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- VI. Counterparty Credit Risk (CCR)**

I. Executive Summary



| | |
|--|---|
| <p>Market Trends (pgs 4-5, 13, 22)</p> <ul style="list-style-type: none"> CDS spreads continued their tightening trend through 2H06 amid strong corporate earnings, cyclically low default rates and demand from structured credit products. Spreads of US auto names continued to recover from the extreme levels seen in late 2005. In the synthetic CDO market, equity tranche spreads tightened and correlation skews flattened amid the stable market environment and, in recent months, due to the introduction of CPDO structures. Global CDO issuance more than doubled to nearly \$400bn, a new all-time record. Citigroup was second in the league tables with an 11.4% market share. | <p>Risk Manager Estimate Stress Testing (pgs 9, 17-18, 26)</p> <ul style="list-style-type: none"> The RME for USCT increased \$32mm to \$206mm in 4Q06, driven by a more defensive CR01 exposure, particularly in non-investment rated credits. Spread tightening stress assumptions for high yield were lowered given the already tight spread environment. The RME for US Correlation Trading decreased from \$89mm to \$50mm in 4Q06 on decreased iTraxx Cor01 exposure. The RME for the CDO Warehouse increased by \$10mm to \$159mm in 4Q06 from higher ABS spread exposure. The RME for the CDO Ex-Warehouse was little changed at \$151mm. |
| <p>Market Risk Exposures (pgs 6-8, 14-16, 23-25, 30-31, 35-36)</p> <ul style="list-style-type: none"> With spreads at cyclical lows, the USCT desk became increasingly positioned for spreads to widen, particularly in high yield names. It remained primarily net long credit in overnight, jump-to-default terms. Exposure to single names is not unduly concentrated. US Correlation Trading flattened its net correlation exposure during the period. The Cash CDO warehouse grew by \$3.3bn due to a number of high grade ABS CDO deals in various stages of ramp-up. Demand for CLOs remained strong. GPO bought over \$20bn in CDS protection to bring its outstanding GPM loan hedge program to over \$60bn. Most protection purchased during the period was in investment grade credits for RAP asset relief purposes. | <p>P&L Results (pgs 10, 19, 27, 32, 37)</p> <ul style="list-style-type: none"> USCT's P&L results improved substantially in 2H06, lifting YTD P&L to 72% of the \$90mm plan. P&L for NA Structured Credit Derivatives was weak compared with 1H06. Correlation Trading was impacted by changes to analytics used to value synthetic tranches and higher bid/offer and liquidity reserves. The TRS business reversed \$12mm in previously taken upfront gains in November. Cash CDO monthly P&L averaged \$35mm during the period on the back of record CDO issuance and remained on track to make its \$435mm full year budget. Losses for the GPO loan hedging program were \$(240)mm as the program continued to suffer from spread tightening, particularly in autos, leaving YTD losses through November at more than \$(450)mm. |
| <p>New Products / CMAC Review (pgs 11, 20, 28, 33, 38)</p> <ul style="list-style-type: none"> NA Structured Credit Derivatives submitted a number of requests to CMAC for one-off and program approval amid continued product innovation, particularly in the Correlation Trading arena. The Cash CDO desk took a number of new products to CMAC, including Leveraged Super Senior Notes (LSS) and a number of novel financing transactions that vary slightly from the more conventional warehouse facility agreements. With the advent of the Loan-only CDS (LCDS) market, the GPO-GPM desk obtained CMAC approval to buy LCDS to hedge loans. Going forward, this should reduce the basis risk that exists between the underlying loans and the CDS contract that primarily reference senior unsecured bonds on CDS that reference senior unsecured debt. | |

Mapping to
...
more closely
to US vs
Euro
nic

II. US Credit Trading: Key Market Risk Exposures



- The desk cut its net short protection position in late summer, opening a short credit / long protection position in September and October as the market continued to rally. It sharply reversed its jump-to-default position in October as demand for CPDO structures sent spreads tighter
- The desk increased its CR01 exposure during the period, remaining positioned for spreads overall to widen, especially in single B names
- The desk decreased its structural long Cash / short CDS basis risk exposure from \$(3.0)mm to \$(2.1)mm/bp

Notional/ Market Value \$MM

| Ratings |
|-------------|
| AAA |
| AA |
| A |
| BBB |
| BB |
| B |
| CCC & Lower |
| Total |

| 30-Jun-06 | 31-Jul-06 | 31-Aug-06 | 30-Sep-06 | 31-Oct-06 | 30-Nov-06 |
|-----------|-----------|-----------|-----------|-----------|-----------|
| 249 | 278 | 274 | 256 | 237 | 291 |
| (46) | 28 | 179 | 123 | 153 | 221 |
| 878 | 774 | 691 | 862 | 413 | 1,099 |
| (401) | (156) | (1,144) | (1,677) | (2,244) | (409) |
| (270) | (173) | (144) | (612) | (390) | (510) |
| 416 | 361 | 20 | (272) | (J) | 162 |
| 296 | 194 | 264 | 12 | 41 | 398 |
| 1,123 | 1,306 | 141 | (1,309) | (1,793) | 1,251 |

CR01 \$K/+1bp

| Ratings |
|-------------|
| AAA |
| AA |
| A |
| BBB |
| BB |
| B |
| CCC & Lower |
| Total |

| 30-Jun-06 | 31-Jul-06 | 31-Aug-06 | 30-Sep-06 | 31-Oct-06 | 30-Nov-06 |
|-----------|-----------|-----------|-----------|-----------|-----------|
| 65 | 36 | 32 | (2) | 42 | 31 |
| 193 | 151 | 124 | 107 | 199 | 223 |
| 159 | 369 | 537 | 480 | 629 | 325 |
| (617) | (767) | (487) | (497) | (178) | (555) |
| 37 | (58) | (62) | 82 | 124 | 176 |
| 784 | 747 | 839 | 1,073 | 1,199 | 1,145 |
| (54) | 22 | 69 | (149) | (48) | 308 |
| 567 | 501 | 1,052 | 1,094 | 1,969 | 1,654 |

Basis CR01 \$K/+1bp

| Ratings |
|-----------------|
| Bonds |
| Single Name CDS |
| Index CDS |
| Total |

| 30-Jun-06 | 31-Jul-06 | 31-Aug-06 | 30-Sep-06 | 31-Oct-06 | 30-Nov-06 |
|-----------|-----------|-----------|-----------|-----------|-----------|
| (3,037) | (2,885) | (2,512) | (2,006) | (1,909) | (2,098) |
| 3,934 | 3,897 | 4,140 | 3,677 | 4,299 | 3,859 |
| (329) | (511) | (576) | (578) | (421) | (108) |
| 567 | 501 | 1,052 | 1,094 | 1,969 | 1,654 |

