2%	1%
Societe Generale	16,398,762	1%	1%	4%	23%	30%	10%	5%	2%	2%





**Goldman Sachs**

## Goldman Sachs Negotiations

**Negotiating Position:** Goldman Sachs is the least risk averse counterparty, i.e., the only counterparty willing to tear up CDS with AIG at agreed-upon prices and retain CDO exposure

- Goldman approached AIG in August to discuss tearing up the CDS contracts
- BlackRock has advised AIG on tearing up 9 CDS in the Goldman portfolio with a \$3bn notional
  - These transactions were selected because they were distressed positions likely to experience credit events and convert to cash positions in the next few years (converting to cash positions reduces any basis between the CDO and CDS values)
  - The bid-offer spread between AIG and Goldman on these CDS tear-ups is ~\$300 million
- Goldman has expressed a willingness to negotiate tear-ups on additional trades (including 7 synthetic Abacus transactions)

**Concessions:** Goldman would likely accept a small concession but may look to its funders to absorb the loss (or a portion of the loss)

- Goldman's exposure to AIG is limited to the difference between collateral requested (what they are likely posting to swap counterparties) and collateral received at any given time from AIG. While hedging this AIG counterparty risk is expensive, the cost would translate into no more than 2 points on the whole portfolio
- Goldman's swap counterparties are exposed to Goldman Sachs rather than AIG counterparty risk, and are therefore less likely to be receptive to deep concessions

**Access to the Assets:** Goldman has said that it does not hold the cash CDOs, but has back-to-back swaps on most of the positions

### Other Factors

- Because Goldman prices have been consistently lower than third-party prices, Goldman and AIG have negotiated a collateral posting protocol in which Goldman's prices are given a 12% positive haircut for collateral posted to Goldman's requested collateral amount, therefore, is generally 12% higher than the agreed collateral posted at any given time

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## Goldman Sachs Portfolio Overview

### Goldman Sachs is the second largest counterparty

- \$14.5 billion, representing 22% of total counterparty exposure

### \$1.3 billion in additional collateral has been requested, but not posted as of 10/24

- Goldman's collateral request does not reflect any haircut to Goldman prices per the protocol established with AIG, so at least a 12% gap attributable to the haircut will remain as long as the haircut protocol is effective
- BlackRock's projected values are higher than collateral requested, i.e., BlackRock expects the portfolio to perform better than values implied by requested collateral

### The portfolio is projected to experience higher tranche principal losses than the overall portfolio in all cases (e.g., 15% higher than the total portfolio in the base case)

### Despite a significant concentration in prime/agency RMBS, the overall quality of the portfolio is impaired by a large exposure to Alt-A RMBS

- 29% of the Goldman portfolio is prime/agency securities concentrated in a few high-quality CDOs, compared to only 17% for the total portfolio
- However, another 26% of the portfolio is comprised of Alt-A RMBS (vs. 17% of the total)
- Additionally, 55% of Goldman's portfolio is concentrated in 2005 vintage assets (compared to 38% total)

### By rating, Goldman's portfolio is barbelled

- 33% of assets rated AAA (compared to 36%), but 25% are below Investment Grade (compared 18%)

## Goldman Sachs Portfolio vs. All Portfolios

### Exposure

Implied CDO Bond Value Based On:

	Exposure	Rank	Collateral Posted (9/16)	Collateral Posted (10/24)	Collateral Requested (10/24)	Collateral Posted (9/16)	Collateral Posted (10/24)	Collateral Requested (10/24)	BlackRock Intrinsic
All Counterparties	65,300		17,454	30,254	34,396	49,445	36,646	32,504	33,029
Goldman Sachs	14,339	2	6,350	7,834	9,139	8,489	6,705	5,431	6,428
Percent of Total	21.7%	2	34.7%	25.7%	26.52%	17.2%	18.3%	16.52%	17.52%

### Prices

Implied Price

BlackRock Model Price

	9/16 Collateral Posted	10/24 Collateral Posted	10/24 Collateral Requested	IRR used to discount CFs	Base CFs Discounted for IRR	Extreme Stress CFs Discounted at Bond Coupon
All Counterparties	74	55	49	16%	49	63
Goldman Sachs	58	46	37	16%	41	60

### Cashflow Projections

Cashflows Discounted at Bond Coupon (% of Current Face)

Tranche Principal Losses

Collateral Principal Losses

	Base	Stress	Extreme Stress	Base	Stress	Extreme Stress	Base	Stress	Extreme Stress
All Counterparties	86	76	53	32	46	54	24	34	46
Goldman Sachs	83	73	50	17	59	67	30	46	51



