

Citi Markets & Banking

Market Risk Management

2007 Annual Limits Book

ANNUAL LIMIT REVIEW - GUIDANCE

Trading Desk: North American Structured Credit Trading: Correlation Head Trader: Mickey Bhatia/Yadin Rozov Department: Structured Credit Trading

Department Head: Michael Raynes

Date:

31-Dec-06

Business Initiatives/Trading Strategies

Desk primarily trades in synthetic CDO's, both in funded and unfunded form.

	500000000000000000000000000000000000000				The dealth of		maniler in the	A and DDD a	stima bualcata	Dagmag of	the historials	high armagn	a to investme	mt anda nama
		Monthly	Monthly			e desk's exposure is primarily in the A and BBB rating buckets. Because of the historicly high expo								
	Monthly High	Low				these limits are emphasized on the One-Pager sheet. A comprehensive list of limits may be found on the All Limits sheet. Thre changes have been made in the past year. The first is the addition of net and tranche Corr01 limits. The second is the reduction								
eb. 200 5 Actual	10.5	+	3.2		-									
06 Actual	18.3	(4.2)	2.4				1				nit was split b			-
07 Budget	0.0	0.0	5.8	70.0	CDO, and T	RS desks. Fir	ially, net long	risk single is	suer exposure	es have limits	s against them	ı, however, n	et short risk si	ingle issuer
	Key Lamits				2006	Limit Utiliz.	U it n	2006 *	a Limit Ctili	zation	Sti	essed Rever	ue Impaci a	Limit
												Stress	P&I	
		Limit as of	Limit as of	Limit	Average	Peak	Peak	Average	Peak	Peak	Risk	Market	Impact	As Mths of 'C
Limit Description	Unit	1/1/06	1/1/07	Change	absolute	positive	negative	absolute	positive	negative	Horizon	Move	(SMM)	Budget
nting Concentration AAA	\$K/bp	250	250	- Litange	32	98	(30)	13%	39%	12%	10 days	15	4	0.6
ating Concentration AA	\$K/bp	250	250		<u>52</u> - 55	172	(98)	22%	69%	39%	10 days	15	├ `	0.6
ating Concentration A	\$K/bp	500	500		(152)	377	(344)	30%	75%	69%	10 days	25		
ating Concentration BBB	\$K/bp	500	500		(374)	1,320	(813)	75%	264%	163%	10 days	2 5		
ating Concentration BB	SMM	250	250	<u>-</u>	150	424	(741)	60%	170%	296%	20 days	175		
ngle Issuer Long Risk AAA	\$MM	100	100		(42)		(93)	42%	0e9	93%		⁻		
ngle Issuer Long Risk AA	\$MM	100	100		47	68		47%	68%	(%	 -	h		
ngle Issuer Long Risk A	SMM	100	100		40	96	(53)	40%	96%	53%		l		
ngle Issuer Long Risk BBB	\$MM	100	100		40	81	(56)		81%	56%				
ngle Issuer Long Risk BB	\$MM	50	50		33	57	(37)	65%	114%	74%		l		
et CDO Corr01	\$K/corr pt.		1,500	1,500	717	1,679	(1,289)	48%	112%	86%	30 days	10.2	15	2.6
iper AAA Tranche	\$MM	30,000	3,500	(26,500)	2,438	2,971		70%	85%		5 days	2	₁	
ggregation (Simple Sum)	-	_											147	2
ggregation ("Sum of Squares" appro												┠	62	

Permitted Products and Principal Entines

See Permitted Product List

Aggregation Approach for Stress Loss Estimate

- Maximum Realistic move assumes a 50% move for rating concentration limits, and full stress moves for all other stressed limits.
- Corr01 stress moves are based on a single dates the 99%, 30 business day, five-year CDX-IG equity tranche move. All other stress values are obtained for the dates the 99% equity tranche move. For example if the 99% equity tranche move is from April 15, 2006 to May 15, 2006 then all the other tranche moves are based on their respective moves between April 15, 2006 and May 15, 2006.
- Since tranche correlation moves are not readily obtainable base correlation moves were used to determine the Corr01 stress moves. The equity tranche move is identical to the base correlation move. The more senior tranche moves are based on the average of two base correlation tranche moves.
- Since it is not possible for all tranches to be at their Corr01 limit, the Net Corr01 limit stress is a function of the super senior tranche stress.

Other Risk Issues

See All Limits page for the entire set of limits for this desk. See All Thresholds for entire list of thresholds for this desk. Note Correlation 01 utilizations are from 7/11/2006, and Super AAA are from 4/28/2006.

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Reve	nues (SMM)			
	Monthly	Monthly	Monthly Average	Total Annual
Feb. 2005 Actual	10.5	(9.7)	3,2	27.3
2006 Actual	18.3	(4.2)		47.4
12007 Budget	1		3.8	70.0

Formulae (please don't change)

