Yale SCHOOL OF MANAGEMENT
Program on Financial Stability

EliScholar – A Digital Platform for Scholarly Publishing at Yale

YPFS Resource Library

8-20-2004

AIG Memo from Robert Powell to Kevin McGinn re Credit Derivative Transaction with Iona

Robert Powell

https://elischolar.library.yale.edu/ypfs-documents/5354

This resource is brought to you for free and open access by the Yale Program on Financial Stability and EliScholar, a digital platform for scholarly publishing provided by Yale University Library.
For more information, please contact ypfs@yale.edu.

TO: Kevin McGinn

CC: Joseph J. Cassano

FROM: Robert T. Powell

RE: Transaction Requiring Approval – Credit Risk Committee – Credit Derivative with Iona CDO I Limited ("Iona") whose investments are to be managed by AXA Investment Managers ("AXA"), in a transaction arranged by The Royal Bank of Scotland plc. ("RBS")

DATE: August 20, 2004

Please see the attached Credit Approval Form and Executive Summary describing a proposed credit derivative transaction with Iona. As described in the attached Executive Summary, the transaction involves providing credit default protection on a managed portfolio having a maximum aggregate principal amount of USD 1.5 billion. AIG-FP is proposing to provide protection for the second 90% of losses arising in respect of the portfolio.

The stated final maturity of the credit default protection is August 2049, although the transaction is callable by two thirds of the Class M Subordinated Noteholders (which represent the equity risk tranche) at any time after 3 years, subject to adequate funds being available to pay out senior creditors. In addition, the transaction is subject to a mandatory call on the tenth anniversary of the transaction and each quarterly payment date thereafter. The deal will be called at these points if, as of such date, the expected proceeds from the liquidation of the portfolio then outstanding equal or exceed the aggregate of all amounts due and payable on the senior notes issued by Iona and all amounts payable in priority thereto (including amounts payable to AIG-FP as senior swap counterparty). The incentive for the Class M Subordinated Noteholders to call the transaction will increase significantly following the end of the 5 year reinvestment period as natural amortization of the underlying exposures will begin to make the transaction uneconomic from their point of view. We would, therefore, expect the transaction to be called before the tenth anniversary.

Credit Risk Committee approval is requested as the notional amount of the credit derivative exceeds the USD 50 million limit for a single issuer. This transaction is a modified version of a transaction that was originally approved in September, 2003 (approval #4700) but execution was delayed.

Please let me know if you require any additional information.

R.T.P.

{FILENAME \p}

Confidential Treatment Requested By American International Group, Inc.
AIG-FCIC00522336

CREDIT RISK COMMITTEE
STANDARD APPROVAL FORM

OBLIGOR	
OBLIGOR NAME	Iona CDO I Limited ("Iona")
AIG NUMBER	
OBLIGOR STREET ADDRESS	22 Grenville Street
CITY / STATE / ZIP	St Helier, JE4 8PX
COUNTRY	Jersey
OVERVIEW OF TRANSACTION / FACILITY	
PRODUCT / PRODUCT TYPE:	Credit Derivative (Second Loss)
NOMINAL PRINCIPAL AMOUNT:	USD 1.5 billion
TENOR:	(legal) 45 years (expected) 7 years
AGGREGATE EXPOSURE TO OBLIGOR GROUP:	N/A
GUARANTOR (if any):	
COLLATERAL (if any):	
OTHER CHARACTERISTICS:	See Executive Summary

OBLIGOR RATINGS

	DESCRIPTION OF RATED OBLIGATION	FOR OBLIGOR	FOR PARENT	FOR GUARANTOR	FOR ENHANCEMENT
AIG OBLIGOR / CROSS BORDER RISK RATING:	Super Senior CDS	1			
MOODY'S:	Senior Notes	Aaa			
S&P:	Senior Notes	AAA			
OTHER:					

SUBMITTER'S INFORMATION

SUBMITTED BY:	TIM PARSONS / GRAHAM PALMER	DATE:	August 20, 2004
COMPANY:	BANQUE AIG, LONDON BRANCH	PHONE:	+44 207 659 7000
DIVISION:		FAX:	+44 207 659 7200

CONCURRENCE

CONCURRENCE BY REQUESTOR'S CREDIT AND/OR BUSINESS HEAD:	***SIGNATURE***

DO NOT WRITE IN THE SPACE BELOW (CRM ONLY)

DATE: ____________________ **APPROVED:** __________ **YES** __________ **NO**

LIMIT IN EXCESS OF HOUSE LIMIT?
__________ **YES** ________ **NO**

Howard I. Smith

Robert E. Lewis

CRC Member (Group A)

CRM Executive (Group B)

Executive (Group C)

DOCUMENTED BY: ____________________
FACILITY #: ____________________

{FILENAME \p}

CONDITION(S):

EXECUTIVE SUMMARY

Date: August 20, 2004

AIG Entity: AIG Financial Products Corp. ("AIG-FP")

Prepared by: Tim Parsons / Graham Palmer

Counterparty: Iona CDO I Limited ("Iona") whose investments are to be managed by AXA Investment Managers Paris S.A. ("AXA"), in a transaction arranged by The Royal Bank of Scotland plc ("RBS")

Purpose. AIG-FP seeks Credit Risk Committee approval to provide second loss credit default protection to Iona, a special purpose vehicle incorporated in Jersey. RBS, as arranger of the transaction, seeks to have Iona hedge the credit risk associated with a USD 1.5 billion managed portfolio of high quality investment grade asset backed securities. RBS will sell approximately USD 136.5 million of credit linked notes, rated between BBB and AAA, to be issued by Iona in addition to USD 13.5 million unrated Class M Subordinated Notes. AXA, the portfolio manager, has indicated that it will buy half of the rated notes and also be at risk for half of the first 0.9% of losses associated with the portfolio (i.e. the equity risk) through ownership of Class M Subordinated Notes. AXA's risk retention and RBS' anticipated note placement aggregates to USD 150 million or 10% of the portfolio. The risk layer from 4.8% to 10% has been rated AAA/Aaa by S&P and Moody's. AIG-FP proposes to provide credit default protection on the remaining 90% (USD 1.35 billion) of risk.