# Goldman Sachs Portfolio vs. All Portfolios

## Sector

	Exposure	Resi - Subprime	CMBS	Resi - Alt-A	Other Resi (Prime/Agency)	Inner CDOs	ABS (Student Loans, Auto Credit Cards)	Manuf Housing	Other
All Counterparties	66,899,540	36%	18%	17%	17%	10%	1%	0%	1%
Goldman Sachs	14,539,421	32%	2%	26%	20%	8%	1%	0%	1%

## Rating

	Exposure	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Below Baa3	NR
All Counterparties	66,899,540	36%	5%	9%	4%	3%	6%	6%	5%	5%	2%	18%	1%
Goldman Sachs	14,539,421	38%	6%	6%	3%	2%	5%	3%	3%	5%	3%	25%	1%

## Vintage

	Exposure	2001	2002	2003	2004	2005	2006	2007	2008	Other
All Counterparties	66,899,540	0%	2%	4%	13%	38%	23%	11%	2%	1%
Goldman Sachs	14,539,421	0%	0%	2%	14%	55%	22%	5%	1%	1%





**Deutsche Bank**

## Deutsche Bank Negotiations

**Negotiating Position:** Since AIG owns the funded portions of the reference CDOs, terminating Deutsche Bank's financing facility will involve little negotiation

- Deutsche is financing AIG's position in 2a7 deals, including Project Max (which comprises the vast majority of Deutsche's portfolio with AIG)
- AIG believes that there are no early termination penalties for ending the funding facility
- If it were not terminated, Deutsche Bank's financing would roll off 3 to 6 years in a staggered fashion (and AIG would fund the reference CDOs piecemeal over that period)

**Concessions:** Thus far, Deutsche has not been approached to unwind the facility because of the liquidity benefit that Deutsche has provided to AIG

- Because Deutsche's funding commitment to AIG consumes a large amount of firm capital, we believe Deutsche would be amenable to some concession on the sales
- Deutsche's financing facility has allowed AIG to delay completely funding the Project Max trade and other 2a7 deals (although AIG has posted ~\$2.8bn collateral to Deutsche)
- AIG would be the party to sell the reference CDOs into any structure, after providing to Deutsche the full notional balance (minus any collateral already posted) that Deutsche has funded

**Access to the Assets:** Based on anecdotal information, we believe that Deutsche is holding the reference CDOs

## Deutsche Bank Portfolio Overview

### Deutsche Bank is the third largest counterparty

- \$7.6 billion, representing 11% of total counterparty exposure
- Almost all of the exposure is comprised of the Project Max CDO, which is backed by AAA CMB5 / CRE

### \$0.1 billion in additional collateral has been requested, but not posted as of 10/24

- Although Project Max is not expected to experience any principal losses, collateral posting is driven by CMBX spreads
- The difference between BlackRock's model price in the base case and extreme stress case reflects a higher discount rate applied to the base case cashflows associated vs. discounting at LIBOR for the extreme stress case

*Deutsche's portfolio has virtually no forecast tranche principal losses in all cases*



## Deutsche Bank Portfolio vs. All Portfolios

## Exposure

Exposure	Bank	Collateral Requested (10/24)		Collateral Requested (9/16)		Collateral Requested (10/24)		Collateral Requested (9/16)		BlackRock Intrinsic
		Collateral	Posted (10/24)	Collateral	Posted (10/24)	Collateral	Posted (10/24)	Collateral	Posted (10/24)	
All Counterparties		17,454	30,254	34,396	49,445	36,646	32,504	4,728	4,318	33,029
Deutsche	3	621	2,823	2,910	7,017	4,815	4,728	4,318	4,318	4,318
Percent of Total	11.4%	3	9.3%	8.5%	14.2%	13.1%	14.0%	13.1%	13.1%	13.1%

Imputed DD Bond Value Based On:

## Prices

Imputed Price

9/16 Collateral 10/24 Collateral	Posted	Re requested	IRR used to discount Cfs	Base Cfs Discounted for IRR		Extreme Stress: Cfs Discounted at Bond Coupon
				Base Cfs	Extreme Stress: Cfs	
All Counterparties	72	55	16%	49	57	63
Deutsche	92	63	15%	57	95	95

BlackRock Model Price

## Cashflow Projections

Cashflows Discounted at Bond

Coupon (% of Current Face)