dis				200	6 Limit Utiliza	tian	2006	% Limit Utiliz	ation	500	ressed Revenu	s:Toomset at Fib	
						***************************************					*****************		
Unit	Limit as of 1/1/06	Limit as of	Limit Change	Average absolute	Peak positive	Penk negative	Average absolute	Peak positive	Peak negative	Risk Horizon	Stress Market Move	P&L Impact (SMM)	As Miths
SK/bp	250	250	-	32	98	(30)	13%	39%	12%	10 days	15	4	0.6
SK/bp	250	250		55	172	(98)	22%	69%	7739%	10 days	15	4	0.6
SK/bp	500	500		(152)	377	(344)	30%	75%	69%	10 days	25	13	21
K/bp	500	500		(374)	1,320	(813)	75%	264%	163%	10 days	40	20	3.4
8MM	250	250		150	424	(741)	60%	170%	296%	20 days	175	44	73
MM	100	100		68	294	(266)	68%	294%	266%	30 days	250	25	4.3
8MM	50	50		27	143	(127)	54%	286%	253%	65 days	450	23	3.9
\$MM	100	100		(42)		(93)	42%		93%				
\$MM	100	100		47	68		47%	58%			[
\$MM	100	100		40	96	(53)		96%	53%a				
\$MM	100	100		40	81	(56)	40%	81%	56%		[
MM	50	50		33	57	(37)	55%	114%	74%		[
\$MM	25	25	l	22	301	(63)	89%	1203%	251%]	l	L I	
MM	25	25	l	21	46	(27)		186%	107%		l		
/corr pt.	L	2,000	2,000	662	1,564	65	33%	78%	3%	30 days	10.2	20	35
corr pt.		2,000	2,000	(116)	270	(348)	5%	14%	17%	30 days	9.8	20	3.4
/corr pt.	L	2,000	2,000	782	1,352	131	39%	68%	7%	30 days	8.9	18	3.1
corr pt.		3,000	3,000	491	1,605	(751)	15%	53%	25%	30 days	6.3	19	3.2
		3,000	3,000	(1,187)	(42)	(2,392)		1%	8O%	30 days	4.3	13	
		1,500	1,500	717	1,679	(1,289)	48%	112%	86%	30 days	10.2	15	26
K/bp	100	100	l	30	79	(65)	30%	79%	65%	5 days	10	1	0.2
SMM	15	15		9	33			218%	40%	1 day	0.019	0	9.0
SMM	30,000	3,500	(26,500)	2,438	2,971		70%	85%		5 days	2	0.7	0.1
TBD													
	Emit K-Dp K-Dp K-Dp K-Dp K-Dp K-Dp K-MM M-MM M-MM	K/bp 250 K/bp 250 K/bp 500 MM 250 MM 100 MM 100 MM 100 MM 100 MM 100 MM 100 MM 25 MM 25 MM 25 MM 25 corr pt. - cor	Cinit 1/1/06 1/1/07 K/Dp 250 250 K/Dp 250 250 K/Dp 500 500 K/Dp 500 500 K/Dp 500 500 K/Dp 500 500 MM 100 100 MM 100 100 MM 100 100 MM 100 100 MM 50 50 MM 50 50 MM 50 50 MM 25 25 SMM 25 25 sorr pt. - 2,000 corr pt. - 2,000 corr pt. - 3,000 corr pt. - 1,500 K/Dp 100 100 MM 15 15 MM 30,000 3,500	Cinit 1/1/06 1/1/07 Change K/bp 250 250 - K/bp 250 250 - K/bp 500 500 - K/bp 500 500 - MM 250 250 - MM 100 100 - MM 25 25 - MM 25 25 - MM 25 25 - SMM 25 25 - Gorr pt. - 2,000 2,000 corr pt. - 2,000 3,000 corr pt. - 3,000 3,000 corr pt. - 1,500 1,500 K/bp 100 100 - <td>Cinit 1/1/06 1/1/07 Change absolute K/bp 250 250 - 32 K/bp 250 250 - 55 K/bp 500 500 - (152) K/bp 500 500 - (374) MM 250 250 - 150 MM 100 100 - 68 MM 50 50 - 27 MM 100 100 - 47 MM 100 100 - 47 MM 100 100 - 40 MM 100 100 - 40 MM 25 25 - 22 MM 25 25 - 22 SMM 25 25 - 21 corr pt. - 2,000 2,000 (16) corr pt. - 3,000</td> <td>Cinit 1/1/06 1/1/07 Change absolute Peak positive K/bp 250 250 - 32 98 K/bp 250 250 - 55 172 K/bp 500 500 - (152) 377 K/bp 500 500 - (374) 1,320 MM 250 250 - 150 424 MM 100 100 - 68 294 MM 100 100 - 47 68 MM 100 100 - 47 68 MM 100 100 - 40 96 MM 100 100 - 40 81 MM 50 50 - 22 301 MM 25 25 - 22 301 MM 25 25 - 22 301 MM</td> <td>Chit 1/1/06 1/1/07 Change absolute Peak positive negative K/bp 250 250 - 32 98 (30) K/bp 500 500 - (152) 377 (344) K/bp 500 500 - (374) 1,320 (813) MM 250 250 - 150 424 (741) MM 100 100 - 68 294 (266) MM 50 50 - 27 143 (127) MM 100 100 - 47 68 - MM 100 100 - 40 96 (53) MM 100 100 - 40 81 (56) MM 100 100 - 40 81 (56) MM 100 100 - 40 81 (50) MM 25<td>Cinit 1/1/06 1/1/07 Change absolute Peak positive negative absolute K/bp 250 250 - 32 98 (30) 13% K/bp 500 500 - 55 172 (98) 22% K/bp 500 500 - (152) 377 (344) 7%% MM 250 250 - 150 424 (741) 7%% MM 100 100 - 68 294 (266) 8% MM 100 100 - 68 294 (266) 8% MM 100 100 - (42) - (93) 4% MM 100 100 - 47 68 - 47% MM 100 100 - 40 81 (56) 40% MM 100 100 - 40 81 (63)</td><td>Cinit 1/1/06 1/1/07 Change absolute Peak positive mogative absolute Peak positive K/bp 250 250 - 32 98 (30) 13% 39% K/bp 500 500 - (152) 377 (344) 39% 69°3 K/bp 500 500 - (374) 1,320 (813) 25% 364% MM 250 250 - 150 424 (741) 30% 170% MM 100 100 - 68 294 (266) 38% 394% MM 100 100 - (422) - (93) 42% MM 100 100 - 47 68 - 47% 68* MM 100 100 - 40 96 (53) 40% 96% MM 100 100 - 40 81 (56)</td><td>Cinit 1/1/06 1/1/07 Change absolute Peak positive negative Absolute Peak positive negative K/bp 250 250 - 32 98 (30) 13% 39% 32% K/bp 500 500 - (152) 377 (344) 50% 36% 169% K/bp 500 500 - (374) 1,320 (813) 75% 364% 163% MM 250 250 - 150 424 (741) 90% 364% 163% MM 100 100 - 68 294 (266) 88% 304% 366% MM 100 100 - 477 68 - 9 42% 68% 324% 366% MMM 100 100 - 477 68 - 47% 68 - 98% 38% MMM 100 100 <</td><td> Chit 1/1/05 1/1/07 Change absolute Peak positive negative absolute Peak positive negative 1/2/05 </td><td>Cinit 1/1/05 1/1/05 Change absolute Peak positive negative Absolute Peak positive negative Horizon Move K/bp 250 250 - 32 98 (30) 13% 39% 12% 10 days 15 K/bp 500 500 - (152) 377 (344) 30% 75% 69% 69% 10 days 25 K/bp 500 500 - (152) 377 (344) 30% 75% 69% 