II. US Credit Trading: Single Name Concentrations



Top 10 exposures ranked by limit usage

| 30-Jun-06 | | | | 31-Jul-06 | | | | 31-Aug-06 | | | |
|----------------------------------|--------|-------|-------|-------------------------------|--------|-------|-------|---|--------|-------|-------|
| Issuer | Rating | Exp | Usage | Issuer | Rating | Exp | Usage | Issuer | Rating | Exp | Usage |
| First Wave Marine Inc | <- CCC | (75) | 100% | Goodyear Tire & Rubber Co | B | 121 | 81% | Goodyear Tire & Rubber Co | B | 125 | 83% |
| Sovereign Bancorp Inc | BB | (244) | 98% | Supervalu Inc | B | 135 | 75% | Occidental Petroleum Corp | <-CCC | (57) | 76% |
| Supervalu Inc | B | 146 | 81% | Continental Airlines Inc | <- CCC | (48) | 64% | Intelsat Holdings Ltd | <-CCC | (48) | 64% |
| Graham Packaging Co Inc | B | 120 | 80% | Aquila Inc | <- CCC | 44 | 58% | Ford Motor Co | B | 140 | 56% |
| Continental Airlines Inc | <- CCC | (57) | 76% | Occidental Petroleum Corp | <- CCC | (42) | 56% | Aquila Inc | <-CCC | 40 | 53% |
| Welch Carson Anderson | <- CCC | 50 | 67% | JC Penney Co Inc | BBB- | (178) | 51% | Supervalu Inc | B | 95 | 53% |
| Forest Oil Corp | B | 93 | 62% | Intelsat Holdings Ltd | <- CCC | (37) | 50% | DJ CDX NA XO | BB | 131 | 52% |
| JC Penney Co Inc | BBB- | (188) | 54% | CBS Corp | BBB- | (170) | 49% | DJ CDX NA 1G High Vol | BBB- | 251 | 50% |
| DJ CDX NA XO | BB | 130 | 52% | Southwest Airlines Co | BBB+ | (237) | 47% | Starwood Hotels & Resorts Worldwide Inc | <-CCC | (36) | 48% |
| Hess Corp | BB | (117) | 47% | | | | | | | | |
| | | | 72% | | | | | | | | |
| 29-Sep-06 | | | | 31-Oct-06 | | | | 30-Nov-06 | | | |
| Issuer | Rating | Exp | Usage | Issuer | Rating | Exp | Usage | Issuer | Rating | Exp | Usage |
| Goodyear Tire & Rubber Co Inc | B | 121 | 81% | Goodyear Tire & Rubber Co Inc | B | 114 | 74% | Tenet Healthcare Corp | C | 97 | 77% |
| American International Group Inc | BBB | 259 | 65% | General Motors Corp | <-CCC | 151 | 60% | Goodyear Tire & Rubber Co Inc | B | 130 | 74% |
| Intelsat Holdings Ltd | <-CCC | (44) | 58% | NA HY Indexes rated B | B | (169) | 56% | Lyondell Chemical Co | <-CCC | 53 | 70% |
| Tenet Healthcare Corp | C | (43) | 57% | DJ CDX NA IG | BBB- | 412 | 55% | Lyondell Chemical Co | <-CCC | 53 | 70% |
| Supervalu Inc | B | 76 | 51% | Visteon Corp | <-CCC | (40) | 53% | American International Group Inc | A | 359 | 60% |
| Continental Airlines Inc | <-CCC | (36) | 49% | Aquila Inc | <-CCC | 38 | 51% | Aquila Inc | <-CCC | 43 | 57% |
| Southwest Airlines Co | BBB+ | (236) | 47% | Southwest Airlines Co | BBB+ | (239) | 48% | Xcel Energy Inc | D | 41 | 54% |
| Avis Budget Group Inc | <-CCC | (34) | 45% | JC Penney Co Inc | BBB- | (165) | 47% | El Paso Corp | B | 78 | 52% |
| Aquila Inc | <-CCC | 34 | 45% | Tenet Healthcare Corp | C | 35 | 47% | Cablevision Systems Corp | C | 39 | 52% |
| | | | | | | | | DJ CDX NA IG | BBB- | 1,542 | 51% |

- Highlighted names indicate that utilization has been consistently concentrated among a few selective names during the period

II. US Credit Trading: Limit Activity



Limit Excesses

| Date of Excess | Limit | Description | Actual Resolution Date |
|----------------|-----------------------|--|------------------------|
| 11/14/2006 | Single Issuer (GM) | The desk exceeded its GM temporary limit exception of \$250MM by \$30MM, or by 12% | 11/16/2006 |
| 11/17/2006 | Single Issuer (Tenet) | The desk exceeded its Tenet (CCC & below) limit of \$75MM by \$2MM, or less than 3% | 11/22/2006 |
| 12/13/2006 | Single Issuer (HCA) | The desk exceeded its HCA (CCC & below) temporary sub limit exception of \$150MM by \$1MM, or less than 1% | 12/18/2006 |

Limit Exceptions

| Exception Date | Limit | Exception | Expiry Date |
|----------------|---|---|-------------|
| 8/15/2006 | Single Issuer (GM) | The limit was increased for parent GM from \$75mm to \$150mm and limit for GMAC and Rescap bonds (rated BB) were kept at \$250mm. | 11/13/2006 |
| 8/24/2006 | Single Issuer (Delta) | As the bulk of the EETC related debts were rated AAA the limit for those were increased from \$75mm to \$150mm while capping the <= BB issues at \$75mm. | 11/22/2006 |
| 9/25/2006 | Single Issuer (Continental Airlines) | It allowed the business to buy higher rated pass-through certificates with increase in limit from \$75mm to \$250mm while capping the <= BB issues at \$75mm. | 12/22/2006 |
| 10/30/2006 | Single Issuer (Ford) | This exception allows us to segregate between Ford parent and higher rated Ford Motor Credit for single issuer limit monitoring purposes. Specifically it allows Ford Motor Credit to get \$250mm limit while capping the limit for Ford parent at \$150mm. | 1/11/2007 |
| 11/13/2006 | Single Issuer (HCA) | It allowed the business to accumulate more issues in its strategic account following LDO announcement which also resulted in downgrade of HCA senior unsecured debts to CCC. CCC limit was increased from \$75mm to \$150mm and B limit was increased by \$100mm from \$150mm to \$250mm. | 5/30/2007 |
| 11/14/2006 | Single Issuer (GM) | The limit was increased for parent GM from \$75mm to \$150mm and limit for GMAC and Rescap bonds (rated BB) were kept at \$250mm. | 2/12/2007 |
| 11/16/2006 | Single Issuer (Freescale Semiconductor) | Total single issuer (B&BB) limit was increased to \$200mm from \$150mm, keeping a cap on the single issuer B limits at \$150mm; this accommodated increased activity subsequent to the pricing of \$5.9bn in new debt | 1/15/2007 |
| 11/21/2006 | Single Issuer (TENET) | TENET limit was increased from \$75mm to \$125mm to accommodate increased flow for strategic hold | 2/19/2007 |
| 11/22/2006 | Single Issuer (GoodYear) | GoodYear limit of \$150MM was increased to \$175mm to accommodate customer flow | 2/19/2006 |
| 11/30/2006 | Single Issuer (GMAC & Rescap) | This exception was required as GM sold GMAC to Carebus and needed separate entity exception. | 2/12/2007 |

Permanent Limit Changes

| Effective Date | Limit | Description |
|----------------|--|--|
| 11/3 | Limits for CDS Indices will be removed and replaced with trigger structure | The proposal is to retain triggers against index-only exposures to alert us to a build-up in risk concentration until business is able to properly decompose indices into their constituent names both for CRO1 and JTD purposes |

Aggregate limits to be instituted

II. US Credit Trading: Quarterly RME Stress Testing



- The RME increased \$32mm to \$206mm from 3Q06 to 4Q06, driven by increased CR01 exposure, specifically in non-investment grade credits
- With spreads reaching new cyclical lows, the desk continued to position itself to benefit from spread widening
- Historically low spread levels in high yield led to a change in spread-tightening scenario for non-investment grade names: stress moves for BB, B and CCC & below were eased 25bps, 50bps and 100bps, respectively.

| Factor Sensitivity | 4Q06 | | | | 3Q06 | | | | Difference | |
|--------------------------|----------------|----------------|-------------|------------|----------------|----------------|-------------|------------|------------|------|
| | Avg Act \$K/bp | Avg Abs \$K/bp | Stress Move | P&L (\$MM) | Avg Act \$K/bp | Avg Abs \$K/bp | Stress Move | P&L (\$MM) | Exposure | P&L |
| US Credit Trading | | | | (206) | | | | (174) | | (32) |
| CR01 | | 1554 | | (169) | 391 | 469 | | (120) | 1,085 | (49) |
| AAA | 18 | 19 | (15) | (0) | 41 | 41 | (15) | (1) | 0 | (22) |
| AA | 158 | 160 | (15) | (2) | 156 | 156 | (15) | (2) | 4 | (0) |
| A | 548 | 549 | (20) | (11) | 216 | 250 | (20) | (5) | 299 | (6) |
| BBB | (449) | (450) | (25) | 11 | (693) | (700) | (25) | 18 | 250 | (6) |
| BB | 41 | 76 | (75) | (6) | 8 | 78 | (100) | (8) | (2) | 2 |
| B | 1056 | 1056 | (100) | (106) | 714 | 716 | (150) | (107) | 340 | 2 |
| CCC | 24 | 144 | (175) | (25) | (51) | (71) | (275) | 20 | 215 | (45) |
| DV01 | (68) | (88) | 75 | (7) | (204) | (203) | 75 | (15) | | 9 |
| Basis Risk (MM/bp) | | | | (30) | | | | (34) | | 4 |
| Yield Curve Risk (MM/bp) | | | | (31) | | | | (39) | | 8 |