Trade Principal Losses

Collateral Principal Losses

All Counterparties	Base	Stress	Extreme	Base	Stress	Extreme	Base	Stress	Extreme
Deutsche	100	100	100	93	93	93	1	1	1
All Counterparties	86	76	61	32	41	54	24	34	40



## Deutsche Bank Portfolio vs. All Portfolios

### Sector

	Exposure	Resi Subprime	CMB	Resi - Alt A	Other Resi Prime/Agency	Inner CDOs	ABS (Student Loans, Auto, Credit Cards)	Manuf Housing	Other
All Counterparties	66,899,540	36%	18%	17%	17%	10%	1%	0%	1%
Deutsche	7,638,020	1%	91%	0%	0%	0%	0%	0%	0%

### Rating

	Exposure	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Below Baa3	NR
All Counterparties	66,899,540	36%	5%	9%	4%	3%	6%	6%	5%	5%	7%	18%	1%
Deutsche	7,638,020	98%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

### Vintage

	Exposure	2001	2002	2003	2004	2005	2006	2007	2008	Other
All Counterparties	66,899,540	0%	2%	4%	18%	38%	23%	11%	2%	1%
Deutsche	7,638,020	0%	0%	0%	0%	0%	15%	44%	10%	0%

**Merrill Lynch**



## **Merrill Lynch Negotiations**

**Negotiating Position:** Merrill Lynch feels that its inexpensive financing and collateral received from AIG limits any incentive to unwind trades at less than par

- Merrill has indicated that in some cases it has locked in inexpensive, long-term financing for the CDOs for which it has purchased protection from AIG. In other cases, Merrill's financing is short-term
- In discussions regarding sale of the reference CDOs, Merrill was not willing to extend financing under any terms to AIG

**Concessions:** Merrill has been unwilling to sell reference CDOs to AIG below par

- Like Societe Generale, Merrill will likely be resistant to deep concessions because they are satisfied with the current arrangement, but may be receptive to a small concession
- Merrill was not interested in tearing up any CDS with AIG and keeping the reference CDOs

**Access to the Assets:** Based on discussions with traders, Merrill owns many of the reference CDOs and finances them with third-party banks and conduits

## Merrill Lynch Portfolio Overview

**Merrill Lynch is the fourth largest counterparty**

- \$6.4 billion, representing 10% of total counterparty exposure

**There have been no additional collateral requests since 10/24**

- Merrill requests collateral in line with its own marks (rather than third-party marks) on the positions
- BlackRock's projects the portfolio to perform worse than values implied by collateral requested

**Merrill's portfolio is projected to experience higher tranche principal losses than the total portfolio under every scenario**

**The portfolio is heavily overweight subprime and inner CDOs**

- 47% of the portfolio is concentrated in subprime RMBS (compared to 36% overall)
- 20% of the portfolio is comprised of inner CDOs (compared to 10% for the entire portfolio)
- 90% is concentrated in the 2004-2006 vintages (compared to 80% overall)

**Only 19% of the portfolio is rated AAA (compared to 36%), while 25% is below Investment Grade (compared to 18% total)**

## Merrill Lynch Portfolio vs. All Portfolios

### Exposure

Implied CDO Bond Value Based On:

	Exposure	Rank	Collateral Posted (9/16)	Collateral Posted (10/24)	Collateral Requested (10/24)	Collateral Posted (9/16)	Collateral Posted (10/24)	Collateral Requested (10/24)	BlackRock Intrinsic
All Counterparties	56,900		17,454	10,254	34,396	49,445	36,646	32,504	33,029
Merrill Lynch	6,377	4	1,975	3,135	3,135	4,401	3,241	3,241	2,963
Percent of Total	2.52%	4	11.32%	10.42%	2.13%	6.72%	6.8%	10.0%	2.0%

### Prices

Implied Price

BlackRock Model Price

	9/16 Collateral Posted	10/24 Collateral Posted	10/24 Collateral Requested	IRR used to discount CFs	Base CFs Discounted for IRR	Extreme Stress CFs Discounted at Bond Coupon
All Counterparties	71	55	49	16%	47	63
Merrill Lynch	69	51	51	14%	40	57

### Cashflow Projections

Cashflows Discounted at Bond Coupon (% of Current Face)

Tranche Principal Losses

Collateral Principal Losses

	Base	Stress	Extreme Stress	Base	Stress	Extreme Stress	Base	Stress	Extreme Stress
All Counterparties	36	70	63	32	46	54	24	34	46
Merrill Lynch	36	72	57	43	63	71	35	46	59