10 days 25 K/bp 500 500 - (374) 1,320 (813) 75% 364% 163% 10 days 40 MM 100 100 - 68 294 (266) 38% 394% 366% 20 days 75 MM 100 100 - (42) - (93) 42% 38% 39% 30 days 450 MM 10</td><td>Cinit 1/1/05 1/1/07 Change absolute Peak positive negative Respoire negative Hear positive Hear positive</td></td>	Cinit 1/1/06 1/1/07 Change absolute K/bp 250 250 - 32 K/bp 250 250 - 55 K/bp 500 500 - (152) K/bp 500 500 - (374) MM 250 250 - 150 MM 100 100 - 68 MM 50 50 - 27 MM 100 100 - 47 MM 100 100 - 47 MM 100 100 - 40 MM 100 100 - 40 MM 25 25 - 22 MM 25 25 - 22 SMM 25 25 - 21 corr pt. - 2,000 2,000 (16) corr pt. - 3,000	Cinit 1/1/06 1/1/07 Change absolute Peak positive K/bp 250 250 - 32 98 K/bp 250 250 - 55 172 K/bp 500 500 - (152) 377 K/bp 500 500 - (374) 1,320 MM 250 250 - 150 424 MM 100 100 - 68 294 MM 100 100 - 47 68 MM 100 100 - 47 68 MM 100 100 - 40 96 MM 100 100 - 40 81 MM 50 50 - 22 301 MM 25 25 - 22 301 MM 25 25 - 22 301 MM	Chit 1/1/06 1/1/07 Change absolute Peak positive negative K/bp 250 250 - 32 98 (30) K/bp 500 500 - (152) 377 (344) K/bp 500 500 - (374) 1,320 (813) MM 250 250 - 150 424 (741) MM 100 100 - 68 294 (266) MM 50 50 - 27 143 (127) MM 100 100 - 47 68 - MM 100 100 - 40 96 (53) MM 100 100 - 40 81 (56) MM 100 100 - 40 81 (56) MM 100 100 - 40 81 (50) MM 25 <td>Cinit 1/1/06 1/1/07 Change absolute Peak positive negative absolute K/bp 250 250 - 32 98 (30) 13% K/bp 500 500 - 55 172 (98) 22% K/bp 500 500 - (152) 377 (344) 7%% MM 250 250 - 150 424 (741) 7%% MM 100 100 - 68 294 (266) 8% MM 100 100 - 68 294 (266) 8% MM 100 100 - (42) - (93) 4% MM 100 100 - 47 68 - 47% MM 100 100 - 40 81 (56) 40% MM 100 100 - 40 81 (63)</td> <td>Cinit 1/1/06 1/1/07 Change absolute Peak positive mogative absolute Peak positive K/bp 250 250 - 32 98 (30) 13% 39% K/bp 500 500 - (152) 377 (344) 39% 69°3 K/bp 500 500 - (374) 1,320 (813) 25% 364% MM 250 250 - 150 424 (741) 30% 170% MM 100 100 - 68 294 (266) 38% 394% MM 100 100 - (422) - (93) 42% MM 100 100 - 47 68 - 47% 68* MM 100 100 - 40 96 (53) 40% 96% MM 100 100 - 40 81 (56)</td> <td>Cinit 1/1/06 1/1/07 Change absolute Peak positive negative Absolute Peak positive negative K/bp 250 250 - 32 98 (30) 13% 39% 32% K/bp 500 500 - (152) 377 (344) 50% 36% 169% K/bp 500 500 - (374) 1,320 (813) 75% 364% 163% MM 250 250 - 150 424 (741) 90% 364% 163% MM 100 100 - 68 294 (266) 88% 304% 366% MM 100 100 - 477 68 - 9 42% 68% 324% 366% MMM 100 100 - 477 68 - 47% 68 - 98% 38% MMM 100 100 <</td> <td> Chit 1/1/05 1/1/07 Change absolute Peak positive negative absolute Peak positive negative 1/2/05 </td> <td>Cinit 1/1/05 1/1/05 Change absolute Peak positive negative Absolute Peak positive negative Horizon Move K/bp 250 250 - 32 98 (30) 13% 39% 12% 10 days 15 K/bp 500 500 - (152) 377 (344) 30% 75% 69% 69% 10 days 25 K/bp 500 500 - (152) 377 (344) 30% 75% 69% 10 days 25 K/bp 500 500 - (374) 1,320 (813) 75% 364% 163% 10 days 40 MM 100 100 - 68 294 (266) 38% 394% 366% 20 days 75 MM 100 100 - (42) - (93) 42% 38% 39% 30 days 450 MM 10</td> <td>Cinit 1/1/05 1/1/07 Change absolute Peak positive negative Respoire negative Hear positive Hear positive</td>	Cinit 1/1/06 1/1/07 Change absolute Peak positive negative absolute K/bp 250 250 - 32 98 (30) 13% K/bp 500 500 - 55 172 (98) 22% K/bp 500 500 - (152) 377 (344) 7%% MM 250 250 - 150 424 (741) 7%% MM 100 100 - 68 294 (266) 8% MM 100 100 - 68 294 (266) 8% MM 100 100 - (42) - (93) 4% MM 100 100 - 47 68 - 47% MM 100 100 - 40 81 (56) 40% MM 100 100 - 40 81 (63)	Cinit 1/1/06 1/1/07 Change absolute Peak positive mogative absolute Peak positive K/bp 250 250 - 32 98 (30) 13% 39% K/bp 500 500 - (152) 377 (344) 39% 69°3 K/bp 500 500 - (374) 1,320 (813) 25% 364% MM 250 250 - 150 424 (741) 30% 170% MM 100 100 - 68 294 (266) 38% 394% MM 100 100 - (422) - (93) 42% MM 100 100 - 47 68 - 47% 68* MM 100 100 - 40 96 (53) 40% 96% MM 100 100 - 40 81 (56)	Cinit 1/1/06 1/1/07 Change absolute Peak positive negative Absolute Peak positive negative K/bp 250 250 - 32 98 (30) 13% 39% 32% K/bp 500 500 - (152) 377 (344) 50% 36% 169% K/bp 500 500 - (374) 1,320 (813) 75% 364% 163% MM 250 250 - 150 424 (741) 90% 364% 163% MM 100 100 - 68 294 (266) 88% 304% 366% MM 100 100 - 477 68 - 9 42% 68% 324% 366% MMM 100 100 - 477 68 - 47% 68 - 98% 38% MMM 100 100 <	Chit 1/1/05 1/1/07 Change absolute Peak positive negative absolute Peak positive negative 1/2/05	Cinit 1/1/05 1/1/05 Change absolute Peak positive negative Absolute Peak positive negative Horizon Move K/bp 250 250 - 32 98 (30) 13% 39% 12% 10 days 15 K/bp 500 500 - (152) 377 (344) 30% 75% 69% 69% 10 days 25 K/bp 500 500 - (152) 377 (344) 30% 75% 69% 10 days 25 K/bp 500 500 - (374) 1,320 (813) 75% 364% 163% 10 days 40 MM 100 100 - 68 294 (266) 38% 394% 366% 20 days 75 MM 100 100 - (42) - (93) 42% 38% 39% 30 days 450 MM 10	Cinit 1/1/05 1/1/07 Change absolute Peak positive negative Respoire negative Hear positive Hear positive