Summary. The portfolio as selected by AXA will be funded by RBS and reside on RBS's balance sheet. Cash investments will be made in the securities by RBS and the risk transferred to Iona synthetically, either by TRS (total return swap) or CDS (credit default swap). To date AXA has selected and RBS has bought over USD1.3bn of the USD1.5bn portfolio. The portfolio as of 16 August, 2004 is attached. The portfolio has rigorous criteria that must be met, both initially and upon any substitution. The key elements of the criteria, encompassing "Eligibility Criteria", "Portfolio Profile Tests" and "Collateral Quality Tests", include:

(a) no single ABS transaction (across all tranches of the transaction) may constitute more than 2% of the portfolio size, and no single asset rated below Aa3/AA- may constitute more than 1% of the portfolio size, with additional constraints on CDOs (see below);
(b) CDS assets may not comprise more than 5% of the portfolio;
(c) no asset may have a legal final maturity later than 44 years and 10 months after the closing date (giving a legal final maturity 2 months before the legal final maturity date of our transaction);
(d) a maximum of 20% of the portfolio may comprise reference obligations with a legal final maturity above 35 years;
(e) the maximum weighted average life of any single asset must not exceed 15 years, calculated from the initial trade date;
(f) each obligor must be rated by S&P or Moody's, or both, and each rating assigned must be A-/A3 or higher;
(g) no more than 5% of the portfolio shall have an interest period less frequent than three months;
(h) the following restrictions are imposed on the concentration of eligible asset backed securities for inclusion in the portfolio:
    (i) residential mortgage backed securities must account for at least 30%, but no more than 65%, of the portfolio size;
    (ii) within that, securities backed by home equity loans will not exceed 45% of the portfolio size;
    (iii) commercial mortgage backed securities will account for no more than 30% of the portfolio size;
    (iv) mortgage backed securities in total will not exceed 85% of the portfolio size;
    (v) securities backed by auto loans will not exceed 30% of the portfolio size;
    (vi) securities backed by student loans will not exceed 20% of the portfolio size;
    (vii) securities backed by whole business securitizations will not exceed 10% of the portfolio size;

Confidential Treatment Requested By American International Group, Inc.
AIG-FCIC00522339

(vi) securities backed by credit card receivables will not exceed 50% of the portfolio size;

(vii) collateralized debt obligations ("CDOs") will not exceed 15% of the portfolio size; in relation to CDOs the following additional criteria will apply: -

(A) no CDO exposure will be rated below Aa3/AA-;

(B) CDO exposures rated Aa1/AA+ or below may not exceed 7.5% of the portfolio size;

(C) CDO assets managed by AXA are not eligible;

(D) total exposure to any single CDO (across all tranches) may not exceed 1% of the portfolio size;

(E) all CDO exposures must be classified by asset class (e.g., leveraged loans, investment grade corporates, etc.) and each asset class must represent less than 5% of the portfolio size, unless AIG-FP gives its specific prior consent;

(F) each asset class "bucket" will then be subdivided into "vintages" according to year of origination, and each vintage of a CDO asset class must be less than 3% of the portfolio size, unless AIG-FP gives its specific prior consent;

(G) static pool investment grade CDOs are not permitted without our specific prior consent;

(H) collateralized fund obligations and market value style CDOs may not exceed 2.5% of the portfolio size; and

(I) each asset must be part of a total issue of at least USD 300 million total principal amount across all tranches;

(viii) assets that are credit enhanced by monoline insurers may not exceed 20% of the portfolio size; in relation to monoline wrapped obligations the following additional restrictions apply:

(A) assets that are credit enhanced by any single monoline insurer may not exceed 10% of the portfolio size;

(B) the minimum unwrapped rating for any monoline wrapped asset will be Aa3;

(C) for the purposes of calculating the overall weighted average rating factor on the transaction, the wrapped rating of an amount of the monoline wrapped exposures equal to the lower of (x) USD 75 million and (y) 10% of the portfolio size will be taken into account for purposes of the calculation; for any remaining monoline wrapped exposures the unwrapped rating will be used in the calculation; in selecting the monoline wrapped exposures where the wrapped rating will be taken into account, AXA may select the lowest unwrapped ratings;

(ix) assets managed by any one single manager may not exceed the lower of USD 30,000,000 and 2.5% of the portfolio size;

(i) the portfolio acquired during the ramp up phase will not exceed USD 1.5 billion (the size of the portfolio at the end of the ramp up phase is referred to herein as the "final portfolio size", while the actual size of the portfolio from time to time is referred to as the "portfolio size");

(j) the portfolio will consist of assets of at least 50 reference entities;

(k) the maximum weighted average life of the portfolio must not exceed 7 years, calculated from the closing date;

(l) only 15% of the assets in the total portfolio can have average lives in excess of 10 years, calculated from the initial trade date;

(m) no more than 40% of the portfolio will be rated lower than AAA/Aaa;

(n) no more than 10% of the portfolio will be rated lower than AA/Aa2;

(o) the Moody's minimum diversity score of the portfolio must be at least 20;

(p) the Moody's weighted average rating of the portfolio must be at least between Aa2 and Aa3;

(q) all assets will be floating rate assets or, if fixed rate assets, will be swapped by Iona into a floating rate; payment in kind securities are not permitted; fixed rate assets will not exceed 10% of the portfolio size;

(r) the Moody's weighted average recovery rate of the portfolio must be at least 67.5%; the recovery rate assumed for each asset for this calculation is a function of the type of ABS, the rating of that tranche and the percentage of the capital structure that the tranche represents; some examples of assumed recovery rates are:

(i) residential securities (e.g., mortgages, home equity loans), A rated, between 2% and 5% of deal structure: 40% recovery;

Confidential Treatment Requested By American International Group, Inc.
AIG-FCIC00522340

(ii) diversified securities (e.g., credit cards, autos, student loans), Aaa, greater than 70% of structure: 85% recovery;
(iii) diversified CDOs, Aa rated, less than 2% of structure: 35%;
this is another test to ensure the portfolio consists of highly rated tranches of high quality assets; and
(s) similarly, the S&P average recovery rate must be at least 68.5%.

