

From: Alix, Michael (Exchange)
Sent: Wednesday, February 20, 2008 7:41 PM
To: Ahluwalia, Kanwardeep (Exchange)
Subject: FW: Updated Presentation

Attachments: mortgage update 021508.ppt
We can include this in the book for rpc distribution... but not discuss....

From: Marano, Tom - Fixed Income
Sent: Wednesday, February 20, 2008 6:39 PM
To: Alix, Michael (Exchange)
Subject: FW: Updated Presentation

PLEASE USE THIS ONE I HAD CHRIS ADD BUBBLES AS A PRESENT TO DAN WHILE HE WAS OUT

From: Hayes, Christopher - Risk Management (Exchange)
Sent: Wednesday, February 20, 2008 6:04 PM
To: Marano, Tom - Fixed Income
Cc: Chen, Dan (Exchange); Buttacavoli, Edward (Exchange)
Subject: RE: Updated Presentation

Updated version attached

- Chris

From: Hayes, Christopher - Risk Management (Exchange)
Sent: Wednesday, February 20, 2008 4:57 PM
To: Marano, Tom - Fixed Income
Cc: Chen, Dan (Exchange); Buttacavoli, Edward (Exchange)
Subject: Updated Presentation

Tom,

As requested attached is an updated presentation.

Note that I left the last page "Proposed Transactions" unchanged; I believe you and Dan came up with this for last week's meeting.

Let me know if you have any questions.

Thanks,

- Chris

Chris Hayes
Risk Management
Bear Stearns & Co.
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Mortgage Portfolio Update

Prepared For: Risk Discussion with RPC

Current Inventory (as of 02/15/2008)

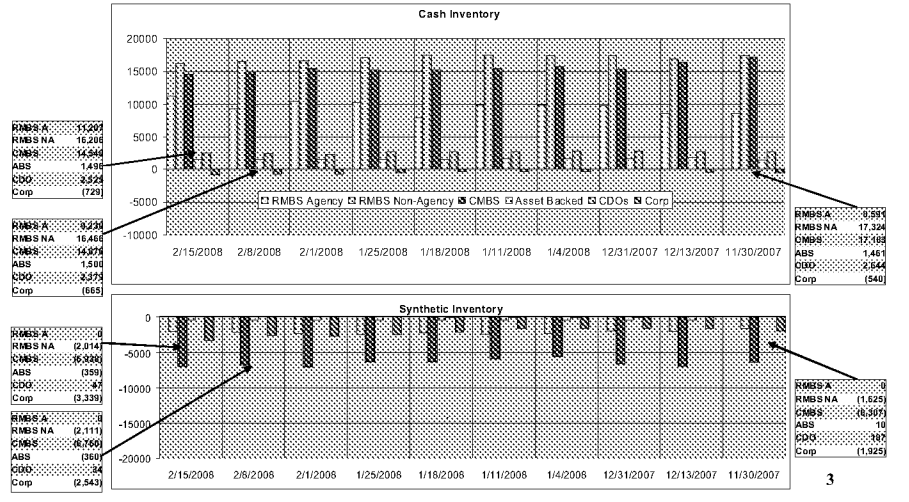
Net Cash & Synthetic Position (\$mm's)

Net Products (\$mm)		Cash	Synthetic	Net	Net Change vs. 02/08
Agency	Collateral				
	Agency CMOs	11,207	-	11,207	1,977
Non Agency	Collateral				
	Residential	16,201	(2,014)	14,187	(168)
	CDOs	2,525	47	2,572	159
	Asset Backed	1,496	(359)	1,137	(3)
	CMBS	14,548	(6,938)	7,610	(506)
	Subtotal	34,769	(9,264)	25,506	(518)
Corporate	Collateral	(729)	(3,339)	(4,067)	(859)
	Total	45,248	(12,602)	32,645	600

* Not including non Mortgage White Book items, totalling 2,363MM MV.

NA Residential Products (\$mm)	Cash	Synthetics	Net	Change vs. 02/08
A Quality/Conforming	1,148	(41)	1,107	24
All A Hybrid	4,856	923	5,779	(244)
All A Fixed	2,108	-	2,108	3
All A Int'l	2,042	-	2,042	1
Sub-Prime	1,650	(2,895)	(1,245)	53
Scratch & Dent	2,655	-	2,655	(6)
Other	2	-	2	1
Term Funded (WAMCO/PMCO)	1,940	-	1,940	(1)
Non Agency RMBS	16,201	(2,014)	14,187	(168)

Inventory History (\$MM)



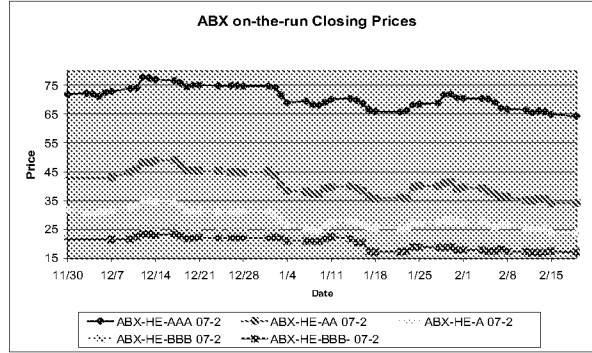
Cash Inventory sale (from 2/11 - 2/15)