CITI-FCIC 00091493

Trading Desk: North America Structured Credit Products - Correlation

Trigger Description	Unit	Trigger
Single Issuer Short Risk AAA	\$MM	100
Single Issuer Short Risk AA	\$MM	100
Single Issuer Short Risk A	\$MM	100
Single Issuer Short Risk BBB	\$MM	100
Single Issuer Short Risk BB	\$MM	50
Single Issuer Short Risk B	\$MM	25
Single Issuer Short Risk CCC and Lower	\$MM	25
VaR Trigger	\$MM	1.7

CITI-FCIC 00091494

Trading Desk: North America Structured Credit Products - Correlation

Bank Entity Thresholds									
	Rating	Thresshold							
	AAA	250							
High Grade CR01 (\$k)	AA	250							
High Grade CR01 (5K)	A	500							
	BBB	5(10)							
	BB	250							
High Yield Notional (\$MM)	В	100							
	CCC & Lower	50							

Non-Bank Entity Thresholds										
	Rating	Thresshold								
	AAA	250								
High Crade CD01 (Clr)	AA	250								
High Grade CR01 (\$k)	A	500								
	BBB	500								
	BB	250								
High Yield Notional (\$MM)	В	100								
	CCC & Lower	50								

ANNUAL LIMIT REVIEW - GUIDANCE

Trading Desk: North American Structured Credit Trading: Exotics/Structured Department: Structured Credit Trading

Head Trader: Kosrow Dehnad/Kevin Starrett

Date:

31-Dec-06

Credit Trading Department Head: Michael Raynes

Business Initiatives/Trading Strategies

Desk primarily trades in illiquid structured credit derivatives such as CORTS.

)	Gevenues (SMAI)			Risk Limits/histification and 2006 Changes
	Monthly	Monthly Monthly		Historicly the desk has had the most exposure to investment grade names, and corporate volatilities. As a result these are the limits
	High	Low Average		displayed on the One-Pager sheet. For a complete set of limits see the All Limits sheet. There has been only one change to the limit
Feb. 2005 Actual	24.9	1.1	6 50.1	structure. Single issuer limits are now for net long risk exposures. Net short risk single issuer exposures now have triggers.
2006 Actual	14.8	(4.6)	39.7	
2007 Budget	0.0	0.0	30.0	

Key Limits			2006	2006 Limit Utilization			2006 % Limit Utilization			Stressed Revenue Impact at Limit				
Limit Description	Unit	Limit as of 1/1/06	Limit as of 1/1/07	Limit Change	Average absolute	Peak positive	Peak negative	Average absolute	Peak positive	Peak negative	Risk Horizon	Stress Market Move	P&L Impact (SMM)	As Mths of '0 Budget
Rating Concentration AAA	\$K/bp	200	200	-	(79)	50	(139)	79%	25%	70%	10 days	15	3	1.2
Rating Concentration AA	_\$K/bp	200	200		(6)	20	(14)	3%	10%	796	10 days	15		1.2
Rating Concentration A	\$K/bp	200	200		47	247	(40)	24%	123%	20%	10 days	25	5	2:0
Rating Concentration BBB	\$K/bp	100	100		14	100	(30)	14%	100%	30%	10 days	40	4	1.6
Rating Concentration BB	\$MM	100	100		3	18	(9)	3%	18%	9%	20 days	175	18_	7.0
Single Issuer Long Risk AAA	\$MM	100	100		(31)	84	(50)	31%	84%	50%				
Single Issuer Long Risk AA	\$MM	100	100		(52)	101	(100)	52%	101%	100%				
Single Issuer Long Risk A	\$MM	100	100		(15)	(15)	(15)	15%	15%	15%				
Single Issuer Long Risk BBB	\$MM	100	100		7	25	(79)	7%	25%	79%				
Single Issuer Long Risk BB	\$MM	50	50		4	10		7%	20%	9%				
Corporate Yield Vol	SK/vol pt.	1,700	1,700		750	962		44%	57%	0%	30 days	8	14	5.4
Net Interest Rate Vol - USD	\$K/vol pt.	650	650	-	449	650	(14)	69%	100%	2%	30 days	8	5	2:1
A (Simula Simul			-			-		-						· · · · · · · · · · · · · · · · · · ·

Permitted Products and Principal Failus

See Permitted Product List

Aggregation Approach for Stress Loss Estimate

Maximum Realistic move assumes a 50% move for rating concentration limits and Corporate Yield Vol. All other stress moves use the full value to obtain the Maximum Realistic Impact.

Other Risk Issues

- In 2007 the desk plans to migrate off of GK to NOVA for all of its non-CDS positions
- P&L for 2005 does not adjust for \$25MM in Insurance Expense on LC's
- P&L for 2006 is adjusted to account for \$21.9MM in Insurance Expense on LC's
- Budget for 2007 does not include the LC business or its Expense

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Aggregation (Simple Sum)

Aggregation ("Sum of Squares" approach) Aggregation (Maximum Realistic)