*Bank Positioned
for credit spread
widened*

II. US Credit Trading: P&L Summary



| US Credit Trading | 31-Jul-06 | 31-Aug-06 | 30-Sep-06 | 31-Oct-06 | 30-Nov-06 | YTD 2006 | 2006 Plan | Run Rate |
|----------------------|----------------|--------------|---------------|--------------|---------------|---------------|---------------|------------|
| Investment Grade | (285) | (2,486) | 4,192 | 3,598 | 1,170 | 26,007 | | |
| Investment Grade CDS | (3,220) | 2,728 | 3,148 | 1,170 | 116 | (177) | | |
| High Yield | 3,834 | 4,693 | 6,037 | 5,629 | 18,468 | 78,305 | | |
| High Yield CDS | (5,275) | (2,618) | (2,747) | (3,688) | 2,753 | (44,520) | | |
| Total | (4,946) | 2,317 | 10,629 | 6,709 | 22,507 | 59,615 | 90,000 | 72% |

- YTD P&L through November was \$59.6mm, or 72% of 2006 prorated plan
- P&L highlights over the July – November 2006 period include:
 - In July, the desk reported P&L of \$(4.9)mm from spread tightening in the consumer products and supermarket retail sectors, spread tightening in the CDX HiVol index and spread widening in High Yield index names
 - In September, P&L of \$10.6mm was broad-based, although index trading benefited from increased flow due to the CDX roll
 - In November, the desk reported P&L of \$22.5mm, mostly driven by gains from bid/ask spreads earned on CDS protection sold to GPM's loan portfolio, gains from flow trading in the new HCA and Freescale high yield debt issues, and rallying bond prices in the airline, auto, precious metal and hospital sectors

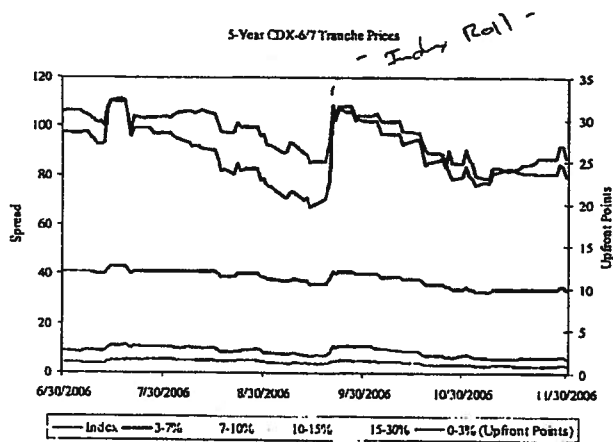
II. US Credit Trading: New Products / CMAC



- None

III. NA Structured Credit Derivatives

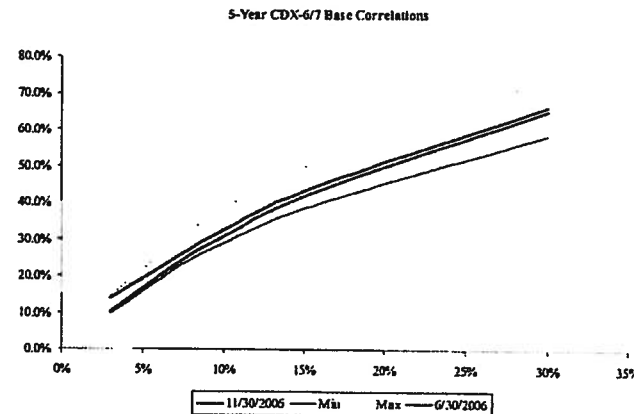
III. NA Structured Credit: Market Trends



Source: Citigroup

- Base correlation skews continued the flattening trend seen since the price correction of 2Q05, partly as a result of the favorable credit environment, but also due to the introduction of CPDO's into the market

- Five-year and ten-year index tranche levels jumped up as a result of the increase in duration caused by the roll into CDX-7
- Tranches spreads subsequently declined because of the benign credit environment, although the introduction of CPDO's led to a moderate increase in senior tranche levels from their six-month lows



Source: Citigroup

III. NA Structured Credit: Key Market Risk Exposures



US Correlation Trading

- Jump-to-Default and spread exposures remained concentrated in Single-A and BBB credits, consistent with the desk's primary activity in CDX Investment Grade index tranches. The desk remained net long protection in tranches and net short protection in index/single name CDS
- Outright correlation exposure decreased, primarily driven by the decrease in super senior correlation exposure and a flattening in offsetting junior mezz and equity correlation exposure
- The desk's legacy synthetic super senior exposure that is not decomposed into the underlying names reduced to \$2bn

Notional / Market Value \$MM

| Rating | 30-Jan-06 | 31-Jul-06 | 31-Aug-06 | 30-Sep-06 | 31-Oct-06 | 30-Nov-06 |
|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| AAA | (5) | (87) | (67) | (25) | (58) | (67) |
| AA | 128 | 69 | 56 | 243 | 115 | 212 |
| A | 1,269 | 821 | 687 | 1,447 | 923 | 1,850 |
| BBB | 3,091 | 2,300 | 2,077 | 2,583 | 2,360 | 3,534 |
| BB | 167 | 50 | 17 | (290) | (141) | 126 |
| B | 39 | 97 | 132 | (9) | (34) | (7) |
| CCC&Lower | (1) | 37 | 17 | (127) | (74) | (21) |
| Total | 4,688 | 3,381 | 2,898 | 3,824 | 3,091 | 5,828 |

CR01 \$K+1bp

| Rating | 30-Jan-06 | 31-Jul-06 | 31-Aug-06 | 30-Sep-06 | 31-Oct-06 | 30-Nov-06 |
|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| AAA | (30) | (1) | 12 | 70 | 73 | 43 |
| AA | (59) | (73) | (17) | 89 | 95 | 47 |
| A | (264) | (180) | (160) | 37 | 120 | (227) |
| BBB | (448) | (342) | (447) | (399) | (392) | (687) |
| BB | (91) | (81) | (75) | (74) | (28) | (82) |
| B | (27) | (19) | (30) | (32) | 29 | 9 |
| CCC&Lower | 72 | 83 | 42 | 214 | 25 | 39 |
| Total | (846) | (612) | (676) | (75) | (78) | (857) |

Notional \$MM

| Rating | 30-Jan-06 | 31-Jul-06 | 31-Aug-06 | 30-Sep-06 | 31-Oct-06 | 30-Nov-06 |
|--------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Super Senior | 2,971 | 2,971 | 2,137 | 2,137 | 2,137 | 2,137 |
| Total | 2,971 | 2,971 | 2,137 | 2,137 | 2,137 | 2,137 |

CR01 \$K+1bp

| Product | 30-Jan-06 | 31-Jul-06 | 31-Aug-06 | 30-Sep-06 | 31-Oct-06 | 30-Nov-06 |
|--------------|-----------|-----------|-----------|-----------|-----------|-----------|
| CDS | (2,240) | (3,335) | (3,126) | (884) | (1,090) | (2,070) |
| Tranches | 1,401 | 2,717 | 2,444 | 815 | 1,017 | 1,218 |
| Other Assets | (7) | 5 | 6 | (6) | (5) | (5) |
| Total | (846) | (612) | (676) | (75) | (78) | (857) |

\$K/corrupt

| Tranche | 30-Jan-06 | 31-Jul-06 | 31-Aug-06 | 30-Sep-06 | 31-Oct-06 | 30-Nov-06 |
|------------------|-------------|-------------|-------------|-----------|-------------|-----------|
| Super Senior | 1,891,632 | 638,614 | 888,506 | 333,573 | 878,648 | 397,601 |
| Senior | (442,147) | (58,832) | (152,259) | (132,780) | (197,867) | (92,699) |
| Senior Mezzanine | 259,456 | 917,380 | 697,478 | 714,264 | 874,780 | 830,064 |
| Junior Mezzanine | 1,214,672 | 1,274,089 | 668,255 | 121,657 | (596,502) | 126,176 |
| Equity | (1,391,976) | (1,755,385) | (1,766,362) | (969,863) | (1,546,090) | (695,980) |
| Total | 1,331,436 | 1,015,646 | 335,618 | 66,851 | (587,831) | 565,163 |