Management of the Portfolio. For the first 5 years, AXA is allowed to manage the portfolio and substitute any assets (termed swap agreements as this is a synthetic portfolio) at its discretion, up to a limit of 15% of the portfolio per year. In addition, AXA must replace any "credit improved swap agreements" (defined below) which are removed and may replace any "credit risk swap agreements" (defined below) which are removed, provided the replacement assets and the portfolio as a whole (after the substitution) meet the criteria described above (or, if any of the portfolio profile tests or collateral quality tests are already not satisfied, the substitution does not make such non-compliance any worse). However, if net cumulative losses or estimated net cumulative losses exceed 0.5% of the final portfolio size, save as noted below, management rights will cease 90 days after such occurrence, unless net losses are reduced below 0.5% within that time. The exception to this is that AXA is always able to sell credit risk assets. However replacements can only be added if cumulative net losses (or estimated cumulative net losses) remain below 0.5% and it is during the first 5 years of the trade.

For these purposes:

(i) An asset is defined as a "credit risk swap agreement" if there is a substantial likelihood that it will satisfy one of three tests or if it has satisfied one of six further tests. The distinction between the three tests and the six tests is that the events specified in the six tests must have actually occurred to make it a credit risk asset but the three tests are subjective tests in that if AXA believes they will be met within the next 30 days the asset can be deemed a credit risk asset. This has economic advantages by allowing AXA to sell a deteriorating asset before it is actually downgraded. The three forward looking tests are
(a) a rating downgrade of the reference entity by one or more sub-categories,
(b) the asset has been put on watch for downgrade, and
(c) the credit spread on the asset has moved by at least the greater of 10% of the spread at the time the TRS or CDS was entered into and the Minimum Spread Requirement (which is between 7bps at Aaa and 19bps below Aa3).
The six objective tests are
(d) change of tax or other law materially affecting the asset,
(e) material deterioration in performance reports issued in respect of the transaction,
(f) downgrading of the underlying assets representing at least 10% of the collateral of the obligation by two sub categories,
(g) downgrading by one sub-category of the short term rating of the servicer and/or swap counterparty,
(h) downgrading by two sub-categories of the long term rating or servicer rating of the servicer, and
(i) departure of three key individuals.

(ii) An asset is defined as a "credit improved swap agreement" if it has satisfied one of eight tests. These include a rating upgrade or being put on watch for an upgrade and tightening of the credit spread on the asset by at least 10% and the Minimum Spread Requirement. The spread test for improved assets must be a spread movement other than due to general market movements. The additional tests are swap counterparty upgrading, servicer upgrading, upgrading of assets representing 10% of the collateral of the asset by two sub-categories, improvement in the performance reports issued in respect of the transaction and positive change in tax or other law.

AXA may continue to reinvest proceeds from any amortization during the first 5 years until the portfolio has experienced 1% of cumulative net losses (or expected losses).

Losses will be estimated within 3 months of any credit event using the lowest of the recovery rates from S&P, Moody's and AXA, although final work out may take longer in order to obtain the best recovery value possible.

Confidential Treatment Requested By American International Group, Inc.
AIG-FCIC00522341

AXA will advise AIG-FP of any substitutions and will advise AIG-FP monthly of the status of the portfolio.

During the reinvestment period (maximum 5 years), if there are any amounts arising from amortization of assets or removals of assets which are not reinvested, the portfolio will start to amortize. The portfolio will in any event amortize after the fifth anniversary of the transaction. AIG-FP's super senior tranche will amortize as follows:

Amortization Amounts (in USD)		Senior Swap Amortization Ratio	Class A Amortization Ratio	Class B Amortization Ratio	Class C Amortization Ratio	Equity Amortization Ratio
First	370,000,000	94.50%	3.40%	1.80%	0.30%	-
Next	380,000,000	95.40%	3.00%	1.40%	0.20%	-
Next	370,000,000	96.85%	2.40%	0.60%	0.15%	-
Next	380,000,000	Sequential	Sequential	Sequential	Sequential	Sequential
Total	**1,500,000,000**					

However, amortization will become sequential, with AIG-FP's super senior tranche amortizing first, if: -

(i) the portfolio profile tests or collateral quality tests (but not eligibility criteria) are not satisfied as of the relevant amortization date;
(ii) cumulative losses exceed 1% of the final portfolio size; or
(iii) the outstanding amount of the portfolio has reduced to below 25% of the final portfolio size.

The stated final maturity of the credit default protection is August 2049, although the transaction is callable at any time by two thirds of the Class M Subordinated Noteholders after three years, provided there are adequate funds to redeem the senior notes and pay amounts payable in priority to such notes (which include amounts payable on the senior swap). In addition, the transaction is subject to a mandatory call on the tenth anniversary of the transaction (and every quarterly payment date thereafter) if, as of such date, the expected proceeds from the liquidation of the portfolio then outstanding equal or exceed the aggregate of all amounts due and payable on the senior notes issued by Iona and all amounts payable in priority thereto (including amounts payable to AIG-FP as senior swap counterparty). The incentive for the Class M Subordinated Noteholders to call the transaction will increase significantly following the end of the 5 year reinvestment period as natural amortization of the underlying exposures will begin to make the transaction uneconomic from their point of view. We would, therefore, expect the transaction to be called before the tenth anniversary.