	evenues (SMM Monthly High	Monthly Low	Monthly Average	Fotal Annual										
eb. 2005 Actual 006 Actual 007 Budget	24.9 14.8	1.1 (4.6)		50.1 39.7 30.0			Formulae (please	don't change)						
	Key Limits				200	6 Limit Utiliza	304	2006	% Limit I tili	zation	54	resed Revent	ic impact at L	unit
Limit Description	Unit	Limit as of	Limit as of	Limit Change	Average absolute	Peak positive	Peak negative	Average absolute	Peak positive	Peak negative	Risk Horizon	Stress Market Move	P&L Impact	As Mths of
Lating Concentration AAA	\$K/bp	200	200	-	(79)	50	(139)	39%	25%	70%	10 days	15	3	1.2
Lating Concentration AA	\$K/bp	200	200		(6)	20	(14)	3%	10%	7%	10 days	15		
Lating Concentration A	\$K/bp	200	200	: - :	47	247	(40)	24%	123%	20%	10 days	25		2.0
Lating Concentration BBB	\$K/bp	100	100	1	14	100	(30)	14%	100%	30%	10 days	40		1.6
Lating Concentration BB	\$MM	100	100		3	18	(9)	3%	18%	9%	20 days	175	18	7.0
tating Concentration B	\$MM	50	50		(7)	(2)	(18)	15%	390	36%	30 days	250	13	5.0
lating Concentration CCC or lower	\$MM	25	25		(2)	i	(5)	79e	3%	18%	65 days	450	11	4.5
ingle Issuer Long Risk AAA	\$MM	100	100		(31)	84	(50)	31%	84%	50%		l		
ingle Issuer Long Risk AA	\$MM	100	100	1	(52)	101	(100)		101%	100%		[7	
ingle Issuer Long Risk A	\$MM	100	100		(15)	(15)	(15)	15%	15%	15%				
ingle Issuer Long Risk BBB	\$MM_	100	100		7	25	(79)	796	25%	79%]	
ingle Issuer Long Risk BB	\$MM	50	50		4	10		7%	20%]	
ingle Issuer Long Risk B	\$MM	25	25		(4)	11	(20)		43%	78%		[]	
ingle Issuer Long Risk CCC and Lower	\$MM	25	25		(1)		(2)	2%		6%		[]	
Corporate Yield Vol	\$K/vol pt.	1,700	1,700		750	962		44%	57%		30 days	[8] 14	5.4
JST Yield Vol	\$K/vol pt.	1,700	1,700][[[[
waption Vol	\$K/vol pt.	1,700	1,700		(303)		(341)			20%][[[[
pread Volatility	\$K/vol pt.	250	250		3	39		1%	16%		1 day	10]	1.0
let Interest Rate Vol - USD	\$K/vol pt.	650	650]	449	650	(14)	69%	100%	20%	30 days	88	5	2.1
DV01 'oreign Exchange Delta	\$K/bp \$MM	100	100 15		(32)	9 <u>3</u>	(60) (4)		93% 45%	60% 27%	5 days 1 day	$\frac{10}{2\%}$	$\begin{bmatrix} 1 & 1 & 1 & 1 \\ 1 & 1 & 1 & 1 \end{bmatrix}$	0.4 0.1

44

CITI-FCIC 00091497

Trading Desk: North America Structured Credit Products - Exotics/Structured

Trigger Description	Unit	Trigger
Single Issuer Short Risk AAA	\$MM	100
Single Issuer Short Risk AA	\$MM	100
Single Issuer Short Risk A	\$MM	100
Single Issuer Short Risk BBB	\$MM	100
Single Issuer Short Risk BB	\$MM	50
Single Issuer Short Risk B	\$MM	25
Single Issuer Short Risk CCC and Lower	\$MM	25

CITI-FCIC 00091498

Trading Desk: North America Structured Credit Products - Exotics/Structured

Bank En	tity Thresholds	
	Rating	Thresshold
	AAA	200
High Grade CR01 (\$k)	AA	200
Iligii Grade CR01 (5K)	A	200
	BBB	100
	BB	100
High Yield Notional (\$MM)	В	50
	CCC & Lower	25

Non-Bank l	Entity Threshold	ls
	Rating	Thresshold
	AAA	200
High Cyada CD01 (Sly)	AA	200
High Grade CR01 (\$k)	A	200
	BBB	100
	BB	100
High Yield Notional (\$MM)	В	50
	CCC & Lower	25

CITI-FCIC 00091499

ANNUAL LIMIT REVIEW

Trading Desk: US Cash CDOs Head Trader: Nestor Dominguez/Donald Quintin

Department: Global Structured Credit Products Department Head: Janet Warne/Nestor Dominguez Date: 31-Dec-06

Business initiatives/Frading Strategies

The Desk continues to grow its primary and secondary CDO business. ABS CDOs and CLOs dominate the new issuance pipeline.

Revenue	s (SMM)				Risk Limits/Instification and 2006 Changes
	Monthly	Monthly	Monthly		The increased limits primarily reflect CDO business that has seen a significant increase in volumes, with increased demand for
	High	Low	Average		Collateralized Loan Obligations and asset backed CDOs. Warehouse assets are stressed at 50% of standard stress moves in recognition
2005 Actual	L		30.5	365.8	that the desk is rarely unable to recover its cost of acquiring the collateral when each deal prices. Corporate loan stress moves are used
2006 Actual	62.5	13.9	36.1	433.0	for the warehouse non-IG rating concentrations as that is is bulk of the collateral in those rating buckets.
2007 Budget			35.8	430.0	
Ker I	imits				2006 Limit Füllzation 2006 % Limit Füllzation Stressed Revenue Impact at Limit

Key I	amus				4906	Limit Litiliz	311011	28886	a Limit Cuh	zation		ressed Reven	ne impact at	Lamat
Limit Description	Unit	Limit as of 1/1/06	Current limit	Limit Change	Average absolute	Peak positive	Peak negative	Average absolute	Peak positive	Peak negative	Risk Horizon	Stress Market Move	P&L Impact (SMM)	As Mths of '07 Budget
DV01	\$K/bp	300	300	-	238	(116)	(422)	79%	39%	141%	5-days	35	11	0.3
Warehouse Rating Concentration AAA/AA	\$MM	5,000	7,500	2,500	2,790	3,980	1,893	37%	53%	25%	10-days	7.5	23	0.6
Warehouse Rating Concentration A	\$MM	3,000	2,000	(1,000)	1,279	1,655	856	64%	83%	43%	10-days	12.5	10	0.3
Warehouse Rating Concentration BBB	\$MM	2,000	2,000	-	1,309	1,682	992	55%	84%	50%	10-days	20.0	16	0.4
Warehouse Rating Concentration NIG Cap - All	\$MM	2,250	4,000	1,750	3,395	4,951	1,381	85%	124%	35%	65-days	50.0	80	2,2
Ex-Warehouse Rating Concentration AAA P+S	\$K/bp	1,000	1,000	-	271	(29)	(878)	27%	30 ₀	88%	10-days	15.0	15	0.4
Ex Warehouse Rating Concentration AA P+S	\$K/bp	500	500	-	12	20	(37)	2°6	4%a	79'a	10-days	15.0	8	0.2
Ex-Warehouse Rating Concentration A P+S	\$K/bp	400	400	-	42	1	(73)	11%	06.0	18%	10-days	25.0	10	0.3
Ex-Warehouse Rating Concentration BBB P+S	\$K/bp	250	250	-	25	5	(50)	10%	2%	20%	10-days	40.0	10	0.3
Ex-Warehouse Rating Concentration NIG Cap - All P+S	\$MM	400	600	200	349	805	242	58%	134%	$40^{o}a$	30-days	225.0	54	1.5
Super Senior Limit Gross	\$MM	NA	40,000		l									l
Super Senior Limit Net	\$MM	(Incl. in	30,000		29,762	31,000	28,915	99%	103%	96%		3.5	42	1.2
· · · · · · · · · · · · · · · · · · ·	·		·											000000000000000000000000000000000000000

