

**From:** sarah.dahlgren/ny/frs;nsf;sarah.dahlgren@ny.frb.org;smtp  
**Sent:** Tue Sep 16 2008 08:09:53 EDT  
**To:** brian.peters/ny/frs@frs;  
**Subject:** Re: Fw: The Documents From Tonight/Well This Morning

I'm looking for folks....

.....  
Sarah Dahlgren  
Bank Supervision Group  
Federal Reserve Bank of New York  
212-720-7537

visit [www.newyorkfed.org](http://www.newyorkfed.org)  
.....

Brian Peters/NY/FRS  
09/16/2008 08:07 AM

To  
Sarah Dahlgren/NY/FRS@FRS, "Robert Patalano" <Robert.Patalano@ny.frb.org>, Christopher  
Calabia/NY/FRS@NY

cc

Subject  
Fw: The Documents From Tonight/Well This Morning

Can we A S A P get a version with before and after capital ratios?

----- Original Message -----

From: Paul Whynott  
Sent: 09/16/2008 03:12 AM EDT  
To: Sarah Dahlgren; Dianne Dobbeck/NY/FRS@NY; Catherine Voigts; Kyle Grieser; Robert Patalano;  
Paul Whynott/NY/FRS@NY; Jenny Phan; Steven Manzari; Brian Peters/NY/FRS@NY; William  
Rutledge/NY/FRS@NY; John Ricketti; Daniel Muccia; Brian Begalle  
Subject: The Documents From Tonight/Well This Morning  
All,

here are the documents from tonight's fun.



Exposure to AIG\_16 Sept 09\_final.doc



AIG Impact Analysis 9-16.xls

Paul Whynott  
Federal Reserve Bank of New York  
(212) 720-2388

## Selected Financial Institutions' Economic Exposures to AIG

in \$MM

Bank	Tier 1 Capital	Direct Credit	Sec Lending	Reg K Adj	Reg Cap CDOs*	All Other CDO	S/T Obligations	TOTAL	Ratio to Tier 1
ABN AMRO	40,895	456	162	52,607	3,597	0	0	4,215	10%
Banco Santander	52,041	1,779	0	1,511	103	46	0	1,928	4%
Bank of America	101,541	345	477	0	0	392	0	1,214	1%
Barclays	55,140	403	913	0	0	3,993	0	5,309	10%
BNP	54,606	394	564	21,769	1,488	106	150	2,701	5%
Calyon	19,578	300	0	22,939	1,568	2,190	800	4,858	25%
Citigroup	106,915	538	258	0	0	320	0	1,116	1%
Credit Suisse	30,185	313	372	0	0	347	0	1,031	3%
Danske Bank	18,767	108	0	30,439	2,081	1,434	0	3,623	19%
Deutsche Bank	44,609	319	762	8,682	594	12,197	950	14,822	33%
Goldman Sachs	43,480	85	674	0	0	13,646	0	14,405	33%
HSBC	102,000	419	334	0	0	937	0	1,690	2%
ING	37,335	106	479	0	0	0	450	1,034	3%
JPMC	98,730	448	14	0	0	5,107	0	5,568	6%
Merrill Lynch	27,407	279	248	0	0	4,170	50	4,746	17%
Morgan Stanley	37,076	174	219	1,080	74	3,452	0	3,919	11%
Rabobank	47,027	0	0	2,778	190	708	200	1,098	2%
Société Générale	63,751	289	113	14,930	1,021	8,396	1250	11,069	17%
UBS	36,757	274	487	0	0	2,722	0	3,483	9%

Source: Internal and Public Company Reports

Assume:

LGD of 50%

LGD of 10%

LGD of 50%

LGD of 50%

\*Increase in reg capital due to change in RW

## Selected Financial Institutions' Economic Exposures to AIG

in \$MM

Bank	Tier 1 Capital	Direct Credit	Sec Lending	Reg Cap CDOs*	All Other CDO	S/T Obligations	TOTAL	Ratio to Tier 1
ABN AMRO	40,895	228	162	3,597	0	0	3,987	10%
Banco Santander	52,041	890	0	103	23	0	1,016	2%
Bank of America	101,541	173	477	0	196	0	845	1%
Barclays	55,140	202	913	0	1,997	0	3,111	6%
BNP	54,606	197	564	1,488	53	75	2,377	4%
Calyon	19,578	150	0	1,568	1,095	400	3,213	16%
Citigroup	106,915	269	258	0	160	0	687	1%
Credit Suisse	30,185	156	372	0	173	0	702	2%
Danske Bank	18,767	54	0	2,081	717	0	2,852	15%
Deutsche Bank	44,609	160	762	594	6,099	475	8,088	18%
Goldman Sachs	43,480	43	674	0	6,823	0	7,540	17%
HSBC	102,000	210	334	0	468	0	1,012	1%
ING	37,335	53	479	0	0	225	756	2%
JPMC	98,730	224	14	0	2,553	0	2,791	3%
Merrill Lynch	27,407	139	248	0	2,085	25	2,497	9%
Morgan Stanley	37,076	87	219	74	1,726	0	2,106	6%
Rabobank	47,027	0	0	190	354	100	644	1%
Société Générale	63,751	144	113	1,021	4,198	625	6,101	10%
UBS	36,757	137	487	0	1,361	0	1,985	5%

Source: Internal and Public Company Reports

Assume:

LGD of 25%

LGD of 10%

LGD of 25%

LGD of 25%

\*Increase in reg capital due to change in RW

## **Adjusts to AIG Lender Counterparty Analysis (by facility)**

(Sept 16, 2008)

### **Key Takeaways:**

We believe the IBs overstated their exposures to AIG as most exposures were assumed to be fully drawn and would be of no value if the firm were to default. We've categorized the exposures into five buckets: (a) direct exposure, (b) securities lending, (c) the capital charge if the regulatory CDOs were no longer in place, (d) protection written on super senior CDOs, and (e) short-term obligations.

We calculated the capital implications of the potential losses under two scenarios. The first assumes a 50% loss given default (LGD) assumption for all exposures except for securities lending wherein we assumed a 10% loss on the exposure. In sum, the banks' adjusted exposures to AIG represents on average 11% of Tier 1 (as of 2Q08). The adjusted exposures range from 1% (Bank of America & Citigroup) to 33% (Deutsche Bank & Goldman) of Tier 1 capital, respectively.

The second scenario, assumes a higher recovery with a 25% LGD assumption. All other assumptions related to the impact of the regulatory capital CDOs no longer being in place, as well as the losses associated with the secured lending remain unchanged. Under this scenario, the average Tier 1 capital impact drops to 7%. The adjusted exposures range from 1% to 18% of Tier 1 capital, respectively. In both cases, Deutsche is at the top of the range in terms of the Tier 1 capital impact of losses related to AIG due to an outsized CDO exposure relative to a smaller capital base.