\$K/corrupt

| Index Tranche | 30-Jan-06 | 31-Jul-06 | 31-Aug-06 | 30-Sep-06 | 31-Oct-06 | 30-Nov-06 |
|------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Super Senior | 1,156,904 | (68,834) | 117,319 | 150,177 | 252,641 | (210,600) |
| Senior | (570,093) | (83,054) | (139,361) | (203,833) | (197,873) | (103,309) |
| Senior Mezzanine | (472,625) | 161,087 | 9,576 | (36,201) | 527,381 | 591,903 |
| Junior Mezzanine | 385,505 | 584,348 | 243,504 | (541,720) | (793,095) | (112,786) |
| Equity | 142,220 | (122,219) | (125,605) | 909,913 | (375,108) | (466,785) |
| Total | 841,909 | 471,327 | 105,433 | 278,316 | (586,055) | (301,576) |

\$K/corrupt

| Resepce Tranche | 30-Jan-06 | 31-Jul-06 | 31-Aug-06 | 30-Sep-06 | 31-Oct-06 | 30-Nov-06 |
|------------------|-------------|-------------|-------------|-------------|-------------|-----------|
| Super Senior | 734,528 | 707,448 | 810,656 | 743,711 | 708,080 | 622,900 |
| Senior | 127,948 | 24,203 | 15,812 | 131,137 | 344,531 | (8,510) |
| Senior Mezzanine | 732,081 | 756,293 | 625,019 | 468,723 | 115,512 | 235,791 |
| Junior Mezzanine | 629,167 | 689,741 | 466,089 | 469,643 | (1,169,089) | 142,799 |
| Equity | (1,734,196) | (1,633,365) | (1,737,318) | (1,760,392) | (966) | (126,239) |
| Total | 489,528 | 544,320 | 180,259 | 52,842 | (966) | 866,741 |

III. NA Structured Credit: Key Market Risk Exposures



US Exotics / Structuring

- Risk exposures remained relatively modest and somewhat static during the period, although the desk has plans to develop exotic credit-linked structures to be offered to investors.

Notional / Market Value SMM

| Rating | 30-Jun-06 | 31-Jul-06 | 31-Aug-06 | 30-Sep-06 | 31-Oct-06 | 30-Nov-06 |
|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| AAA | (57) | 94 | 95 | 95 | 95 | 96 |
| AA | (11) | (11) | (11) | (11) | (11) | (11) |
| A | (4) | (7) | (7) | (7) | (7) | (7) |
| BBB | 31 | 0 | 0 | 1 | 1 | 4 |
| BB | 0 | 1 | 1 | 1 | 1 | 1 |
| B | (9) | (9) | (9) | (9) | (9) | (9) |
| CCC&Lower | - | - | - | - | - | - |
| Total | (49) | 68 | 69 | 69 | 69 | 73 |

CR01 SK/+1bp

| Rating | 30-Jun-06 | 31-Jul-06 | 31-Aug-06 | 30-Sep-06 | 31-Oct-06 | 30-Nov-06 |
|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| AAA | (4) | (62) | (76) | (76) | (78) | (88) |
| AA | (3) | (5) | (6) | (4) | (6) | (6) |
| A | (15) | (18) | (23) | (29) | 231 | (40) |
| BBB | (13) | 2 | 10 | 2 | 24 | (1) |
| BB | 1 | 1 | 1 | 1 | 46 | 1 |
| B | 3 | 3 | 3 | 3 | 49 | 3 |
| CCC&Lower | - | - | - | - | - | - |
| Total | (31) | (79) | (91) | (104) | 267 | (131) |

SK/volpt

| Vega | 30-Jun-06 | 31-Jul-06 | 31-Aug-06 | 30-Sep-06 | 31-Oct-06 | 30-Nov-06 |
|----------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Corporate Vega | 798 | 803 | 849 | 830 | 807 | 760 |
| Libor Vega | (325) | (317) | (296) | (276) | (263) | (226) |
| Treasury Vega | - | - | - | - | - | - |
| Spread Vega | - | - | - | - | - | - |
| Total | 474 | 485 | 553 | 554 | 543 | 534 |

CR01 SK/+1bp

| Product | 30-Jun-06 | 31-Jul-06 | 31-Aug-06 | 30-Sep-06 | 31-Oct-06 | 30-Nov-06 |
|---------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Cash Products | (435) | (453) | (487) | (505) | (514) | (544) |
| Exotics & CDS | 403 | 374 | 396 | 401 | 781 | 413 |
| Total | (31) | (79) | (91) | (104) | 267 | (131) |

III. NA Structured Credit: Quarterly RME Stress Testing



US Correlation Trading

- The RME decreased from \$89mm in 3Q06 to \$50mm in 4Q06 driven by decrease in CR01 exposure and iTraxx / CDX Corr01 exposure
- Because of a change in risk profile, a spread tightening scenario was used to stress the desk's spread exposure in 4Q06 as opposed to the spread widening scenario used in the prior quarter
- The Stress P&L impact from Corr01 exposure declined in 4Q06 due to a decline in exposure and a change in the way the desk rescaled its correlation skew on certain bespoke trades from iTraxx to CDX

| Factor Sensitivity | 4Q06 | | | | 3Q06 | | | | Difference | |
|--------------------|--------------------|------------------|-------------|-------------|--------------------|------------------|-------------|-------------|------------|-----------|
| | Actual Avg. \$K/bp | Abs. Avg. \$K/bp | Stress Move | P&L (\$MM) | Actual Avg. \$K/bp | Abs. Avg. \$K/bp | Stress Move | P&L (\$MM) | Exposure | P&L |
| NA Correlation | | | | | | | | | | |
| Spread DV01 | (131) | | | (3) | (590) | | | (9) | 459 | 6 |
| AAA | 68 | 68 | (15) | (1) | (7) | (14) | 30 | (6) | 74 | (1) |
| AA | 91 | 92 | (15) | (1) | (13) | (45) | 30 | (1) | 123 | (0) |
| A | 97 | 149 | (20) | (3) | (154) | (163) | 40 | (7) | 251 | 4 |
| BBB | (384) | (389) | (25) | 10 | (353) | (353) | 60 | (21) | (31) | 31 |
| BB | (46) | (51) | (75) | 4 | (88) | (88) | 250 | (22) | 42 | 26 |
| B | 3 | 25 | (100) | (2) | (24) | (26) | 375 | (10) | 26 | 7 |
| B | 41 | 51 | (175) | (9) | 68 | 70 | 750 | 52 | (26) | (61) |
| CCC | | | | | | | | | | |
| DV01 | 12 | 31 | (75) | (2) | 52 | 52 | (75) | (4) | (40) | 2 |
| CDX Corr01 | | | | (34) | | | | (40) | 1 | 6 |
| 5yr | (0.30) | 0.11 | (16) | (18) | 0.50 | 5.45 | (3) | (17) | (1) | (1) |
| 7yr | 0.14 | 0.56 | (2) | (11) | (0.31) | (4.82) | 0 | (2) | 0 | (9) |
| 10yr | 0.36 | (0.15) | 4 | (5) | (0.76) | (3.48) | 6 | (21) | 1 | 15 |
| ITRAXX Corr01 | | | | (5) | | | | (30) | 0 | 25 |
| 5yr | 0.20 | 0.16 | (2) | (3) | 1.00 | 2.20 | (7) | (16) | (1) | 14 |
| 7yr | (0.02) | (0.02) | 4 | (1) | 0.51 | 1.57 | (6) | (9) | (1) | 9 |
| 10yr | 0.07 | 0.10 | (2) | (2) | 0.14 | 1.95 | (2) | (4) | (0) | 3 |
| HYCDX Corr01 | | | | (1) | | | | (1) | 0 | 1 |
| 5yr | (0.02) | (0.02) | 4 | (1) | 0.08 | 1.50 | (1) | (1) | (0) | 1 |
| Super Senior CR01 | 825,679.43 | 1,026,635 | (5) | (5) | 825,679.43 | 1,026,635 | (5) | (5) | 0 | 0 |
| RME | | | | (50) | | | | (89) | | 39 |