Aggregation (Simple Sum) 267 Aggregation (''Sum of Squares'' approach) 111 Aggregation (Maximum Realistic) 235

Permitted Products and Principal Entities Permitted Products Principal Entities

Corporate Loans Default Swaps

Corporate Bonds Leveraged Super Senior Swaps

Asset Backed Securities CDOs

Mortgage Backed Securities Interest Rate Swaps Trust Preferreds Treasury Bonds

Total Return Swaps

CFPI for Warehouse

CGMI for Ex-Warehouse

CBNA for derivatives

Aggregation Approach for Stress Loss Estimate

The desk has been pursuing and executing different methods to reduce the risk of the warehouse facilities. These are often customized to the deal and as such have been difficult to measure systematically against risk exposures up to this point. The warehouse assets are stressed at 50% of the normal stress moves, however this is primarily because the CDO buys these assets at cost, taking the mark-to-market risk during the warehouse period. Recognizing that there are other risk mitigants for the warehouse, and that it is unlikely the desk will be at 100% of all limits simultaneously, the simple sum of the warehouse will be reduced by 1/3 to estimate the maximum realistic stress loss. Loan stress moves are used for the NIG warehouse assets since these have mostly been loans over the past year.

Other Risk Issues

ANNUAL LIMIT REVIEW

Trading Desk: US Cash CDOs Head Trader: Nestor Dominguez/Donald Quintin Department: Global Structured Credit Products

Department Head: Janet Warne/Nestor Dominguez

Date:

31-Dec-06

Business Indianyes/Trading Strategies

The Desk continues to grow its primary and secondary CDO business. ABS CDOs and CLOs dominate the new issuance pipeline.

Rever	mes (SMM)							Risk Li	mits/dustifica	tion and 20	06 Changes			
	Monthly	Monthly	Monthly		The increased	Himits prima	rily reflect C	DO business	hat has seen	a significant	increase in vo	olumes, with i	ncreased dem	and for
	High	Low		Total Annual										
	11120	12039		TOTAL MUDAL	that the desk	i Loan Conga	tions and ass	'A C	Os. Walchou	11 4 1 1	1 1 1	C C	d stress move	s in recognit
005 Actual			30,5 36.1										te ioan stress	moves are u
006 Actual	62.5	13.9	36.1		for the wareh	ouse non-IG	rating concer	ntrations as th	at is is bulk of	the collatera	al in those rat	ing buckets.		
2007 Budget			35.8	430.0										
Ke	y Limits				2006	Limit Urdiz.	tion	2006*	o Limii Utili	cation	Sti	essed Reven	ue Impact at	Limit
												Stress	P&L	
		Limit as of	Current	Limit	Average	Peak	Peak	Average	Peak	Peak	Risk	Market	Impact	As Mths of
Limit Description	Unit	1/1/06	limit	Change	absolute	positive	negative	absolute	positive	negative	Horizon	Move	(SMM)	Budget
Warehouse Page 1		***************************************				P			F		***************************************		A STATE OF THE STA	
DV01	ev/l	300	300						39%				₁₁ -	,
	\$K/bp				238	(116)	(422)	79%		141%	5-days	35		0.3
Rating Concentration AAA/AA	\$MM	5,000	7,500	2,500	2,790	3,980	1,893	37%	53%	25%	10-days	7.5	23_	0.6
Rating Concentration A	\$MM	3,000	2,000	(1,000)	1,279	1,655	856	64% 65%	83%	43%	10-days	12.5	10	0.3
Rating Concentration BBB	\$MM	2,000	2,000		1,309	1,682	992	65%	84%	50%	10-days	20.0	16	0.4
Rating Concentration BB	\$MM	[4,000	4,000		_					42-days	32.5	52	0.3 0.4 1.5 1.8
Rating Concentration B	\$MM	L	3,000	3,000	11	1	1				65-days	55.0	66	18
Rating Concentration CCC or lower	\$MM	 	1,000	1,000							65-days	100.0	40	1.1
Rating Concentration NIG Cap - All	\$MM	2,250	4,000	1,750	3,395	4,951	1,381	85°a	124%	35%	30-days	50.0	80	
Rating Concentration NIG Cap - Unsecured (Bonds)	\$MM		1,000	1,000			2,201				- 50-4435 -	50.0-		
Kathig Concentration NIG Cap - Onsecured (Bonds)	- 21 VIIVI	 	1,000											
<u>.</u>		 												
Primary+Secondary														
$\overline{\mathrm{DV01}}$	\$K/bp	100	100		91	(64)	(148)	91%	64%	148%	5-days	35	4_	0.1
Rating Concentration AAA	\$K/bp	1,000	1,000		271	(29) 20	(878)	27% 22% 11% 10%	3%	88% 7%	10-days	15.0	15	0.4
Rating Concentration AA	\$K/bp	500	500		12]	20	(37)	2%	49%	790	10-days	15.0	8_	30,2
Rating Concentration A	\$K/bp	400	400		42 25 75 21 252	17	(73)	110%	f3%	18%	10-days	25.0	10	n a
Rating Concentration BBB	\$K/bp	250	250		25	1 5 102	(50)	10%	2% 29%	20%	10-days	40.0	10	0.3 0.7
Rating Concentration BB	\$MM	250	350	100	75		31	21%	2002	9%	30-days	175.0	25	6.7
Rating Concentration B	\$MM	250	450	200			20	**************************************	50%	4%	30-days	250.0	45	
	\$MM	300				25 454		5%				450.0		13. 25.
Rating Concentration CCC or lower	\$MM		500	200		454	184 242	50°6	91%	37%	65-days		90	
Non Investment Grade Cap	\$MM	400	600	200	349	805	242	58%	134%	40%	30-days	225.0	54	
Secondary	L	L									l_	l_		
Rating Concentration AAA	\$K/bp	450	450		210	83	(477)	47%	18%	106%	10-days	15.0	7_	0.2
Rating Concentration AA	\$K/bp	300	300		[<i></i> 7]	21	(10)	2%a	7% 2%	3%	10-days	15.0	5	0.1
Rating Concentration A	\$K/bp	250	250		32	6	(50)	13%	2%	20°a	10-days	25.0		0.2
Rating Concentration BBB	\$K/bp	200	200		32 17	<u>6</u>	(34)	Qθ ₀	396	20% 1 7 %	10-days	40.0	<u>6</u> -	0.2 0.2 0.5
Rating Concentration BB	\$MM	175	275	100			39	24%	33%	14%	30-days	175.0	19	n 5
Rating Concentration B	\$MM		275 275	$\frac{100}{100}$	65 21	90 25 335	20	89,	90%	70,	30-days	250.0	28	0.8
	\$MM	175 200		100	191		145	64%	***	48%	(450.0	54	
Rating Concentration CCC or lower	<u>amin</u>	²⁰⁰ -					145	047a	112%	4070	65-days	430.0	34	1.5
,,-,-,-,-,-,-,-		₅ , -			1									
Super Senior Limit Gross	\$MM	NA	40,000											
Super Senior Limit Net	\$MM	(Incl. in	30,000		29,762	31,000	28,915	99%	103%	96%	l_	3.5	42_	1.2
Par Put Notional Limit (on AAA collateral only)	\$MM	L	2,000		17	7]				l	 		
	[L		 			1				I	I		
		 												