# Merrill Lynch Portfolio vs. All Portfolios

## Sector

	Exposure	Resi-Subprime	CMB	Resi-A/A	Other Resi (Prime/Agency)	Inner CDOs	ABS (Student Loans, Auto, Credit Cards)	Manuf Housing	Other
All Counterparties	66,800,540	36%	18%	17%	17%	10%	1%	0%	1%
Merrill Lynch	6,376,646	47%	1%	15%	16%	70%	1%	0%	1%

## Rating

	Exposure	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Below Baa3	NR
All Counterparties	66,800,540	36%	5%	9%	4%	3%	6%	6%	5%	5%	2%	18%	1%
Merrill Lynch	6,376,646	19%	7%	12%	4%	3%	7%	4%	5%	8%	4%	21%	1%

## Vintage

	Exposure	2001	2002	2003	2004	2005	2006	2007	2008	Other
All Counterparties	66,800,540	0%	2%	4%	13%	38%	23%	11%	2%	1%
Merrill Lynch	6,376,646	1%	1%	5%	30%	40%	10%	7%	1%	1%

**Calyon**

## Calyon Negotiations

**Negotiating Position:** Calyon is highly dependent on AIG collateral posting because of the lower quality of collateral backing its portfolio, and has been aggressive with collateral requests

- Because of independent amounts (IAs) of collateral due to bond downgrades, Calyon's portfolio is well-collateralized by AIG
- Calyon has not been receptive to tearing up the CDS with AIG and retaining the credit risk of its CDO positions

**Concessions:** Calyon will likely be receptive to a small concession because its portfolio is comprised of CDOs backed by lower quality collateral, but would resist deep concessions because of its overcollateralized position (and because in some cases collateral posting already approaches par)

**Access to the Assets:** Based on anecdotal information, we believe Calyon owns the reference CDOs

### Other Factors:

- For one transaction in the Calyon portfolio (Davis Square V), the bond's downgrade has resulted in AIG's posting of par (bond price = 25 and independent amount upon downgrade = 25, reducing the value to 0)
- AIG has disputed Calyon's collateral request for other transactions in the portfolio (those with marks from Goldman Sachs, since AIG does not give full credit to Goldman's marks for collateral posting purposes). In turn, Calyon will not send the Davis Square V cash CDO to AIG despite the fact that AIG has posted par



## Calyon Portfolio Overview

### **Calyon is the fifth largest counterparty**

- \$4.3 billion, representing 7% of total counterparty exposure

### **\$0.3 billion in additional collateral has been requested since 10/24**

- Calyon is expected to request more collateral due to independent amounts as bonds have been downgraded
- BlackRock's projected values are significantly higher than Calyon's collateral requests, i.e., BlackRock expects the portfolio to perform better than values implied by collateral requests

**Calyon's portfolio is forecast to experience higher tranche principal losses in all scenarios, and exhibits disproportionately worse performance in extreme stress scenarios**

### **The portfolio is heavily overweight subprime and slightly overweight Alt-A**

- 56% is subprime (compared to 36% overall)
- 19% is Alt-A, slightly higher than the total portfolio (17%)
- 53% of the portfolio is concentrated in the 2005 vintage (vs. 38% overall)

**Only 22% of the portfolio is rated AAA (compared to 36%), and 16% is below Investment Grade (compared to 18% total)**



## Calyon Portfolio vs. All Portfolios

### Exposure

Implied CDO Bond Value Based On:

	Exposure	Rank	Collateral Posted (9/16)	Collateral Posted (10/24)	Collateral Requested (10/24)	Collateral Posted (9/16)	Collateral Posted (10/24)	Collateral Requested (10/24)	BlackRock Intrinsic
All Counterparties	65,303		17,454	30,254	34,396	49,445	36,646	32,504	33,029
Calyon	4,327	5	1,231	2,289	2,604	3,096	2,038	1,723	1,953
Percent of Total	6.5%	5	7.1%	7.6%	7.6%	6.3%	5.6%	5.3%	5.9%

### Prices

Implied Price

BlackRock Model Price

	9/16 Collateral Posted	10/24 Collateral Posted	10/24 Collateral Requested	IRR used to discount CFs	Base CFs Discounted for IRR	Extreme Stress CFs Discounted at Bond Coupon
All Counterparties	71	55	49	16%	47	63
Calyon	72	47	40	17%	45	51

### Cashflow Projections

Cashflows Discounted at Bond Coupon (% of Current face)

Tranche Principal Losses

Collateral Principal Losses

	Base	Stress	Extreme Stress	Base	Stress	Extreme Stress	Base	Stress	Extreme Stress
All Counterparties	26	76	63	32	40	34	24	34	40
Calyon	50	74	51	37	67	75	26	42	60