* Because spreads were at historical lows for this quarter, standard spread tightening stresses were not employed

III. NA Structured Credit: Quarterly RME Stress Testing



US Exotics / Structuring

- The RME increased from \$8mm in 3Q06 to \$11mm in 4Q06 stemming from larger Non-Investment Grade CR01 exposure

Credit Products Quarterly Market Risk Stress Test

| Factor Sensitivity | 4Q06 | | | | 3Q06 | | | | Difference | |
|--------------------|------------------|----------------|-------------|------------|------------------|----------------|-------------|------------|------------|-----|
| | Avg Actual SK/bp | Avg Abs. SK/bp | Stress Move | P&L (\$MM) | Avg Actual SK/bp | Avg Abs. SK/bp | Stress Move | P&L (\$MM) | Exposure | P&L |
| NA Exotics | | | | (11) | | | | (8) | | (3) |
| Spread DV01 | (29) | (31) | | (4) | (74) | (84) | | (2) | 45 | (2) |
| AAA | (73) | (75) | (15) | 1 | (58) | (58) | 30 | (2) | (15) | 3 |
| AA | (5) | (5) | (15) | 0 | (0) | (7) | 30 | (0) | (5) | 0 |
| A | (26) | (26) | (20) | 1 | (16) | (16) | 40 | (1) | (10) | 1 |
| BBB | 17 | 18 | (25) | (0) | (4) | (7) | 60 | (0) | 21 | (0) |
| BB ¹ | 26 | 26 | (75) | (2) | 1 | 1 | 250 | 0 | 25 | (2) |
| B ¹ | 31 | 31 | (100) | (3) | 3 | 3 | 375 | 1 | 28 | (4) |
| CCC ¹ | 0 | 0 | (175) | 0 | 0 | 0 | 750 | 0 | 0 | 0 |
| DV01 | (38) | (40) | 75 | (3) | (35) | (35) | 75 | (3) | (2) | (0) |
| Net Vega | 533 | 533 | (8) | (4) | 501 | 501 | (8) | (4) | 32 | (0) |

Notes 4Q06

* Simple sum of average absolutes is used as desk RME sum in master spreadsheet.

III. NA Structured Credit: P&L Summary

method change



| US Structured Credit Products | 31-Jul-06 | 31-Aug-06 | 30-Sep-06 | 31-Oct-06 | 30-Nov-06 | YTD 2006 | 2006 Plan | Run Rate |
|-------------------------------------|-----------|-----------|-----------|-----------|-----------|----------|-----------|----------|
| Correlation Trading | 3,481 | (6,093) | 371 | (6,862) | (2,363) | 49,324 | | |
| TRS | 1,371 | 4,702 | 2,462 | 2,887 | (11,977) | 44,719 | | |
| Exotics/Structured Finance | 7,813 | 6,198 | 5,085 | 1,583 | 8,288 | 58,211 | | |
| Total | 12,665 | 4,806 | 7,918 | (2,392) | (6,052) | 152,254 | 75,000 | 221% |
| Letters of Credit Insurance Expense | (3,149) | (3,068) | 0 | (3,314) | (6,107) | (37,017) | | |
| Total Net of LC Insurance Expense | 9,516 | 1,739 | 7,918 | (5,706) | (12,159) | 115,237 | 75,000 | 168% |

- Total P&L averaged \$3.4mm per month during the period. 2006 YTD P&L through November, prior to the cost of certain hedging contracts accounted for as insurance expense, totaled \$152.3mm, or 221% of prorated plan
- P&L for Correlation Trading totaled \$(11.4)mm during the period. Losses in August were driven by changes in the analytics used to calculate tranche trades, while losses in October were primarily due to changes in bid/offer and liquidity Market Value Adjustment methodology
- Major bespoke deals closed during the period included:

| Size | Client | Description |
|---------|-----------------------|--|
| \$600MM | GPM Leveraged Finance | Beach Street 4 CLO referencing 88 leveraged loans |
| \$290MM | North Carolina SISA | 7%-100% Tranche Hedging 135 names in case for situations where there is a default and the firm owes workman's compensation |
| \$25MM | King Street | 0%-3% Principal Only Bespoke tranche on 102 names |
| \$10MM | Merrill Lynch | 3%-5% Principal Only CDX-7 tranche |
| \$14MM | Elliot | Bought Protection on a 7-10 Year Forward Starting 5.7%-6.7% tranche |

*1. Citicorp's new Risks
Gamma - Quanto -
Corr/Index*

- The TRS business reported P&L of \$(12)mm in November after Financial Control reversed \$12mm in inception P&L that had been previously taken upfront in recognition of a basis risk previously not factored into the Net Present Value calculation

III. NA Structured Credit: New Products / CMAC Reviews



- One-off approval to sell CDO senior tranche protection to SISA on reference portfolio, where the credit event is defined as bankruptcy, failure to pay AND failure to pay workers' compensation
- One-off approval to structure and publicly distribute "Genesis", a synthetic CLO referencing syndicated leveraged loans that, unlike the Beach Street series, are not from Citigroup's GPM loan portfolio
↳ there are several of these out
- One-off approval to structure and publicly distribute "Bernoulli", a synthetic CDO with cash flow-based waterfall payments as opposed to market value
- Limited program approval to offer Significant Acquisition and Increased Leverage Swaptions (SAILSSM) to clients, a type of LBO swaption in which the European-style CDS option knocks-in upon a predefined leveraging event
- Program approval to offer trade claims as an eligible asset in the \$12bn TRS program
↳ on defaulted companies

IV. US CDO: Key Market Risk Exposures - Warehouse



- Collateral in the warehouse increased from \$6.2bn to \$9.5bn during the period, primarily from increased ABS collateral
- Although demand for CLOs remained robust, leveraged loan collateral was unchanged as healthy deal closing volume offset the strong pipeline of new deals
- The increased use of CDS on ABS in 2H06 reflects increased demand for hybrid deals that consist of both cash and synthetic assets

Notional/Market Value \$MM

| Ratings |
|------------|
| AAA/AA |
| A |
| BBB |
| BB & Lower |
| Total |

| 30-Jun-06 | 31-Jul-06 | 31-Aug-06 | 30-Sep-06 | 31-Oct-06 | 30-Nov-06 |
|-----------|-----------|-----------|-----------|-----------|-----------|
| 864 | 1,349 | 1,200 | 1,578 | 2,521 | 2,940 |
| 683 | 997 | 1,038 | 1,531 | 1,543 | 1,343 |
| 834 | 991 | 998 | 1,169 | 2,399 | 1,157 |
| 3,844 | 4,454 | 4,027 | 4,079 | 4,196 | 4,049 |
| 6,225 | 7,790 | 7,263 | 8,357 | 10,659 | 9,487 |

Notional/Market Value \$MM

| Products |
|-----------------------|
| Bonds/Loans |
| Equity |
| Preferreds |
| Government |
| CDS on ABS/CMBBS/RMBS |
| MBS/ABS |
| Total |

| 30-Jun-06 | 31-Jul-06 | 31-Aug-06 | 30-Sep-06 | 31-Oct-06 | 30-Nov-06 |
|-----------|-----------|-----------|-----------|-----------|-----------|
| 3,668 | 4,315 | 3,857 | 3,800 | 3,741 | 3,723 |
| 102 | 107 | 6 | 6 | 6 | 6 |
| 19 | 19 | 13 | 13 | 17 | 17 |
| (106) | (107) | (191) | (278) | (192) | (226) |
| 2,543 | 3,456 | 3,579 | 4,716 | 5,837 | 5,437 |
| 6,225 | 7,790 | 7,263 | 8,357 | 10,659 | 9,487 |

CR01 \$K/+1bp

| Ratings |
|------------|
| AAA/AA |
| A |
| BBB |
| BB & Lower |
| Total |

| 30-Jun-06 | 31-Jul-06 | 31-Aug-06 | 30-Sep-06 | 31-Oct-06 | 30-Nov-06 |
|-----------|-----------|-----------|-----------|-----------|-----------|
| (53) | (47) | 29 | 41 | (10) | 51 |
| (13) | (12) | (10) | (10) | (4) | (7) |
| (3) | (38) | (56) | (66) | (63) | (46) |
| (1,602) | (1,317) | (1,682) | (1,570) | (1,582) | (1,649) |
| (1,671) | (1,414) | (1,718) | (1,604) | (1,660) | (1,651) |