4 (6) 1 6)													201	
Aggregation (Simple Sum)													281_	
Aggregation ("Sum of Squares" approach)													190	
Aggregation (Maximum Realistic)													239	
aggi egation (Maximum Realistic)													239	

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Single Issuer Limits			
Desk / Rating	Limit as of 1/1/06	Corrent Limit	Limit Change
Warehouse (Asset Concentra	ation)		
AC AAA	300	366	8
AC AA	200	200	8
AC A AC BBB+	$\frac{175}{150}$	$ \frac{175}{150}$	() ()
AC BBB	$\frac{150}{125}$	$\frac{150}{125}$	()
AC BBB-	$\frac{120}{100}$		8
AC BB	75	₇₅	0
АС В	75	75	()
AC CCC&Lower/Unrated	75	75	8
Primary+Secondary (Tranch	ne Concentration)	
TC AAA	600	600	0
TC AA	300	300	8
TC A	250	250	8
TC BBB+	150	150	8
TC BBB TC BBB-	$\frac{125}{100}$	125 100	8
TC BBB-	$\frac{100}{100}$	100	- 0
TC B	$\frac{100}{100}$	100	0
TC CCC&Lower/Unrated	75	75	8

ANNUAL LIMIT REVIEW

Trading Desk: Global ABS Portfolio Trading Head Trader: Chris Carman

Department: Structured Credit Department Head: Michael Raynes Date: 31-Dec-06

Business Initiatives/Trading Strategies

This desk constructs and trades synthetic CDOs and CDO tranches where the underlying collateral consists of asset-backed securities.

į,	venues (SAIM				Risk Limits/Justification and 2006 Changes
	Monthly	Monthly	Monthly		The business grew rapidly in volume in 2006, largely driven by hedge fund flow. Significant limit increases were approved in 2006 and
	High	Low	Average	Total Annual	these incorporated a migration from "waterfall" limits to simple ratings-band limits. BBB limits are larger than A or AA as this is where
2005 Actual	12.5	(1.8)	3.8	46.0	the bulk of the collateral is rated; AAA limits are high as the desk takes "par put" risk on its repackaged notes. Because of this, a
2006 Actual	27.0	(3.6)	4.4	53.0	sublimit for paper at the perceived low end of the AAA spectrum is proposed.
2007 Budget	[Г [5.8	- 7 0.0	

	Key Limits				2000	Limit Pilliz	ation .	2006 *	% Limit Utili	zation	St	Stressed Revenue Impact at Limit						
Limit Description	Unit	Limit as of	Current timit	Limit Change	Average absolute	Peak positive	Peak negative	Average absolute	Peak positive	Peak negative	Risk Horizon	Stress Market Move	P&L Impact (\$MM)	As Mths of '07 Budget				
Net spread exposure - AAA total	\$k/bp		3000		430	26	(1,324)	14%	1%	44%	10 days	15	45	7.7				
Net spread exposure - AAA>15bp	\$k/bp	544	1500	957		[10 days	15	23	7.7 3.9				
Net spread exposure - AA	\$k/bp	91	400	309	53	(22)	(178)	13%	6%	45%	10 days	15	6	1.0				
Net spread exposure - A	\$k/bp	91	400	309	96	333	(271)	24%	83°a	6 8 %	10 days	25	10	1.7				
Net spread exposure - BBB	\$k/bp	127	1000	873	369	168	(1,291)	37%	17%	129%	10 days	40	40	6.9				
Net spread exposure - BB and below	\$k/bp	54	150	96	10	3	(57)	7%	2%	38ºa	20 days	175	26	4.5				
Total Correlation	\$k/%	400	800	400	380	485	(1,041)	48%	61%	130%	10 days	5	4	0.7				
·											[]	1]						
Aggregation (Simple Sum)													131	9.7				

Aggregation (Simple Sum)

Aggregation ("Sum of Squares" approach)

Aggregation (Maximum Realistic)

71

Permitted Products and Principal Entities

ABS bonds and to-maturity default swaps referencing ABS bonds

Tranched protection on ABS portfolios; Both CGML and Citibank N.A. (London and New York) legal entities are used

Aggregation Approach for Stress Loss Estimate

Estimate assumes 100% utilisation of the AAA limit and that the stress for low-spread AAA is half the standard AAA spread. Simultaneous limit usage of 50% for BBB and below, and 25% in the remaining investment-grade bands, is assumed. Alternatively this can be viewed as 100% BBB usage with a 50% discount given that the first-loss piece will normally be pre-sold or at least circled.

HY bucket (BB and lower) would normally include mainly BB-rated ref obligations which have been downgraded from Baa1/2/3. Hence this bucket is stressed as such.

Other Risk Issues

The desk is still heavily reliant on an EUC system - Graphite - for revenue and risk management information. Technology plans are under way to move to a more robust, scaleable infrastructure.