Credit Events. Credit Events for TRS assets are ABS Bankruptcy, ABS Failure to Pay and Loss Event. Credit Events for CDS assets are the three for TRS assets plus Rating Downgrade.

- The definition of the "ABS Bankruptcy" credit event will follow the standard ISDA definition amended to reflect a reference obligor as issuer and adding a second test which must be met: that the bankruptcy results in an event of default and acceleration of the reference obligation.

- "ABS Failure to Pay" is defined as meaning that, after the expiration of any applicable (or deemed) grace period, a Reference Entity fails to make, when and where due, any scheduled payment in respect of the relevant reference obligation, whether or not such failure constitutes an event of default under, or breach of the terms of, such reference obligation; provided, however, that where the relevant reference obligation has the benefit of a bond policy it shall not constitute an "ABS Failure to Pay" unless and until the insurance company that has issued the relevant bond policy also fails to make the relevant payment. For these purposes, a scheduled payment means any payment of interest or principal required to be made in accordance with the terms of the obligation without regard to the effect of any provision of the obligation limiting required payments to funds available in accordance with a priority of payments provision or extinguishing or reducing such payments (which sort of provision is common in issues of asset backed securities).

- "Loss Event" is defined as meaning a reduction in the principal amount of any reference obligation in accordance with the terms of such reference obligation and as the result of the allocation of any losses or cash

Confidential Treatment Requested By American International Group, Inc.
AIG-FCIC00522342

flow shortfall from the assets securing such reference obligation or to which the reference obligation is exposed by way of a credit derivative transaction.

- "Rating Downgrade" means the asset is downgraded to Ca/CC by Moody's and S&P respectively.

Risk Analysis. The AIG-FP internal credit risk model was used to analyze the risk in terms of Value-at-Risk (VaR). We applied a number of conservative assumptions in the risk analysis. Since the portfolio has not been fully determined yet and can change over time, we constructed a base portfolio using worst case assumptions based on the criteria from which the portfolio must be constructed. In the model we assume that each asset has a maturity equal to its weighted average life (WAL). We assumed that the portfolio was barbelled to the worst extent possible by assuming that the maximum amount of assets that can have 15 year WALs are also the lowest rated: The next lowest rated then have 10 year WALs and then we determine the minimum number of assets that need to have 1 year WALs to bring the average WAL down to the maximum of 7 years. Clearly this is not feasible in reality given the composition of the 86% of the portfolio bought to date which has a much better distribution of WALs.

In addition, we assumed 0% recovery rate for all assets rated below Aa3/AA- and for all CDO exposures regardless of rating. We assumed 20% recovery on all other assets (non-CDO assets rated Aa3/AA- or better) giving an overall average recovery rate assumption of 15% in contrast to the rating agencies' practice of using an average of either 67.5% or 68.5% for the portfolio. We also further stressed the ratings by assuming a 60% probability of a full category downgrade of the rating of all CDO assets and a 20% probability of downgrade for all other assets. In terms of the monoline wrapped exposures, we gave no benefit to the monoline wrap and assumed the rating was simply equal to the unwrapped rating. The resulting base case W-VaR using all these conservative assumptions is shown in the first row of the table below. The table also shows in the second and third rows, the movement of the base case W-VaR if all assets extend for one and two years under these assumptions. In column 2 of the table, we include the W-VaRs for the same assumptions but for using an even distribution of WALs, which is much closer to the portfolio sourced to date, rather than the barbelled case.

	Barbelled Case	Even distribution of WALs
Base Case WALs	8.8%	5.6%
Base WALs + 1 year	9.6%	6.4%
Base WALs + 2 years	10.2%	7.2%

As shown in the table the 99.85% Worst Case VaR for the worst case barbelled portfolio is 8.8%, which is consistent with the risk being super senior risk because the first loss piece absorbed by the junior components of the capital structure is 10% of the portfolio.

Risk Factors. The risk borne by AIG-FP is that the portfolio experiences losses greater than the 10% first loss threshold. AIG-FP believes this risk is mitigated by the diversity of the pool, the investment grade quality of the reference obligors and the level of subordination.

Recommendation. Based on the risk mitigation features of the trade noted above and the very strong track record of AXA, AIG-FP recommends that the Credit Risk Committee approve the second loss trade with Iona.

Confidential Treatment Requested By American International Group, Inc.
AIG-FCIC00522343