Other Key Market Risk Exposures

| Risk Factors |
|---------------------|
| IR Vega \$K/1vp |
| ABS Spread \$K/+1bp |
| MBS Spread \$K/+1bp |
| Prepay Risk \$K/+1% |

| 30-Jun-06 | 31-Jul-06 | 31-Aug-06 | 30-Sep-06 | 31-Oct-06 | 30-Nov-06 |
|-----------|-----------|-----------|-----------|-----------|-----------|
| (2,601) | (1,743) | (1,717) | (1,934) | (2,652) | (2,221) |
| (1,079) | (1,062) | (1,302) | (1,166) | (2,156) | (2,377) |
| (489) | (205) | (251) | (462) | (518) | (491) |
| 77 | 88 | 25 | 33 | 2 | (81) |

IV. US CDO: Key Market Risk Exposures – Ex-Warehouse



- CR01 exposure increased by \$(951)k/bp to \$(1,134)k/bp, with most of the increase in AAA-rated tranches
 - Of note, The primary desk held \$215mm in the AAA-rated Fab 2006-1 deal that priced in November
- Market value exposure to unrated CDO equity tranches declined from \$318mm to \$261mm
- Net Super Senior exposure grew from \$29bn to 31bn over the period. Super senior exposure is now reported on both a gross and net basis, with the gross amount excluding market spread volatility hedges, including CDS and LSS notes

Notional/ Market Value \$MM

| Ratings |
|-------------|
| AAA |
| AA |
| A |
| BBB |
| BB |
| B |
| CCC & Lower |
| Total |

| 30-Jun-06 | 31-Jul-06 | 31-Aug-06 | 30-Sep-06 | 31-Oct-06 | 30-Nov-06 |
|-----------|-----------|-----------|-----------|-----------|-----------|
| 465 | 1,068 | 261 | 320 | 398 | 776 |
| 58 | 125 | 73 | 71 | 61 | 89 |
| 96 | 92 | 46 | 58 | (49) | (35) |
| 53 | 37 | (62) | 55 | 52 | 37 |
| 58 | 41 | 34 | 47 | 61 | 39 |
| 22 | 22 | 22 | 22 | 22 | 22 |
| 318 | 220 | 219 | 264 | 293 | 261 |
| 1,070 | 1,603 | 593 | 838 | 838 | 1,189 |

CR01 SK/A-1bp

| Ratings |
|-------------|
| AAA |
| AA |
| A |
| BBB |
| BB |
| B |
| CCC & Lower |
| Total |

| 30-Jun-06 | 31-Jul-06 | 31-Aug-06 | 30-Sep-06 | 31-Oct-06 | 30-Nov-06 |
|-----------|-----------|-----------|-----------|-----------|-----------|
| (21) | (523) | (450) | (476) | (419) | (780) |
| 5 | (2) | (12) | 3 | 33 | (41) |
| (32) | (37) | (20) | (36) | 55 | (79) |
| (10) | (13) | (5) | (40) | 33 | (108) |
| (16) | (16) | (15) | (13) | (14) | (27) |
| (8) | (8) | (8) | (8) | (8) | (8) |
| (100) | (90) | (117) | (91) | (98) | (92) |
| (183) | (689) | (627) | (660) | (417) | (1,134) |

Notional \$MM

| Ratings |
|--------------------|
| Super Senior Net |
| Super Senior Gross |

| 30-Jun-06 | 31-Jul-06 | 31-Aug-06 | 30-Sep-06 | 31-Oct-06 | 30-Nov-06 |
|-----------|-----------|-----------|-----------|-----------|-----------|
| 28,594 | 29,586 | 31,032 | 29,537 | 29,946 | 31,360 |
| | | | | | 37,635 |

IV. US CDO: Limit Activity



Limit Excesses

| Date of Excess | Limit | Description | Actual Resolution Date |
|----------------|-------------------|---|------------------------|
| 7/24 | Non Inv Grade Cap | The desk exceeded its BB & lower limit of \$4bn by \$355mm. | 8/23 |

Limit Exceptions

| Exception Date | Limit | Exception | Expiry Date |
|----------------|--------------------------|--|-------------|
| 8/8/2006 | Super Senior | Increase Super Senior Limit from \$30bn to \$32bn. | 8/22/2006 |
| 8/22/2006 | Super Senior | Increase Super Senior Limit from \$30bn to \$32bn. | 11/20/2006 |
| 11/22/2006 | Super Senior Net | Increase Super Senior Net Limit from \$30bn to \$36bn. | 1/31/2007 |
| 8/24/2006 | Warehouse BB & below cap | Increase from \$4bn to \$5bn. | 10/24/2006 |
| 10/25/2006 | Warehouse BB & below cap | Increase from \$4bn to \$5bn. | 1/5/2007 |

Permanent Limit Changes

| Date | Limit | Change |
|------------|--------------------|--|
| 11/22/2006 | Super Senior Gross | Create new \$40bn limit for Super Senior Gross (excludes market risk hedges, e.g. CDSs, LSSs). |

IV. US CDO: Quarterly RME Stress Testing



- The Ex-warehouse RME increased slightly to \$151mm and remained primarily driven by exposure to unrated equity tranches and Super Senior exposure
- The \$10mm increase in the Warehouse RME to \$159mm was primarily due to increased ABS spread exposure given the higher collateral balance. As in prior quarters, the RME applies 50% of the respective risk factor's typical stress move to the Warehouse in recognition of the fact that the desk is rarely unable to recover less than cost when the CDO deal actually prices

| US CDO Desk | 4Q06 | | | | 3Q06 | | | | Difference | |
|---------------------------------|---------|---------|-------------|------------|---------|---------|-------------|------------|------------|------|
| | Actual | Avg Abs | Stress Move | P&L (\$MM) | Actual | Avg Abs | Stress Move | P&L (\$MM) | Exposure | P&L |
| Ex-Warehouse | (9,760) | | | (151) | (9,451) | | | (146) | | (4) |
| DV01 | (87) | (87) | 75 | (7) | (93) | (93) | 75 | (7) | 6 | 0 |
| CR01 | (678) | (710) | 139 | (99) | (516) | (537) | 176 | (95) | (172) | (4) |
| Super Senior* (K/bps) | (9,082) | (9,082) | 5 | (45) | (8,935) | (8,935) | 5 | (45) | (147) | (1) |
| AAA (K/bps) | (475) | (475) | 30 | (14) | (348) | (348) | 30 | (10) | (128) | (4) |
| AA (K/bps) | (8) | (13) | 30 | (0) | (3) | (11) | 30 | (0) | (2) | (0) |
| A (K/bps) | (38) | (45) | 40 | (2) | (35) | (35) | 40 | (1) | (9) | (0) |
| BBB (K/bps) | (46) | (50) | 60 | (3) | (10) | (10) | 60 | (1) | (40) | (2) |
| BB (K/bps) | (14) | (14) | 250 | (4) | (21) | (21) | 250 | (5) | 6 | 2 |
| B (K/bps) | (7) | (22) | 375 | (8) | (8) | (21) | 375 | (8) | (1) | (0) |
| CCC& Lower (K/bps) | (90) | (90) | 750 | (68) | (92) | (92) | 750 | (69) | 2 | 1 |
| Warehouse | | | | (159) | | | | (149) | | (10) |
| DV01 | (219) | (219) | 38 | (8) | (183) | (183) | 38 | (7) | (36) | (1) |
| Other Risk Factors** | | | | | | | | | | |
| MBS (K/bps) | (492) | (492) | 18 | (9) | (280) | (280) | 18 | (5) | (212) | (4) |
| ABS (K/bps) | (1,668) | (1,668) | 15 | (25) | (1,105) | (1,105) | 15 | (17) | (563) | (8) |
| IR Vega (vol pt) | (2,460) | (2,460) | 2 | (5) | (2,243) | (2,243) | 2 | (4) | (217) | (0) |
| Prepayment (1%) | (2) | 49 | (13) | (1) | 63 | 74 | (13) | (1) | (25) | 0 |
| Loan CR01 (K/bps) | (1,489) | (1,489) | 75 | (112) | (1,543) | (1,543) | 75 | (116) | 54 | 4 |
| Avg Actual Exposures *** | | | | | | | | | | |
| Warehouse (\$MM) | 9,352 | | | | | | | | | |
| Loans (\$MM) | 3,723 | | | | | | | | | |