## Calyon Portfolio vs. All Portfolios

### Sector

	Exposure	Resi - Subprime	CMBS	Resi - AL-A	Other Resi (Prime/Agency)	Inner CDOs	ABS (Student Loans, Auto, Credit Cards)	Manuf Housing	Other
All Counterparties	66,899,540	36%	18%	17%	17%	10%	1%	0%	1%
Calyon	4,326,941	56%	5%	19%	10%	10%	0%	0%	0%

### Rating

	Exposure	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Below Baa3	NR
All Counterparties	66,899,540	36%	5%	9%	4%	3%	6%	6%	5%	5%	2%	18%	1%
Calyon	4,326,941	22%	3%	19%	11%	4%	11%	5%	3%	4%	2%	16%	1%

### Vintage

	Exposure	2001	2002	2003	2004	2005	2006	2007	2008	Other
All Counterparties	66,899,540	0%	2%	4%	18%	38%	23%	11%	2%	1%
Calyon	4,326,941	0%	0%	3%	10%	53%	16%	5%	1%	2%



UBS



## UBS Negotiations

**Negotiating Position:** UBS has expressed strong interest in providing seller repo-financing to facilitate AIG's purchase of the CDOs in the UBS portfolio

- Although talks are now on hold, the preliminary term sheet contemplated that the difference between par and the collateral posted would be submitted by AIG to UBS in the form of highly rated CLO collateral, held by UBS with a 10% haircut for AAA-rated positions, and a 35% haircut for positions rated AA, A and BBB
- Much of the focus for the repo transaction centers on Triaxx, a CDO that is nearly half of the UBS portfolio (\$1.9bn out of \$4.2bn), backed by 92% AAA RMBS collateral (53% prime / agency), and is not projected to experience losses in the BlackRock stress case, and little loss in the extreme stress case (value of 95 in the extreme stress case when cash flows are discounted at the bond coupon)

**Concessions:** Because a significant portion of the UBS portfolio (Triaxx) is very high quality with little expectation of losses, UBS is likely to resist any deep concession

**Access to the Assets:** Based on negotiations with UBS, we believe that UBS has repo'd parts of the portfolio (Triaxx and Ischus), but has access to the reference CDOs

## UBS Portfolio Overview

**UBS is the sixth largest counterparty**

- \$4.2 billion, representing 6% of total counterparty exposure

**\$0.6 billion in additional collateral has been requested since 10/24**

- BlackRock expects the portfolio to perform slightly worse than values implied by collateral requested to date

**UBS's portfolio is projected to perform in line with the overall portfolio in each scenario**

**The portfolio is heavily overweight prime/agency and Alt-A RMBS, with a concentration in 2005 and 2006 vintages**

- 30% in each Alt-A and prime/agency (compared to 17% each for the overall portfolio)
- The portfolio is overweight 2006 (35% vs. 23% overall) and underweight 2004 (12% vs. 18% overall)

**While 45% of the portfolio is rated AAA (compared to 36%), 21% is below Investment Grade (compared to 18% total)**

- AAA assets are found in the Triaxx CDO, while the other CDOs in the portfolio are of significantly lower quality

UBS

## Exposure

Implied CDO Bond Value Based On

	Exposure	Rank	Collateral Posted (9/16)	Collateral Posted (10/24)	Collateral Requested (10/24)	Collateral Posted (9/16)	Collateral Posted (10/24)	Collateral Requested (10/24)	BlackRock Intrinsic
All Counterparties	66,500		17,454	30,254	34,396	19,445	36,646	32,504	33,029
UBS	4,218	6	931	1,457	2,065	3,237	2,761	2,154	1,977
Percent of Total	6.3%	6	5.3%	4.5%	6.0%	5.6%	7.5%	6.6%	6.0%

## Prices

Implied Price

BlackRock Model Price

	9/16 Collateral Posted	10/24 Collateral Posted	10/24 Collateral Requested	IRR used to discount CFs	Base CFs Discounted for IRR	Extreme Stress CFs Discounted at Bond Coupon
All Counterparties	74	55	49	16%	49	63
UBS	78	65	51	17%	47	62

## Cashflow Projections

Cashflows Discounted at Bond Coupon (% of Current Face)

Franchise Principal Losses

Collateral Principal Losses

	Base	Stress	Extreme Stress	Base	Stress	Extreme Stress	Base	Stress	Extreme Stress
All Counterparties	86	76	53	32	46	54	24	34	46
UBS	88	77	52	34	45	54	23	37	48