IONA CDO I LIMITED
Portfolio as of 16-Aug-2004

							Moody's			S&P		
Num	Obligor	Tranche	Bloomberg	Notional	Spread	WAL	Ind. Code	Industry	Rating	Ind. Code	Industry	Rating
1	Access Group, Inc. 2004-A	A2	ACCSS 2004-A A2	7,500,000	26.0 bps	10.8 yrs	11	Student Loans	Aaa	51	ABS Consumer	AAA
2	Ace Securities Corp. 2004-HS1	A3	ACE 2004-HS1 A3	30,000,000	40.0 bps	6.2 yrs	155	Residential B&C	Aaa	57	RMBS B&C, HELs, HELOCs, and Tax Lien	AAA
3	Alesco Preferred Funding, Ltd 3A	A2	ALESC 3A A2	10,000,000	75.0 bps	9.6 yrs	66	Global Investment Grade Assets	Aaa	50	CDO	AAA
4	Ameriquest Mortgage Securities Inc. 2004-R2	A4	AMSI 2004-R2 A4	15,000,000	39.0 bps	7.5 yrs	155	Residential B&C	Aaa	57	RMBS B&C, HELs, HELOCs, and Tax Lien	AAA
5	Ameriquest Mortgage Securities Inc. 2004-R4	M3	AMSI 2004-R4 M3	8,000,000	155.0 bps	5.4 yrs	155	Residential B&C	A3	57	RMBS B&C, HELs, HELOCs, and Tax Lien	A-
6	Argent Securities Inc. 2004-W1	M2	ARSI 2004-W1 M2	15,000,000	128.0 bps	5.5 yrs	155	Residential B&C	A2	57	RMBS B&C, HELs, HELOCs, and Tax Lien	A
7	Argent securities Inc. 2004-W6	AV5	ARSI 2004-W6 AV5	15,000,000	40.0 bps	7.9 yrs	155	Residential B&C	Aaa	57	RMBS B&C, HELs, HELOCs, and Tax Lien	AAA
8	Argent Securities Inc. 2004-W8	M6	ARSI 2004-W8 M6	5,500,000	160.0 bps	5.2 yrs	155	Residential B&C	A3	57	RMBS B&C, HELs, HELOCs, and Tax Lien	A-
9	Atrium CDO 1A A 1.5	A	ATRM 1A A 1.515	14,000,000	43.0 bps	5.8 yrs	46	HY CDO Aaa	Aaa	50	CDO	AAA
10	Bank One Issuance Trust 2003-A4	A4	BOIT 2003-A4 A4	20,000,000	25.0 bps	8.8 yrs	3	Credit Card	Aaa	51	ABS Consumer	AAA
11	Bear Stearbs Commercial Mortgage Security 2004-HS2X	A2	BSCMS 2004-HS2X A2	15,000,000	38.0 bps	1.6 yrs	71	Large Loan	Aaa	53	CMBS Diversified (Conduit and CTL)	AAA
12	Bear Stearns Commercial Mortgage Security 2004-BBA3	C	BSCMS 2004-BBA3 C	8,000,000	36.0 bps	2.5 yrs	71	Large Loan	Aa2	53	CMBS Diversified (Conduit and CTL)	AA+
13	Bear Stearns Commercial Mortgage Security 2004-ESA	A2	BSCMS 2004-ESA A2	10,000,000	34.0 bps	2.8 yrs	71	Large Loan	Aaa	53	CMBS Diversified (Conduit and CTL)	AAA
14	Capital One Multi-Asset Execution Trust 2004-A1	A1	COMET 2004-A1 A1	30,000,000	21.0 bps	9.6 yrs	3	Credit Card	Aaa	51	ABS Consumer	AAA
15	CBASS 2004-CB1	AV3	CBASS 2004-CB1 AV3	22,991,000	43.0 bps	6.6 yrs	7	Home Equity Loans	Aaa	57	RMBS B&C, HELs, HELOCs, and Tax Lien	AAA
16	CDC Mortgage Capital Trust 2004-HE1	M2	CDCMC 2004-HE1 M2	15,000,000	120.0 bps	5.4 yrs	155	Residential B&C	A2	57	RMBS B&C, HELs, HELOCs, and Tax Lien	A
17	Centex Home Equity 2004-A	M1	CXHE 2004-A M1	15,000,000	60.0 bps	5.0 yrs	7	Home Equity Loans	Aa2	57	RMBS B&C, HELs, HELOCs, and Tax Lien	AA
18	Centex Home Equity 2004-B	AV4	CXHE 2004-B AV4	15,000,000	35.0 bps	7.7 yrs	7	Home Equity Loans	Aaa	57	RMBS B&C, HELs, HELOCs, and Tax Lien	AAA
19	Centex Home Equity 2004-C	AV5	CXHE 2004-C AV5	7,500,000	48.0 bps	2.2 yrs	155	Residential B&C	Aaa	57	RMBS B&C, HELs, HELOCs, and Tax Lien	AAA
20	Centurion CDO VI 1A	A	CENT6 1A A	15,000,000	48.0 bps	6.0 yrs	46	HY CDO Aaa	Aaa	50	CDO	AAA
21	Cheyne Investment Grade CDO I	2-X	CHEYNE INV GRADE CDO I	10,000,000	85.0 bps	4.9 yrs	66	Global Investment Grade Assets	Aa1	50	CDO	AA
22	Citibank Credit Card Issuance Trust 2002-A4	A4	CCCIT 2002-A4 A4	20,000,000	25.0 bps	11.7 yrs	3	Credit Card	Aaa	51	ABS Consumer	AAA
23	Collegiate Funding Services Education Loan 2004-A	A3	COELT 2004-A A3	10,000,000	21.0 bps	10.8 yrs	11	Student Loans	Aaa	51	ABS Consumer	AAA
24	Commercial Mortgage Pass Through Certificates 2004-HTL1	C	COMM 2004-HTL1 C	9,000,000	50.0 bps	2.1 yrs	71	Large Loan	Aa2	53	CMBS Diversified (Conduit and CTL)	AA
25	Countrywide ABS 2004-6	M6	CWL 2004-6 M6	13,000,000	145.0 bps	5.4 yrs	155	Residential B&C	A3	57	RMBS B&C, HELs, HELOCs, and Tax Lien	AA
26	Countrywide Alternative Loan Trust 2004-8CB	M1	CWALT 2004-8CB M1	15,766,000	50.0 bps	5.4 yrs	155	Residential B&C	Aa2	57	RMBS B&C, HELs, HELOCs, and Tax Lien	AA
27	Countrywide Asset-Backed Cert 2004-SD1	A2	CWL 2004-SD1 A2	6,340,992	45.0 bps	2.4 yrs	155	Residential B&C	Aaa	57	RMBS B&C, HELs, HELOCs, and Tax Lien	AAA

Confidential Treatment Requested By American International Group, Inc.
AIG-FCIC00522344