IV. US CDO: P&L Summary



| US Cash CDO | 31-Jul-06 | 31-Aug-06 | 30-Sep-06 | 31-Oct-06 | 30-Nov-06 | YTD 2006 | 2006 Plan | Run Rate |
|---------------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|-------------|
| Upfront Fees | 26,791 | 22,317 | 29,472 | 6,548 | 47,553 | | | |
| Warehouse Financing | 7,385 | 9,782 | (12,869) | 8,158 | 5,993 | | | |
| Warehouse MTM | 1,240 | (2,427) | 449 | (6,398) | (3,892) | | | |
| Super Senior | 4,510 | 2,994 | 3,591 | 6,976 | 2,600 | | | |
| Primary MTM | (4,654) | 6,062 | 756 | (5,496) | (3,062) | | | |
| Secondary Trading | 3,740 | 5,011 | 5,584 | 8,872 | (3,768) | | | |
| Total | 39,011 | 43,739 | 26,983 | 18,660 | 45,423 | 406,084 | 435,000 | 102% |

- Monthly P&L averaged \$34.8mm during the period, bringing YTD through November to \$406mm, slightly better than prorated plan. Fee income is typically recognized when deals settle, which can occur up to a month after a deal is priced
- Below is a summary of major deals closed during the period:

| Deal Type | Month | Deal Name | Manager | Deal Size SMM | Sub-Type |
|-------------------|-----------|-----------------------------------|-----------------------------------|---------------|-------------------------------|
| Asset Backed CDOs | August | ESP Funding I, Ltd | Elliot Structured Products | 1,000 | High Grade |
| | | Jackson 2006-1 | NA | 1,500 | Static Mezzanine |
| | September | Westways Funding VIII | TCW Asset Management | 2,250 | MV High Grade |
| | October | Singa Funding | Lion Capital Management | 1,000 | High Grade |
| | November | Fab US 2006-1 | Gulf International Bank | 400 | Mezzanine |
| | | Raffles Place II Funding | UOB Asset Management | 1,000 | High Grade |
| | | Topanga II CDO | Metropolitan West Asset Mgmt | 1,000 | Mezzanine |
| | | Tallships Funding | Bear Stearns Asset Mgmt | 1,500 | Mezzanine |
| | | HSP1 Diversified CDO Fund I | Halcyon Sec Products Investors | 600 | CDO*2 |
| | | Laosra ABS CDO 2006-1 | NA | 2,000 | Mezzanine |
| CLOs | August | Fortress Credit Funding III-IV | Fortress Investment Group | 1,050 | Senior Secured, Cash Flow |
| | | Madison Park Funding III | Credit Suisse Alternative Capital | 650 | Senior Secured, Cash Flow |
| | September | Capital Source CLO 2006-2 | NA | 1,500 | Middle Market |
| | | GECLT 2006-3 | Morgan Stanley | 995 | Senior Secured, Cash Flow |
| | | Halcyon Loan Inv I | Halcyon Loan Investors LP | 400 | Senior Secured, Cash Flow |
| | October | Highland Credit Opportunities | Highland Capital Mgmt | 1,176 | Loans, Bonds, Dist, Spec. Sit |
| | | Freeport 2006-1 | NA | 425 | Middle Market |
| | | Cunnington Finance | Silvermine Capital Mgmt | 450 | Senior Secured, Cash Flow |
| | | Callidus Debt Partners CLO Fund V | Callidus Capital Management | 400 | Senior Sec and Middle Mkt |
| | November | Symphony CLO II | Symphony Asset Management | 400 | Senior Secured, Cash Flow |
| | | Rampart CLO 2006-1 | Stone Tower Capital | 600 | Senior Secured, Cash Flow |
| | | Westwood CDO I | Alcentra | 450 | Senior Secured, Cash Flow |
| Real Estate | August | Sorin Real Estate CDO IV | Sorin Capital Management | 345 | CRF |

IV. US CDO: New Products / CMAC Reviews



- Program approval to transact in CDS on ABS/CMBS/RMBS for warehousing, intermediating and hedging purposes
- Program approval to offer Leveraged Super Senior (LSS) notes to investors to hedge desk's existing super senior exposure
letter after sup LSS swaps used in the past -
- One-off approval to provide bridge financing via TRS or warehouse facility to Babson Credit Strategies Fund to a CDO note issuance planned for 3Q07 to be distributed by Citigroup (CGMI)
- One-off approval to provide 364-day, full recourse financing facility to Rampart LLC on its CDO mezzanine debt and equity investments
Allows investor to capture interest income
- One-off approval to provide direct financing facility to KKR Financial for warehousing purposes *during warehouse period -*
Levy -
- One-off approval to participate in multiples roles related to the formation of Pangaea, a newly-formed asset management company, including taking an indirect equity interest in, extending credit to, provide warehouse facilities for, and structure and place CLO securities on behalf of, Pangaea

**V. Global Portfolio Optimization –
Global Portfolio Management
(GPO-GPM)**

V. GPO-GPM: Key Market Risk Exposures



- The GPO-GPM desk buys default protection via CDS to hedge exposure in GPM's loan portfolio. The "short credit" position created by the CDS is reported against OSUC

- GPO-GPM increased its net long protection position from \$40.3bn to \$60.5bn notional and from \$5.8mm/bp to \$9.6mm/bp in CR01. Transactions were predominantly executed for RAP reducing purposes

- CR10%, which measures the P&L from a relative 10% change in CDS spreads, did not increase materially due mainly to the tight spread levels at which the desk was able to execute these transactions

- Exposures remained concentrated in Single-A and BBB credits. The net long protection position in Autos, which is tracked separately, increased slightly from \$4.1bn to \$4.8bn in notional terms and from \$800k/bp to \$1mm/bp in CR01 terms

Notional/ Market Value \$MM

| Ratings |
|-------------|
| AAA |
| AA |
| A |
| BBB |
| BB |
| B |
| CCC & Lower |
| Total |

| 30-Jun-06 | 31-Jul-06 | 31-Aug-06 | 30-Sep-06 | 31-Oct-06 | 30-Nov-06 |
|-----------|-----------|-----------|-----------|-----------|-----------|
| (866) | (866) | (866) | (966) | (928) | (1,226) |
| (1,987) | (2,047) | (2,038) | (2,612) | (3,317) | (4,266) |
| (15,784) | (15,522) | (15,479) | (17,935) | (18,233) | (22,932) |
| (15,219) | (15,521) | (16,154) | (18,165) | (18,817) | (24,923) |
| (2,383) | (2,447) | (2,448) | (2,600) | (3,073) | (3,474) |
| (1,390) | (1,323) | (1,305) | (1,302) | (1,318) | (1,281) |
| (2,685) | (1,852) | (2,437) | (2,346) | (2,429) | (2,405) |
| (40,316) | (39,576) | (40,728) | (45,924) | (48,114) | (60,507) |

CR01 \$K/+1bp

| Ratings |
|-------------|
| AAA |
| AA |
| A |
| BBB |
| BB |
| B |
| CCC & Lower |
| Total |

| 30-Jun-06 | 31-Jul-06 | 31-Aug-06 | 30-Sep-06 | 31-Oct-06 | 30-Nov-06 |
|-----------|-----------|-----------|-----------|-----------|-----------|
| 98 | 92 | 85 | 101 | 100 | 162 |
| 265 | 269 | 249 | 355 | 566 | 720 |
| 2,562 | 2,486 | 2,372 | 2,865 | 2,738 | 3,624 |
| 1,464 | 1,499 | 1,560 | 1,809 | 1,791 | 3,066 |
| 408 | 418 | 435 | 473 | 626 | 710 |
| 293 | 313 | 337 | 317 | 358 | 333 |
| 696 | 708 | 949 | 909 | 953 | 965 |
| 5,785 | 5,784 | 5,986 | 6,831 | 7,132 | 9,582 |