UBS

## Sector

	Exposure	Resi - Subprime	CMB	Resi - A1-A	Other Resi (Prime/Agency)	Inner CDOs	ABS (Student Loans, Auto, Credit Cards)	Manuf Housing	Other
All Counterparties	66,899,540	36%	18%	17%	17%	10%	1%	0%	1%
UBS	1,218,098	35%	1%	30%	30%	3%	0%	0%	0%

## Rating

	Exposure	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Below Baa3	NR
All Counterparties	66,899,540	36%	5%	9%	4%	3%	6%	6%	5%	5%	2%	18%	1%
UBS	1,218,098	45%	4%	5%	2%	3%	5%	2%	3%	7%	2%	21%	1%

## Vintage

	Exposure	2001	2002	2003	2004	2005	2006	2007	2008	Other
All Counterparties	66,800,540	0%	2%	4%	18%	38%	23%	11%	2%	1%
UBS	1,218,098	0%	1%	3%	17%	38%	35%	10%	0%	0%

## Appendices



## Societe Generale Appendix



## Societe Generale CSA Overview from Davis Polk

## CSA Overview

Category	Sub-category	Item	Value	Unit	Notes
Electronics	Smartphones	iPhone 12 Pro Max	1200	USD	Latest model, 128GB storage
	Smartphones	Samsung Galaxy S21	800	USD	Latest model, 128GB storage
	Smartphones	Google Pixel 5	600	USD	Latest model, 128GB storage
	Smartphones	OnePlus 8 Pro	700	USD	Latest model, 128GB storage
	Smartphones	Xiaomi Mi 10 Pro	500	USD	Latest model, 128GB storage
	Smartphones	Huawei P40 Pro	900	USD	Latest model, 128GB storage
	Smartphones	Nokia 7.2	300	USD	Latest model, 128GB storage
	Smartphones	Motorola Moto Z3	400	USD	Latest model, 128GB storage
	Smartphones	LG V50 ThinQ	450	USD	Latest model, 128GB storage
	Smartphones	Sony Xperia 1	1100	USD	Latest model, 128GB storage
Laptops	Ultrabooks	MacBook Pro 13"	1200	USD	Latest model, 16GB RAM
	Ultrabooks	Dell XPS 13	1000	USD	Latest model, 16GB RAM
	Ultrabooks	HP Spectre x360	900	USD	Latest model, 16GB RAM
	Ultrabooks	Acer Swift 5	800	USD	Latest model, 16GB RAM
	Ultrabooks	Lenovo Yoga 920	700	USD	Latest model, 16GB RAM
	Ultrabooks	Microsoft Surface Pro 7	1100	USD	Latest model, 16GB RAM
	Ultrabooks	ASUS ZenBook 13	850	USD	Latest model, 16GB RAM
	Ultrabooks	Alienware m15 R2	1300	USD	Latest model, 16GB RAM
	Ultrabooks	Razer Blade 15	1400	USD	Latest model, 16GB RAM
	Ultrabooks	MSI Stealth 15M	1250	USD	Latest model, 16GB RAM
Tablets	Android Tablets	Google Pixel C	600	USD	Latest model, 128GB storage
	Android Tablets	Samsung Galaxy Tab S7	800	USD	Latest model, 128GB storage
	Android Tablets	OnePlus 7T Pro	700	USD	Latest model, 128GB storage
	Android Tablets	Xiaomi Mi Pad 5	500	USD	Latest model, 128GB storage
	Android Tablets	Huawei MatePad Pro	900	USD	Latest model, 128GB storage
	Android Tablets	Nokia 7.2	300	USD	Latest model, 128GB storage
	Android Tablets	Motorola Moto Z3	400	USD	Latest model, 128GB storage
	Android Tablets	LG V50 ThinQ	450	USD	Latest model, 128GB storage
	Android Tablets	Sony Xperia 1	1100	USD	Latest model, 128GB storage
	Android Tablets	ASUS ZenPad 3S	350	USD	Latest model, 128GB storage
Smart TVs	Smart TVs	Samsung QLED 8K	2000	USD	Latest model, 8K resolution
	Smart TVs	LG OLED 8K	1800	USD	Latest model, 8K resolution
	Smart TVs	Sony Bravia 8K	1900	USD	Latest model, 8K resolution
	Smart TVs	Hisense U7G	1500	USD	Latest model, 8K resolution
	Smart TVs	TCL P7	1200	USD	Latest model, 8K resolution
	Smart TVs	Philips Ambilight	1600	USD	Latest model, 8K resolution
	Smart TVs	BenQ EL2875	1400	USD	Latest model, 8K resolution
	Smart TVs	Viewsonic VP4916	1700	USD	Latest model, 8K resolution
	Smart TVs	Hyundai H8	1300	USD	Latest model, 8K resolution
	Smart TVs	Sharp AQUOS	1100	USD	Latest model, 8K resolution



