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Subject
Market Risk in the System

Attached is a summary report of key market risks for major financial institutions. The information presented was provided by the following firms over the past week - Lehman, Merrill, BankAmerica, Citi, UBS, Credit Suisse, Deutsche Bank, JPMorgan and AIG. While in many cases the information was incomplete, a key concentration across these firms is their holdings in commercial and residential real estate - both in securitized and whole loan form. Given the failure of Lehman (with $62bil) and combined holdings of BAC and MER estimated at $104bil, further price pressure on these assets may be severe.

Regards,
Clint

System Risk Report Notes SEP 15 08.doc

System Risk Report SEP 15 08.pdf

| | Risk Metric | Unit | Totals | LEH | MER | BAC | MER+BAC | CITI | UBS | CS | DB** | JPM | AIG |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | 9/3/08 | 9/8/08 | 8/27/08 | | 8/28/2008 | 9/4/2008 | 8/29/2008 | 8/29/2008 | 9/5/2008 | 9/11/2008 |
| **Corporate** | | | | | | | | | | | | | |
| **Invst Grade** | Spread -1bp | $mm | (22) | | (6) | 0 | (5) | (11) | | (1) | (5) | | |
| | Spread +10% | $mm | 36 | | | | | | | | | 36 | |
| **Non Invst Grd** | MV | $bil | 30 | 13 | 7 | 0 | 7 | 8 | | | | 2 | |
| | Spread -1bp | $mm | 3 | | | 0 | 0 | | 0 | (0) | 3 | | |
| | Spread +10% | $mm | 0 | | | | | | | | | | |
| **Hedges** | MV | $bil | (24) | (24) | | | | | | | | | |
| **Total Real Estate** | MV | $bil | **417** | **62** | **90** | **14** | **104** | **59** | **32** | **37** | **23** | **45** | **56** |
| **Commercial** | MV | $bil | **214** | **42** | **25** | **10** | **35** | **49** | **10** | **18** | **19** | **10** | **31** |
| **Resi / ABS** | MV | $bil | **221** | **26** | **65** | **5** | **70** | **9** | **22** | **19** | **11** | **39** | **25** |
| **Hedges** | MV | $bil | **(18)** | **(7)** | | | | | | | **(7)** | **(4)** | |
| **Interest Rates** | Rates -1bp | $mm | 12 | 1 | 1 | 2 | 3 | 7 | 2 | (2) | 1 | 0 | (0) |
| **Public Equity** | MV | $bil | 2 | 3 | 0 | 0 | 0 | (2) | 0 | 4 | 1 | (2) | (2) |
| **Private Equity** | MV | $bil | 51 | 10 | | 8 | 8 | 18 | 0 | 15 | | | |
| **Currencies*** | | | | | | | | | | | | | |
| **Major** | MV | $bil | (3.23) | (0.84) | (1.20) | | (1.20) | | | | | (1.19) | |
| **Minor** | MV | $bil | 6.77 | 0.87 | 1.20 | 0.28 | 1.48 | 2.48 | (0.16) | | 0.89 | 1.20 | |
| **USD** | MV | $bil | (9.48) | | | | | (8.56) | 0.47 | | (0.90) | (0.48) | |
| **EUR** | MV | $bil | (2.52) | | | (0.35) | (0.35) | (1.25) | 0.10 | | (0.11) | (0.92) | |
| **JPY** | MV | $bil | 2.01 | | | | | 1.60 | (0.02) | | | 0.43 | |
| **Commodities** | | | | | | | | | | | | | |
| **Oil** | MV | $bil | 3.62 | (0.06) | | 0.02 | 0.02 | 3.57 | 0.13 | 0.02 | (0.11) | 0.04 | |
| **Natgas** | MV | $bil | (0.70) | 0.02 | (1.36) | (0.15) | (1.51) | 0.67 | (0.02) | (0.16) | 0.21 | 0.09 | |
| **Power** | MV | $bil | 3.00 | 0.15 | 1.86 | 0.35 | 2.21 | | (0.00) | 0.61 | (0.05) | 0.09 | |
| **Stress: Flight to Quality Loss in $bil** | | | | (4) | | | | (9) | (12) | (2) | | (7) | |

* Sign indicates currency position - positive is long currency, short USD

** US exposures only