Date	Face (\$MM)	Cusip	Transaction	Rating	Collateral	Price	MV (\$MM)
2/11/2008	169	BCC12EJZ8	BSSP 08-R3 1A1	AAA	Alt-A ARMs	100.89	170.50
2/11/2008	33	BCC12EK11	BSSP 08-R3 2A1	AAA	Alt-A ARMs	91.67	30.25
2/11/2008	26	073857AB0	BSABS 2007-AQ2 A2	AAA	Home Eq	85.00	22.10
2/13/2008	8	07387QAA8	BALTA 2006-8 1A1	AAA	Alt-A ARMs	76.00	6.08
2/13/2008	25	320276AG3	FFML 2006-FF9 M1	AA	Home Eq	45.00	11.25
2/13/2008	10	57645MAG7	MABS 2006-WMC4 M1	AA	Home Eq	29.00	2.90
						Total	243.09

ABX and Single Name notional changes (02/15 - 02/08)

ABX	06-1	06-2	07-1	07-2	Total	Single Name
AAA	\$ -	\$ 30	\$ (10)	\$ -	\$ 20	\$ 2
AA	\$ 35	\$ (5)	\$ (55)	\$ (25)	\$ (50)	\$ 0
A	\$ -	\$ -	\$ (60)	\$ -	\$ (60)	\$ (20)
BBB	\$ 30	\$ -	\$ (10)	\$ -	\$ 20	\$ (23)
BBB-	\$ (15)	\$ -	\$ -	\$ -	\$ (15)	\$ (139)
TOTAL	\$ 50	\$ 25	\$ (135)	\$ (25)	\$ (85)	\$ (179)

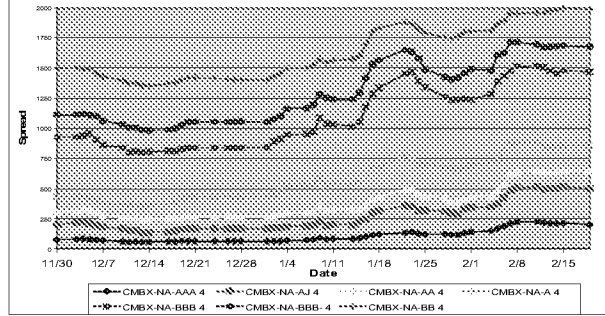
ABX on-the-run Closing Prices



CMBX notional changes (02/15 - 02/08)

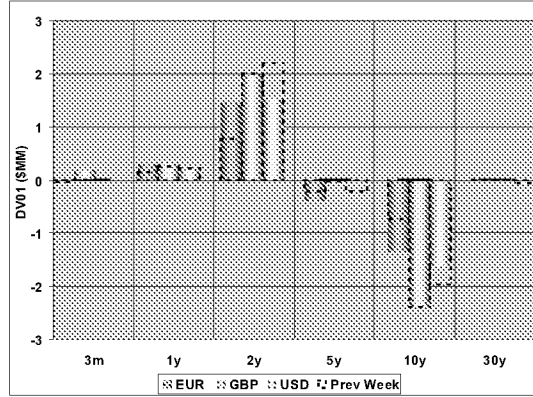
Rating	CMBX 1	CMBX 2	CMBX 3	CMBX 4	Total
AAA	\$ (270)	\$ (25)	\$ -	\$ -	\$ (295)
AJ	\$ (5)	\$ -	\$ -	\$ (70)	\$ (75)
AA	\$ (50)	\$ (5)	\$ -	\$ -	\$ (55)
A	\$ 40	\$ 45	\$ (5)	\$ 35	\$ 115
BBB	\$ (20)	\$ -	\$ -	\$ -	\$ (20)
BBB-	\$ (7)	\$ 10	\$ -	\$ -	\$ 3
BB	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL	\$ (312)	\$ 25	\$ (5)	\$ (35)	\$ (327)

CMBX on-the-run Closing Spreads



Yield Curve Macro Hedge (as of 02/15/2008)

Ccy	3m	1y	2y	5y	10y	30y
EUR	21	299	1,452	(384)	(1,352)	0
GBP	178	296	1,987	(29)	(2,377)	4
USD	(8)	212	1,528	(37)	(1,599)	(53)