							Moody's			S&P		
Num	Obligor	Tranche	Bloomberg	Notional	Spread	WAL	Ind. Code	Industry	Rating	Ind. Code	Industry	Rating
28	Countrywide Home Loans 2003-48	2A2	CWHL 2003-48 2A2	15,000,000	50.0 bps	6.2 yrs	153	Residential A	Aaa	56	RMBS A	AAA
29	Dryden Leveraged Loan CDO 2004-6A	A1	DRYD 2004-6A A1	6,000,000	60.0 bps	8.5 yrs	46	HY CDO Aaa	Aaa	50	CDO	AAA
30	Duke Funding VI, Ltd 2004-1X	A1J	DUKE6 2004-1X A1J	15,000,000	85.0 bps	5.6 yrs	40	SF CDO Aaa	Aaa	50	CDO	AAA
31	Dutch MBS XI B.V.	A2	DUTCH XI A2	10,000,000	26.0 bps	6.3 yrs	165	Benelux-RMBS	Aaa	56	RMBS A	AAA
32	Equifirst Mortgage Loan Trust 2003-2	M1	EMLT 2003-2 M1	15,442,000	70.0 bps	4.5 yrs	155	Residential B&C	Aa2	57	RMBS B&C, HELs, HELOCs, and Tax Lien	AA
33	Equifirst Mortgage Loan Trust 2004-1	2A3	EMLT 2004-1 2A3	13,730,000	40.0 bps	8.0 yrs	155	Residential B&C	Aaa	57	RMBS B&C, HELs, HELOCs, and Tax Lien	AAA
34	Equifirst Mortgage Loan Trust 2004-2	2A3	EMLT 2004-2 2A3	10,815,000	48.0 bps	8.4 yrs	155	Residential B&C	Aaa	57	RMBS B&C, HELs, HELOCs, and Tax Lien	AAA
35	Finance America Mortgage Loan Trust 2004-2	2A3	FINA 2004-2 2A3	5,358,000	50.0 bps	8.5 yrs	153	Residential A	Aaa	56	RMBS A	AAA
36	First Franklin Mgt Loan Asset Backed Cert 2003-FF1	M2	FFML 2003-FF1 M2	11,000,000	175.0 bps	3.5 yrs	155	Residential B&C	A2	57	RMBS B&C, HELs, HELOCs, and Tax Lien	A
37	First Franklin Mgt Loan Asset Backed Cert 2003-FFH2	A4	FFML 2003-FFH2 A4	25,000,000	55.0 bps	4.8 yrs	155	Residential B&C	Aaa	57	RMBS B&C, HELs, HELOCs, and Tax Lien	AAA
38	First Franklin Mgt Loan Asset Backed Cert 2004-FF3	A2C	FFML 2004-FF3 A2C	14,365,000	48.0 bps	6.0 yrs	155	Residential B&C	Aaa	57	RMBS B&C, HELs, HELOCs, and Tax Lien	AAA
39	First Franklin Mgt Loan Asset Backed Cert 2004-FF4	M3	FFML 2004-FF4 M3	5,000,000	150.0 bps	5.2 yrs	153	Residential A	A3	56	RMBS A	A-
40	Fremont Home Loan Trust 2004-1	2A3	FHLT 2004-1 2A3	27,594,000	40.0 bps	7.9 yrs	155	Residential B&C	Aaa	57	RMBS B&C, HELs, HELOCs, and Tax Lien	AAA
41	Fremont Home Loan Trust 2004-A	A1B	FHLT 2004-A A1B	5,336,932	37.0 bps	2.3 yrs	155	Residential B&C	Aaa	57	RMBS B&C, HELs, HELOCs, and Tax Lien	AAA
42	Fremont Home Loan Trust 2004-B	2A3	FHLT 2004-B 2A3	14,532,000	48.0 bps	8.3 yrs	153	Residential A	Aaa	56	RMBS A	AAA
43	GSAMP Trust 2004-FM2	A3B	GSAMP 2004-FM2 A3B	10,000,000	42.0 bps	5.9 yrs	155	Residential B&C	Aaa	57	RMBS B&C, HELs, HELOCs, and Tax Lien	AAA
44	Harbourview Mortgage Loan Trust 2004-4	B1	HVMLT 2004-4 B1	4,997,271	50.0 bps	5.7 yrs	153	Residential A	Aa2	56	RMBS A	AA
45	Homestar Mortgage Acceptance Corp 2004-4	A3	HMAC 2004-4 A3	15,000,000	55.0 bps	7.0 yrs	153	Residential A	Aaa	56	RMBS A	AAA
46	Indymac Indx Mortgage Loan Trust 2004-AR1	B1	INDX 2004-AR1 B1	10,374,937	52.0 bps	6.5 yrs	153	Residential A	Aa2	56	RMBS A	AA
47	Indymac Indx Mortgage Loan Trust 2004-AR2	B1	INDX 2004-AR2 B1	10,083,840	50.0 bps	6.7 yrs	153	Residential A	Aa2	56	RMBS A	AA
48	Indymac Indx Mortgage Loan Trust 2004-AR3 B1 1.	B1	INDX 2004-AR3 B1 1.785	10,117,083	50.0 bps	11.0 yrs	155	Residential B&C	Aa2	57	RMBS B&C, HELs, HELOCs, and Tax Lien	AA
49	Interstar Millennium Trust 2004-2G	A	IMT 2004-2G A	4,913,147	20.0 bps	2.6 yrs	157	Australia-RMBS	Aaa	56	RMBS A	AAA
50	Keycorp Student Loan Trust 2004-A	2A2	KSLT 2004-A 2A2	15,000,000	30.0 bps	2.5 yrs	11	Student Loans	Aaa	51	ABS Consumer	AAA
51	Leek Finance Plc 12X	AB	LEEK 12X AB	18,817,400	22.0 bps	2.2 yrs	159	GB-RMBS Sub Prime	Aaa	57	RMBS B&C, HELs, HELOCs, and Tax Lien	AAA
52	Long Beach Mortgage Loan Trust 2003-4	M1	LBMLT 2003-4 M1	17,500,000	68.0 bps	4.5 yrs	155	Residential B&C	Aa2	57	RMBS B&C, HELs, HELOCs, and Tax Lien	AA
53	Long Beach Mortgage Loan Trust 2004-1	M2	LBMLT 2004-1 M2	10,000,000	55.0 bps	4.6 yrs	155	Residential B&C	Aa2	57	RMBS B&C, HELs, HELOCs, and Tax Lien	AA
54	Long Beach Mortgage Loan Trust 2004-3	M3	LBMLT 2004-3 M3	20,000,000	65.0 bps	5.3 yrs	155	Residential B&C	Aa3	57	RMBS B&C, HELs, HELOCs, and Tax Lien	AA-
55	Long Beach Mortgage Loan Trust 2004-A	M2	LBMLT 2004-A M2	5,000,000	60.0 bps	5.0 yrs	7	Home Equity Loans	Aa3	57	RMBS B&C, HELs, HELOCs, and Tax Lien	AA-
56	MBNA Credit Card Master Note Trust 2004-A3	A3	MBNAS 2004-A3 A3	15,000,000	26.0 bps	14.6 yrs	3	Credit Card	Aaa	51	ABS Consumer	AAA