CR10 \$K/+10%

| Ratings |
|-------------|
| AAA |
| AA |
| A |
| BBB |
| BB |
| B |
| CCC & Lower |
| Total |

| 30-Jun-06 | 31-Jul-06 | 31-Aug-06 | 30-Sep-06 | 31-Oct-06 | 30-Nov-06 |
|-----------|-----------|-----------|-----------|-----------|-----------|
| 55 | 47 | 37 | 41 | 33 | 68 |
| 102 | 98 | 90 | 170 | 458 | 515 |
| 3,205 | 3,068 | 2,599 | 3,014 | 2,354 | 2,910 |
| (20) | (95) | 283 | 448 | 78 | 1,917 |
| 5,335 | 4,622 | 4,386 | 3,652 | 5,849 | 6,740 |
| 7,866 | 8,448 | 7,873 | 7,549 | 6,997 | 5,934 |
| 14,199 | 12,643 | 13,390 | 12,191 | 12,923 | 13,391 |
| 30,743 | 28,831 | 28,657 | 27,065 | 28,693 | 31,475 |

Basis CR01 \$K/+1bp

| Ratings |
|-----------------|
| Single Name CDS |
| Index CDS |
| Total |

| 30-Jun-06 | 31-Jul-06 | 31-Aug-06 | 30-Sep-06 | 31-Oct-06 | 30-Nov-06 |
|-----------|-----------|-----------|-----------|-----------|-----------|
| 7,562 | 7,737 | 7,828 | 8,942 | 9,333 | 11,760 |
| (1,777) | (1,953) | (1,842) | (2,111) | (2,201) | (2,179) |
| 5,785 | 5,784 | 5,986 | 6,831 | 7,132 | 9,582 |

V. GPO-GPM: Limit Activity



Limit Excesses (None)

Limit Exceptions

| Exception Date | Limit | Exception | Expiry Date |
|----------------|--------------------|--|-------------|
| 8/15/2006 | Single Issuer (GM) | GM/GMAC Split - \$50MM for GM+GMAC+ResCap, \$10MM sub-limit for GM | 11/13/2006 |
| 11/14/2006 | Single Issuer (GM) | GM/GMAC Split - \$50MM for GM+GMAC+ResCap, \$10MM sub-limit for GM | 2/12/2007 |

Permanent Limit Changes

| Date | Limit | Change |
|------------|-----------------------------|---|
| 9/19/2006 | CR01 Net Trigger | Increased from \$6.65mm/bp to \$9.5mm/bp |
| 9/19/2006 | CR10% Net Trigger | Increased from \$49.75mm/10% to \$51mm/10% |
| 9/19/2006 | CR10% Net Trigger non-Autos | Increased from \$25.275mm/10% to \$31mm/10% |
| 9/19/2006 | VaR Trigger | Increased from \$25mm to \$30mm |
| 11/14/2006 | CR01 Net Trigger | Increased from \$9.5mm/bp to \$12.65mm/bp |

V. GPO: P&L Summary



| GPO | 31-Jul-06 | 31-Aug-06 | 30-Sep-06 | 31-Oct-06 | 30-Nov-06 | YTD 2006 | 2006 Plan | Run Rate |
|--------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|----------|
| GPM Loan Hedge Portfolio | (59,830) | (44,712) | (33,443) | (58,513) | (43,657) | (454,513) | n/a | n/a |

- GPO's loan portfolio hedges reported P&L of \$(240)mm in the July – November period, bringing YTD P&L through November to \$(455)mm. The market-to-market continued to be adversely impacted by general spread tightening and in US auto names in particular. Losses from being long CDS protection in auto sector names comprise \$(248)mm of the YTD total

V. GPO: New Products / CMAC Reviews



- Program approval to buy Loan-only CDS (LCDS) for hedging GPM loan portfolio

VI. Counterparty Credit Risk (CCR)

VI. CCR: Key Market Risk Exposures



- The CCR desk dynamically hedges unsecured counterparty credit exposure on interest rate, FX and commodity derivatives transacted by Citigroup for certain eligible counterparties (i.e. names for which there is a liquid CDS market)
- The desk's JTD exposure stemming from its hedges is currently reported against OSUC (as an offset against reported PSLE) by CIB Credit Risk. All other exposures are managed under the market risk framework
- The desk's risk profile remained driven by exposure to the credit spread of the Republic of Italy due to €13.4bn (\$17.8bn equiv.) in long-dated interest rate swaps and €1.3bn (\$1.8bn equiv.) in cross-currency swaps closed with the Italian government. Given this risk concentration, Italy's CR01 is broken out and monitored against separate limits/triggers
- The desk has Cross Gamma limits in recognition that its CCDS are affected by simultaneous changes in the MTM of the reference derivative and the credit spread of the reference credit

CR01 \$K/+1bp

| Ratings |
|-------------|
| AAA |
| AA |
| A |
| BBB |
| BB |
| B |
| CCC & Lower |
| Total |

| 30-Jun-06 | 31-Jul-06 | 31-Aug-06 | 30-Sep-06 | 31-Oct-06 | 30-Nov-06 |
|-----------|-----------|-----------|-----------|-----------|-----------|
| 40 | 36 | 31 | 28 | 27 | 23 |
| (4) | (3) | (2) | (2) | 1 | (1) |
| 36 | 68 | 39 | 61 | 3 | (14) |
| 131 | 140 | 159 | 138 | 134 | 148 |
| 8 | 7 | (18) | (0) | 10 | 13 |
| 17 | 16 | 15 | 15 | 15 | 6 |
| 5 | (0) | 3 | (2) | 4 | 2 |
| 232 | 263 | 227 | 238 | 194 | 177 |

Basis CR01 \$K/+1bp (Excluding Italy)

| Ratings |
|----------|
| Bonds |
| CDS/CCDS |
| Total |

| 30-Jun-06 | 31-Jul-06 | 31-Aug-06 | 30-Sep-06 | 31-Oct-06 | 30-Nov-06 |
|-----------|-----------|-----------|-----------|-----------|-----------|
| (271) | (278) | (273) | (273) | (261) | (297) |
| 503 | 541 | 500 | 511 | 456 | 474 |
| 232 | 263 | 227 | 238 | 194 | 178 |

Italy CR01 \$K/+1bp

| Ratings |
|----------|
| Bonds |
| CDS/CCDS |
| Total |

| 30-Jun-06 | 31-Jul-06 | 31-Aug-06 | 30-Sep-06 | 31-Oct-06 | 30-Nov-06 |
|-----------|-----------|-----------|-----------|-----------|-----------|
| 1,106 | 1,142 | 1,384 | 1,662 | 1,594 | 1,667 |
| (1,145) | (1,369) | (1,695) | (1,658) | (1,695) | (1,935) |
| (39) | (227) | (311) | 4 | (101) | (268) |

Cross Gamma (+1bp) \$K/bp2

| Ratings |
|-------------------------|
| IR/CR Cross Gamma K/bp2 |
| FX/CR Cross Gamma K/bp2 |
| Total |

| 30-Jun-06 | 31-Jul-06 | 31-Aug-06 | 30-Sep-06 | 31-Oct-06 | 30-Nov-06 |
|-----------|-----------|-----------|-----------|-----------|-----------|
| 17 | 18 | 21 | 23 | 25 | 26 |
| 22 | 24 | 29 | 32 | 38 | 41 |
| 38 | 42 | 50 | 55 | 63 | 67 |

VI. CCR: Limit Activity



August 2006 - November 2006

Limit Excesses (None)

Limit Exceptions (None)

Permanent Limit Changes (None)

VI. CCR: P&L Summary



| CCR | 31-Jul-06 | 31-Aug-06 | 30-Sep-06 | 31-Oct-06 | 30-Nov-06 | YTD 2006 | 2006 Plan | Run Rate |
|-----|-----------|-----------|-----------|-----------|-----------|----------|-----------|----------|
| CCR | (496) | (3,556) | (2,422) | (3,026) | (50) | (14,033) | 23,000 | -176% |

- The negative P&L throughout the period and YTD has mostly resulted from the CDS/Bond basis. Excluding the Italy position, CCR is long bonds and long CDS protection. CDS spreads, particularly in the auto sector, have tightened more sharply than bond spreads this year, reversing gains from last years significant widening in auto sector spreads that was more pronounced in CDS as well

VI. CCR: New Products / CMAC



- None