## Goldman Sachs Appendix



# Goldman Sachs CSA Overview from Davis Polk

## CSA Overview

Topic	Question	Answer	Comments	References
Introduction	What is the purpose of the CSA?	The purpose of the CSA is to provide a framework for the relationship between the parties, covering the legal aspects of the transaction, including the terms, conditions, and governing law.	The CSA is a legal document that defines the relationship between the parties.	The CSA is a legal document that defines the relationship between the parties.
Key Terms	What are the key terms of the CSA?	The key terms of the CSA include the parties, the transaction, the governing law, and the terms, conditions, and governing law.	The key terms of the CSA include the parties, the transaction, the governing law, and the terms, conditions, and governing law.	The key terms of the CSA include the parties, the transaction, the governing law, and the terms, conditions, and governing law.
Legal Aspects	What are the legal aspects of the CSA?	The legal aspects of the CSA include the governing law, the terms, conditions, and governing law, and the legal aspects of the transaction.	The legal aspects of the CSA include the governing law, the terms, conditions, and governing law, and the legal aspects of the transaction.	The legal aspects of the CSA include the governing law, the terms, conditions, and governing law, and the legal aspects of the transaction.
Financial Aspects	What are the financial aspects of the CSA?	The financial aspects of the CSA include the terms, conditions, and governing law, and the financial aspects of the transaction.	The financial aspects of the CSA include the terms, conditions, and governing law, and the financial aspects of the transaction.	The financial aspects of the CSA include the terms, conditions, and governing law, and the financial aspects of the transaction.
Operational Aspects	What are the operational aspects of the CSA?	The operational aspects of the CSA include the terms, conditions, and governing law, and the operational aspects of the transaction.	The operational aspects of the CSA include the terms, conditions, and governing law, and the operational aspects of the transaction.	The operational aspects of the CSA include the terms, conditions, and governing law, and the operational aspects of the transaction.
Conclusion	What is the conclusion of the CSA?	The conclusion of the CSA is that the parties have agreed to the terms, conditions, and governing law of the transaction.	The conclusion of the CSA is that the parties have agreed to the terms, conditions, and governing law of the transaction.	The conclusion of the CSA is that the parties have agreed to the terms, conditions, and governing law of the transaction.





## Deutsche Bank Appendix

## CSA Overview

<p>1. The first part of the text describes the initial situation of the company, which was in a state of financial crisis. The company had lost its main market and was facing severe losses.</p>	<p>2. The second part of the text describes the measures taken by the company to overcome the crisis. The company implemented a series of cost-cutting measures and sought new markets.</p>	<p>3. The third part of the text describes the results of the company's efforts. The company managed to stabilize its financial situation and began to regain its market share.</p>	<p>4. The fourth part of the text describes the company's future plans. The company aims to expand its operations and improve its financial performance.</p>	<p>5. The fifth part of the text describes the company's current status. The company is now in a stable financial position and is working towards further growth.</p>
<p>6. The sixth part of the text describes the company's financial performance over the past year. The company has achieved a significant improvement in its financial results.</p>	<p>7. The seventh part of the text describes the company's market position. The company is now a leading player in its market.</p>	<p>8. The eighth part of the text describes the company's management team. The company has a strong and experienced management team.</p>	<p>9. The ninth part of the text describes the company's products and services. The company offers a wide range of products and services.</p>	<p>10. The tenth part of the text describes the company's future prospects. The company has a bright future and is expected to continue its growth.</p>
<p>11. The eleventh part of the text describes the company's financial performance over the next year. The company is expected to achieve further growth.</p>	<p>12. The twelfth part of the text describes the company's market position. The company is expected to maintain its leading position.</p>	<p>13. The thirteenth part of the text describes the company's management team. The company has a strong and experienced management team.</p>	<p>14. The fourteenth part of the text describes the company's products and services. The company offers a wide range of products and services.</p>	<p>15. The fifteenth part of the text describes the company's future prospects. The company has a bright future and is expected to continue its growth.</p>