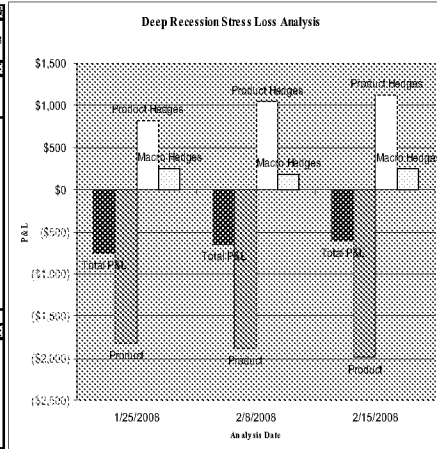


Stress Analysis --

- **US Non Agency Residential Stress**
 - Total stress loss: \$610mm vs \$651mm one week ago
 - Risk reduction due to additional macro hedges & ABX shorts
- **CMBS Stress**
 - Total stress loss: \$920mm vs \$779mm one week ago
 - Spreads widening caused increase in stress loss
 - Desk put up more TRS shorts

US Non Agency Residential Product Stress - as of 02/15/08

Historical Scenarios:			
	2/8/2008	2/15/2008	Change
Deep Recession P&L	(\$651.4)	(\$610.9)	\$40.48
Notable Changes:			
- Additional Macro Hedges \$100 MM Notional			
- Additional ABS Product Hedges \$100 MM Notional			
- Less Alt-A ARM's Product \$200 MM Market Value			
As of:	2/15/2008	Deep Recession	
Product	MV (in \$mm)	P&L (in \$mm)	
Prima	\$836.87	(\$38.01)	
Near Prima	\$7,222.06	(\$721.93)	
Near Prima CDS	(\$272.33)	\$92.38	
Subprime	\$1,827.97	(\$387.95)	
Subprime CDS/ABX	(\$3,301.91)	\$899.85	
Loans	\$4,678.18	(\$242.51)	
ABS CDO	\$1,265.34	(\$435.85)	
ABS CDO CDS	(\$300.00)	\$140.93	
Correlation		\$26.11	
Rate Hedges	(\$25.90)	(\$65.49)	
Macro Hedges		\$248.53	
Net Exposure	\$11,730.38	(\$610.9)	
Assumptions:			
RMBS Assets:			
HPA down 17% over 24 months,			
AAA and AA spreads widen 100 bps,			
Minus 100 bp parallel rate shift			
Macro Assets:			
Spreads Widen 200%,			
ST Rates down 100 bps, LT Rates down 25 bps,			
US\$ -15%, Stocks -20%			

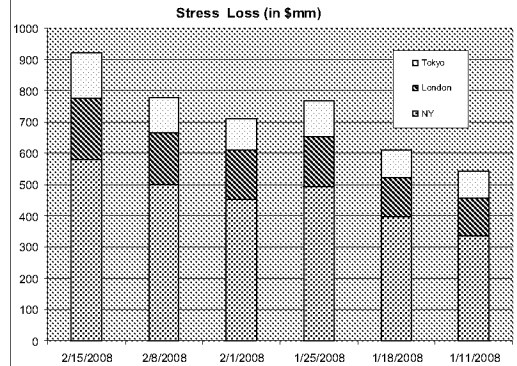


Stress losses for CMBS Conduit (02/15/2008)

Notable Changes
- spreads widened (from 2/1 to 2/8)
35% for AAA and AA
15-25% AA's, A's, BBB's, BB's, B's

Historical Scenario	2/15/2008	2/8/2008	Change
Recession Scenario (in \$mm)	(920)	(779)	(141)
Product SPR DV01	5,535	5,818	(283)

Stress Scenario			
As of 2/15/08			
Desk	MV (in \$mm)	Spread DV01 (\$k/bp)	Stress Loss
NY			
Fixed	1,327	944	(230)
Floaters	7,609	3,199	(1,221)
Hedge	(5,095)	(3,652)	873
NY Total	3,841	491	(578)
London			
Fixed	789	415	(80)
Floaters	747	408	(98)
Hedge	(1,432)	(21)	(20)
London Total	104	803	(197)
Tokyo			
Fixed	0	0	0
Floaters	1,128	568	(143)
Hedge	(48)	0	-1
Tokyo Total	1,081	568	(144)
Grand Total	5,026	1,862	(920)



Assumptions
- 2yr UST down 100bps, 10yr UST down 25bps
- Housing \$ RE related equities down 25% over 6mo
- Securitized loans risks are allocated to rated buckets
Fixed rate loans AAA subordination 12.7%
Floating rate loans AAA subordination 32.4%
B-notes - CMBS B Index
- CMBS spreads wider by 50%

Proposed Transactions

Residential

- **ICP Transaction**
 - Risk to 850: Double-supervisor exposure
 - Benefit to BEC: Long protection on mezz AAA

Commercial

- **Pending transactions**
 - Hilton: M2A \$1.3 Bn divided by GE
 - Tishman: \$450mm mortgage and mezz divided
- **New Deals**
 - Top 20 pricing 94s week

From: Alix, Michael (Exchange)

Sent: Wednesday, February 20, 2008 7:43 PM

To: Bell, James (Exchange)

Subject: Presentation

Please call me if you are still here ---- 7597.