CITI-FCIC 00091503

Single	Issuer	Limits
Des	k / Ratii	ng

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2000000			333.33
1000000		24.1	222.2
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Warehouse (Asset Concentration)

AC AAA	
AC AA	_
AC A	_
AC BBB+	-
AC BBB	-
AC BBB-	-
AC BB	-
АС В	-
AC CCC&Lower/Unrate	d

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200	200	()
175	175	()
150	150	()
125	125	0
100	100	8
<i>7</i> 5	75	()
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75	75	()

Primary+Secondary (Tranche Concentration)

TC AAA
TC AA
TC A
TC BBB+
TC BBB
TC BBB-
TC BB
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TC CCC&Lower/Unrated

Concentration)	
600	600
300	300
250	250
150	150
125	125
100	100
100	100
100	100
75	75

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Trading Desk: Global Portfolio ABS Trading

ABS CDO	Trading	
Long Rick	Short Rick	-

CR01 Rating Concentration			Long Risk	Short Risk
Rating Concentration AAA	CR01 (\$ per -1 bp)	ELEMENT	\$ 3,000,000	\$ (3,000,000)
Rating Concentration AAA (>15bp) Sub-Limit	CR01 (\$ per -1 bp)	LIMIT	\$ 1,500,000	\$ (1,500,000)
Rating Concentration AA	CR01 (\$ per -1 bp)	LIMIT	\$ 400,000	\$ (400,000)
Rating Concentration A	CR01 (\$ per -1 bp)	LIMIT	\$ 400,000	\$ (400,000)
Ratng Concentration BBB	CR01 (\$ per -1 bp)	LIMIT	\$ 1,000,000	\$ (1,000,000)
Rating Concentration BB and lower (inc. NR)	CR01 (\$ per -1 bp)	LIMIT	\$ 150,000	\$ (150,000)
Single issuer credit exposure				
Single Name AAA	Net Long MV (\$MM)	LIMIT	\$ 450	
Single Name AAA	CR01 (\$ per -1 bp)	Trigger	\$ 180,000	\$ (400,000)
Single Name AA	Net Long MV (\$MM)	LIMIT	\$ 180	
Single Name AA	CR01 (\$ per -1 bp)	Trigger	\$ 72,000	\$ (160,000)
U	1 (-1 1/	l co		1
Single Name A	Net Long MV (\$MM)	LIMIT	\$ 130	
Single Name A	CR01 (\$ per -1 bp)	Trigger	\$ 52,000	\$ (157,576)
Single Name BBB	Net Long MV (\$MM)	LIMIT	\$ 75	
Single Name BBB	CR01 (\$ per -1 bp)	Trigger	\$ 30,000	\$ (90,909)
	(* [· · · ·])	[39a		4 (3.35.27)
Single Name BB or lower (inc. NR)	Net Long MV (\$MM)	LIMIT	\$ 45	
Single Name BB or lower	CR01 (\$ per -1 bp)	Trigger	\$ 18,000	\$ (60,000)
Credit Correlation Total and by capital structur	re (see individual risk reports	for bucket definit	ions)	
Credit Correlation (Total)	Corr01 (\$ per 1% shift)	LIMIT	\$ 800,000	\$ (800,000)
Super-Senior	Corr01 (\$ per 1% shift)	LIMIT	\$ 2,000,000	\$ (2,000,000)
Senior	Corr01 (\$ per 1% shift)	LIMIT	\$ 1,200,000	\$ (1,200,000)
Sr Mezzanine	Corr01 (\$ per 1% shift)	LIMIT	\$ 1,200,000	\$ (1,200,000)
Jr Mezzanine	Corr01 (\$ per 1% shift)	LIMIT	\$ 1,200,000	\$ (1,200,000)
Equity	Corr01 (\$ per 1% shift)	LIMIT	\$ 1,200,000	\$ (1,200,000)

- All desks are required to have a loss trigger; this is set at two months' budgeted revenue (against two months' actual revenue).
- Where an issue or issuer has split ratings, the lower or lowest will be used unless agreed with Market Risk in advance.
- Where an issuer is unrated by choice, Market Risk will assign a proxy rating after discussion with the appropriate trading desk.

Note

(a) - Measured over a \pm /- 10% range - taking the worst of the two for limit monitoring purposes

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ANNUAL LIMIT REVIEW

Trading Desk: European CDO Warehouse

2007 Budget

Head Trader: Tim Beaulac

Department: Structured Credit Department Head: Michael Raynes Date: 31-Dec-06

Business Initiatives/Trading Strategies

The desk's main activity is construction of traditional full capital structure cash CBOs, where the underlying collateral consists of bonds and loans (including leveraged loans)

R	evenues (SMM)			Risk Limits/histification and 2006 Changes
	Monthly	Monthly	Monthly		The high yield inventory limit was upsized in 2006 to accommodate a growth in cash CLO business and allow an increased capacity in a
	High	Low	Average	Total Annual	ramp-up/warehousing of leveraged loan porfolios.
2005 Actual	2.4	(0.8)	1.0	12.0	
2006 Actual	9.4	(0.5)	2.7	32.0	
2007 Budget			3.8	45.0	

	Key Limits				2006	Limit Cilia	ttion	2006 % Limit Utilization			Stressed Revenue Impact at Limit			Limit
Limit Description	Unit	Limit as of	Current limit	Limit Change	Average absolute	Peak positive	Peak negative	Average absolute	Peak positive	Peak negative	Risk Harizon	Stress Market Move	P&L Impact (SMM)	As Mths of 'C Budget
Net inventory - AA/AAA	\$mm	1,700	1,700								10 days	15	13	3.4
Net inventory - A	\$mm	500	500								10 days	25	6	1.7
Net inventory - BBB	\$mm	500	500								10 days	40	10	1.7 2.7 11.0
Net inventory - BB and below	\$mm	500	750	250	282	656	[38%	88%		65 days	110	41	11.0
	L	L	L		L						1			
	L	L	L		L						1]		
Aggregation (Simple Sum)				•							·		70	

Aggregation ("Sum of Squares" approach) Aggregation (Maximum Realistic) Permitted Products and Principal Entities

Leveraged Loans, High Yield Bonds, cash CDO tranches. The desk uses Citibank N.A. (London branch) and CFPI for warehousing collateral. Unsold (residual) portion of CLO tranche risk is normally held on CGML

Aggregation Approach for Stress Loss Estimate

The bulk of the risk comes from deals in the warehousing period where our normal stress estimates do not apply for various reasons including the typical nature of the collateral, the securitisation exit and, to an extent, the ability to absorb collateral losses while still successfully syndicating the notes. For a realistic maximum stress loss estimate, we have assumed a 100% usage in B-rated loan collateral in the warehouse, with a 25% (reduced) discount given that the first-loss will normally be pre-sold per loss sharing agreement with manager. We use five-year duration to quantify the stress impact

Other Risk Issues

Continued growth of the business necessitates a risk capture of warehouse positions in the corporate VaR system GMR. Plans are under way to produce a feed to GMR