## Merrill Lynch Appendix



# Merrill Lynch CSA Overview from Davis Polk

## CSA Overview

CSA Overview					
<p>Section 1: General Provisions</p> <p>Section 2: Definitions</p> <p>Section 3: Representations and Warranties</p> <p>Section 4: Covenants</p> <p>Section 5: Indemnification</p> <p>Section 6: Assignment</p> <p>Section 7: Termination</p> <p>Section 8: Notices</p> <p>Section 9: Miscellaneous</p>	<p>Section 10: Governing Law</p> <p>Section 11: Dispute Resolution</p> <p>Section 12: Entire Agreement</p>	<p>Section 13: Counterparty Risk</p>	<p>Section 14: Credit Default Swap</p>	<p>Section 15: Interest Rate Swap</p>	<p>Section 16: Commodity Swap</p>
		<p>Section 17: Foreign Exchange</p>	<p>Section 18: Structured Finance</p>	<p>Section 19: Derivatives</p>	<p>Section 20: Other Instruments</p>



## Calyon Appendix



## Calyon CSA Overview from Davis Polk

## CSA Overview

Debt Service Funding Transactions / Master Lease - C08-33854	Section	Reference Point - The party making the demand under Paragraphs of the CSA	The four parties jointly fully agreed with the Valuation Dispute Determination, AGP and Caltrans agree that the determination as to the market value of the Reference Shares shall be determined as a binding independent expert identified as selected by agreement between the parties within 60 Business Days and failing that, the Independent Valuer, whose fees and expenses will be met equally by both parties, and AGP and AGP-F shall be agreed to as an Independent Valuer. Caltrans and AGP-F shall each share equally independent duties in determining such matters as to the proper valuation of such shares, shall be deemed to be the Independent Valuer, and it has been agreed by the determination of the Independent Valuer.	The income determined on the basis of the lower of the two rates set forth in the applicable matrix, subject to the foregoing 4.3, except that a withdrawal payment right of AGP and AGP-F Reference Shares (defined in the CSA).	AG's holding in or below BBS (BBS) or not above. Terminals payment determined pursuant to Section 10.4.1.2.2 of the ISJA. Interest Rate and Current Exchange Rate and future value are Affected Factors. This is a minimum bid calculation and shall be a smaller net sum payable.
Auto Parking PI	Section	Reference Point - The party making the demand under Paragraphs of the CSA	The four parties jointly fully agreed with the Valuation Dispute Determination, AGP and Caltrans agree that the determination as to the market value of the Reference Shares shall be determined as a binding independent expert identified as selected by agreement between the parties within 60 Business Days and failing that, the Independent Valuer, whose fees and expenses will be met equally by both parties, and AGP and AGP-F shall be agreed to as an Independent Valuer. Caltrans and AGP-F shall each share equally independent duties in determining such matters as to the proper valuation of such shares, shall be deemed to be the Independent Valuer, and it has been agreed by the determination of the Independent Valuer.	The income determined on the basis of the lower of the two rates set forth in the applicable matrix (see CSA).	AG's holding in or below BBS (BBS) or not above. Terminals payment determined pursuant to Section 10.4.1.2.2 of the ISJA. Interest Rate and Current Exchange Rate and future value are Affected Factors. This is a minimum bid calculation and shall be a smaller net sum payable.





## UBS Appendix

## UBS CSA Overview from Davis Polk

## CSA Overview

<p>1. The first of the two main parts of the report is the introduction. This part is very important because it sets the context for the rest of the report. It should include the background information, the purpose of the study, and the objectives of the research.</p> <p>2. The second part of the report is the literature review. This part is also very important because it shows the researcher's knowledge of the current state of the field. It should include a critical analysis of the existing literature and identify the gaps in the knowledge.</p> <p>3. The third part of the report is the methodology. This part describes the research design, the data collection methods, and the data analysis techniques. It should be clear and concise, so that other researchers can replicate the study.</p> <p>4. The fourth part of the report is the results. This part presents the findings of the study. It should be organized in a logical way, so that the reader can follow the flow of the argument.</p> <p>5. The fifth part of the report is the conclusion. This part summarizes the main findings of the study and discusses their implications. It should also include some suggestions for future research.</p>	<p>1. The first of the two main parts of the report is the introduction. This part is very important because it sets the context for the rest of the report. It should include the background information, the purpose of the study, and the objectives of the research.</p> <p>2. The second part of the report is the literature review. This part is also very important because it shows the researcher's knowledge of the current state of the field. It should include a critical analysis of the existing literature and identify the gaps in the knowledge.</p> <p>3. The third part of the report is the methodology. 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**Goldman Sachs**