{FILENAME \p}

							Moody's			S&P		
Num	**Obligor**	**Tranche**	**Bloomberg**	**Notional**	**Spread**	**WAL**	**Ind. Code**	**Industry**	**Rating**	**Ind. Code**	**Industry**	**Rating**
57	MBNA Credit Card Master Note Trust 2004-A3	A3	MBNAS 2004-A3 A3	15,000,000	26.0 bps	14.6 yrs	3	Credit Card	Aaa	51	ABS Consumer	AAA
58	Merrill Lynch Mortgage Investors, Inc 2004-WMC3	A2C	MLMI 2004-WMC3 A2C	15,000,000	50.0 bps	8.8 yrs	155	Residential B&C	Aaa	57	RMBS B&C, HELs, HELOCs, and Tax Lien	AAA
59	Morgan Stanley ABS Capital I 2004-HE5	A4	MSAC 2004-HE5 A4	5,000,000	53.0 bps	7.3 yrs	153	Residential A	Aaa	56	RMBS A	AAA
60	Morgan Stanley ABS Capital I 2004-NC7	M5	MSAC 2004-NC7 M5	5,000,000	135.0 bps	5.8 yrs	153	Residential A	A3	56	RMBS A	A-
61	Mountain Capital CLO III Ltd 2004-3A	A2L	MCAP 2004-3A A2L	5,000,000	80.0 bps	9.8 yrs	46	HY CDO Aaa	Aa2	50	CDO	AA
62	Mountain Capital CLO III Ltd 2004-3A	A1LB	MCAP 2004-3A A1LB	7,000,000	60.0 bps	9.8 yrs	46	HY CDO Aaa	Aaa	50	CDO	AAA
63	National Collegiate Student Loan Trust 2004-1	A3	NCSLT 2004-1 A3	13,000,000	38.0 bps	12.8 yrs	11	Student Loans	Aaa	51	ABS Consumer	AAA
64	New Century Home Equity Loan Trust 2003-4	M2	NCHET 2003-4 M2	10,000,000	182.0 bps	5.2 yrs	153	Residential A	A2	56	RMBS A	A
65	New Century Home Equity Loan Trust 2003-6	M2	NCHET 2003-6 M2	14,447,000	160.0 bps	5.4 yrs	155	Residential B&C	A2	57	RMBS B&C, HELs, HELOCs, and Tax Lien	A
66	New Century Home Equity Loan Trust 2003-B	M1	NCHET 2003-B M1	10,000,000	65.0 bps	4.4 yrs	155	Residential B&C	Aa2	57	RMBS B&C, HELs, HELOCs, and Tax Lien	AA
67	New Century Home Equity Loan Trust 2004-1	M3	NCHET 2004-1 M3	10,000,000	155.0 bps	5.2 yrs	155	Residential B&C	A3	57	RMBS B&C, HELs, HELOCs, and Tax Lien	A-
68	Northwoods Capital Limited 2004-4A	A1A	WOODS 2004-4A A1A	7,000,000	40.0 bps	7.4 yrs	46	HY CDO Aaa	Aaa	50	CDO	AAA
69	Northwoods Capital Limited 2004-4A	A2	WOODS 2004-4A A2	8,000,000	75.0 bps	9.6 yrs	47	HY CDO Aa	Aa2	50	CDO	AA
70	Novastar Home Equity Loan 2003-4	M2	NHEL 2003-4 M2	7,000,000	162.5 bps	5.1 yrs	155	Residential B&C	A2	57	RMBS B&C, HELs, HELOCs, and Tax Lien	A
71	Pacifica CDO, Ltd 2004-3A	A2A	PCDO 2004-3A A2A	14,500,000	80.0 bps	9.7 yrs	47	HY CDO Aa	Aa2	50	CDO	AA
72	Palisades CDO Limited 2004-IX	B1	PALIS 2004-IX B1	15,000,000	85.0 bps	8.4 yrs	41	SF CDO Aa	Aa2	50	CDO	AA
73	Paragon Mortgages Plc 7X	A1A	PARGN 7X A1A	10,000,000	21.0 bps	3.3 yrs	40	SF CDO Aaa	Aaa	50	CDO	AAA
74	Park Place Securities Inc 2004-WCW2	A5	PPSI 2004-WCW2 A5	25,000,000	53.0 bps	7.6 yrs	153	Residential A	Aaa	56	RMBS A	AAA
75	Petrusse European CLO SA 1A	A2	PETRU 1A A2	10,000,000	40.0 bps	7.5 yrs	46	HY CDO Aaa	Aaa	50	CDO	AAA
76	Progress Trust 2004-E1	1A	PROGS 2004-E1 1A	21,072,882	18.0 bps	2.5 yrs	157	Australia-RMBS	Aaa	56	RMBS A	AAA
77	Providian Gateway Master Trust 2004-BX	B	PGMT 2004-BX B	15,000,000	40.0 bps	1.9 yrs	3	Credit Card	Aa2	51	ABS Consumer	AA
78	Renaissance Home Equity Loan Trust 2004-1	AV3	RAMC 2004-1 AV3	25,000,000	47.0 bps	5.6 yrs	155	Residential B&C	Aaa	57	RMBS B&C, HELs, HELOCs, and Tax Lien	AAA
79	Residential Asset Mortgage Products, Inc. 2004-RS1	MII1	RAMP 2004-RS1 MII1	30,000,000	68.0 bps	5.4 yrs	155	Residential B&C	Aa2	57	RMBS B&C, HELs, HELOCs, and Tax Lien	AA
80	Residential Funding Securities Corporation 2004-RP1A	A1	RFSC 2004-RP1A A1	16,142,479	38.0 bps	2.5 yrs	155	Residential B&C	Aaa	57	RMBS B&C, HELs, HELOCs, and Tax Lien	AAA
81	Residential Mortgage Securities 17X	A2B	RMS 17X A2B	6,000,000	27.0 bps	3.1 yrs	159	GB-RMBS Sub Prime	Aaa	57	RMBS B&C, HELs, HELOCs, and Tax Lien	AAA
82	Resimac Prime Euro 2004-1E Trust	2A	RESI 2004-1E 2A	7,530,159	19.0 bps	2.4 yrs	157	Australia-RMBS	Aaa	56	RMBS A	AAA
83	RMS 18 18X	A2B	RMS 18X A2B	20,000,000	23.0 bps	3.4 yrs	159	GB-RMBS Sub Prime	Aaa	57	RMBS B&C, HELs, HELOCs, and Tax Lien	AAA
84	Sagamore CLO Ltd 2003-1A	A2	SAGAM 2003-1A A2	4,000,000	54.0 bps	6.8 yrs	46	HY CDO Aaa	Aaa	50	CDO	AAA
85	Sequoia Mortgage Trust 2004-1	A	SEMT 2004-1 A	18,734,668	30.0 bps	3.7 yrs	153	Residential A	Aaa	56	RMBS A	AAA

{FILENAME \p}

							Moody's			S&P		
Num	**Obligor**	**Tranche**	**Bloomberg**	**Notional**	**Spread**	**WAL**	**Ind. Code**	**Industry**	**Rating**	**Ind. Code**	**Industry**	**Rating**
86	Sequoia Mortgage Trust 2004-5	B1	SEMT 2004-5 B1	5,000,000	48.0 bps	7.2 yrs	153	Residential A	Aa2	56	RMBS A	AA
87	Sequoia Mortgage Trust 2004-6	B1	SEMT 2004-6 B1	8,725,000	50.0 bps	7.2 yrs	153	Residential A	Aa2	56	RMBS A	AA
88	Signature 7 Limited 7A	A	SIG7 7A A	15,000,000	45.0 bps	6.2 yrs	41	SF CDO Aa	Aaa	50	CDO	AAA
89	Silver Loft Investment Corp Ltd	A2	XS0187167126	13,000,000	45.0 bps	4.6 yrs	76	Italy-CMBS	Aaa	54	CMBS (Large Loan, Single Borrower, and Single Property)	AAA
90	SLM Student Loan Trust 2004-2	B	SLMA 2004-2 B	17,245,000	47.0 bps	10.3 yrs	11	Student Loans	Aa1	51	ABS Consumer	AA+
91	SLM Student Loan Trust 2004-3	B	SLMA 2004-3 B	15,000,000	47.0 bps	10.9 yrs	11	Student Loans	Aa1	51	ABS Consumer	AA+
92	SLM Student Loan Trust 2004-5	B	SLMA 2004-5 B	12,500,000	48.0 bps	11.0 yrs	11	Student Loans	Aa1	51	ABS Consumer	AA+
93	SLM Student Loan Trust 2004-A	A3	SLMA 2004-A A3	30,000,000	40.0 bps	11.5 yrs	11	Student Loans	Aaa	51	ABS Consumer	AAA
94	SLM Student Loan Trust 2004-B	A3	SLMA 2004-B A3	6,000,000	33.0 bps	11.7 yrs	11	Student Loans	Aaa	51	ABS Consumer	AAA
95	Southern Pacific Securities 2004-2A 2004-2A	B1B	SPS 2004-2A B1B	22,500,000	42.0 bps	5.0 yrs	159	GB-RMBS Sub Prime	Aa3	57	RMBS B&C, HELs, HELOCs, and Tax Lien	AA
96	Structured Asset Mortgage Investments Inc 2004-AR3	1A1	SAMI 2004-AR3 1A1	14,699,621	30.0 bps	4.0 yrs	155	Residential B&C	Aaa	57	RMBS B&C, HELs, HELOCs, and Tax Lien	AAA
97	Torus (HY) I Limited 2002-1A	A	TRUS 2002-1A A	6,000,000	100.0 bps	4.4 yrs	47	HY CDO Aa	Aa1	50	CDO	AAA
98	Torus (HY) I Limited 2002-1A	B	TRUS 2002-1A B	9,000,000	100.0 bps	4.4 yrs	47	HY CDO Aa	Aa2	50	CDO	AAA
99	Venture CDO Limited 2003-1A	A2	VENTR 2003-1A A2	5,000,000	95.0 bps	10.1 yrs	47	HY CDO Aa	Aa2	50	CDO	AA
100	Washington Mutual 2004-AR6	B1	WAMU 2004-AR6 B1	10,936,926	55.0 bps	6.6 yrs	153	Residential A	Aa2	56	RMBS A	AA
Total/Weighted Average				1,298,608,337	55.4 bps	6.5 yrs						

{FILENAME \p}