

**Absorbing Portfolio Losses**  
Hypothetic Numbers for Discussion

Book Value of Portfolio	20				
Estimated Actual Credit Loss	8	→	Reduced Portfolio Values	12	
Loss Absorbing Vehicles:					
Credit Enhancements	3				
Capital	2				
SIF Pays	2				
Additional NPCU's Premiur	1				
<b>TOTAL</b>	<b>8</b>				

Stats

1) Worth of Portfolio After Loss = Reduced Portfolio Value / Book Value  
 = 12 / 20  
 = 60¢ on the dollar    This can be compared to market

2) Loss % of Portfolio = Credit Loss / Book Value  
 = 8 / 20  
 = 40%    or also is 40 c on the dollar

3) Market factors which create loss    LOSS = Default rate x Severity rate  
 Default rate = Percent of loans in portfolio that go into foreclosure  
 Severity rate = Percent of loss on collateral given a foreclosure

Assume for simplicity that the rates are equal  
 Then here    DR (.63) x SR (.63) = Loss (.40)

So one can ask whether these Default and Severity rates seem reasonable relative to expert forecasts, history, etc

Note: other combinations of DR and SR which multiply to .40 are also possible such as DR(.40) x SR (1.00) = Loss (.40)

**Credit Losses for WesCorp and US Central Combined**

			2/28/2009	2/28/2009
		Total	Wecorp	US Central
<b>1</b>	<b>Portfolio</b>			
1a	Book Value	\$ 50.3	\$ 20.6	\$ 29.7
1b	Fair Value	\$ 35.3	\$ 15.9	\$ 19.4
1c	Unrealized Losses	\$ 15.0	\$ 4.7	\$ 10.3
2	Gross Credit Loss of SIF Fully Expended Case	\$ 16.0	\$ 7.8	\$ 8.2
<b>2a</b>	<b>Gross Credit Loss (Estimated to be Realized) as a % of Unrealized Loss</b>	<b>107%</b>	<b>166%</b>	<b>80%</b>
<b>Components of Gross Credit Loss</b>				
3	Credit Enhancement	\$ 7.5	\$ 2.3	\$ 5.2
4	Net Loss After CE	\$ 8.5	\$ 5.5	\$ 3.0
5	Capital	\$ 4.4	\$ 1.9	\$ 2.5
6	Net Loss After Capital Equals Zero (SIF Pays)	\$ 4.1	\$ 3.6	\$ 0.5
<b>Losses as % of Portfolio</b>				
7a	Unrealized Losses	30%	23%	35%
7b	Zero Capital Case	24%	20%	26%
7c	Gross Credit Loss (SIF Fully Expended Case)	32%	38%	28%
7c1	Derived Default Rate	56%	62%	53%
7c2	Derived Severity Rate	56%	62%	53%
<b>9</b>	<b>Worth (Cents on Dollar)</b>			
9a	This Case	\$ 0.68	\$ 0.62	\$ 0.72
9a1	Unrealized Losses Case	\$ 0.70	\$ 0.77	\$ 0.65
9a2	Zero Capital Case	\$ 0.76	\$ 0.80	\$ 0.74
9a3	SIF Fully Expended Case	\$ 0.68	\$ 0.62	\$ 0.72
9b	MTM of Corp Case	\$ 0.70	\$ 0.77	\$ 0.65
9c	Spread Between SIF Fully Expended & MTM of Corp Cases	\$ 0.02	\$ 0.15	\$ 0.07

Assumptions:

- 1) Data as of February 28, 2008 in \$ Billions
- 2) Credit Enhancements of 20% at Wescorp and 40% at US Central
- 3) Assume Allocations of Net Loss After Capital at \$3.6B at WesCorp and \$500M at US Central
- 4) Excluded from US Central Calculations - Agency Debt (\$0.1B), Agency RMBS (\$1.5B), and Corporate Bonds & Notes (\$1.5B)
- 5) Excluded from Wescorp Calculations - US Central Investments (\$0.2B) and Other Investments (\$1.1B)

Source: Callahan & Associates, Inc. (202) 223-3920

**Breakdown of Credit Losses by Type of Collateral at WesCorp**

	<b>Total</b>	<b>ABS</b>	<b>RMBS</b>	<b>CMBS</b>
<b>1 Portfolio</b>				
1a Book Value	\$ 20.6	\$ 4.5	\$ 12.1	\$ 4.0
1b Fair Value	\$ 15.9	\$ 3.7	\$ 8.4	\$ 3.8
1c Unrealized Losses	\$ 4.7	\$ 0.9	\$ 3.6	\$ 0.2
2 Gross Credit Loss of SIF Fully Expended Case	\$ 7.8	\$ 1.4	\$ 6.0	\$ 0.4
<b>2a Gross Credit Loss (Estimated to be Realized) as a % of Unrealized Loss</b>	<b>165%</b>	<b>165%</b>	<b>165%</b>	<b>165%</b>
<b>Components of Gross Credit Loss</b>				
3 Credit Enhancement	\$ 2.3	\$ -	\$ 2.3	\$ -
4 Net Loss After CE	\$ 5.5	\$ 1.4	\$ 3.7	\$ 0.4
5 Capital	\$ 1.9	\$ 0.4	\$ 1.5	\$ 0.1
6 Net Loss After Capital Equals Zero (SIF Pays)	\$ 3.6	\$ 1.1	\$ 2.2	\$ 0.3
<b>Losses as % of Portfolio</b>				
7a Unrealized Losses	23%	19%	30%	5%
7b Zero Capital Case	20%	8%	31%	2%
7c Gross Credit Loss (SIF Fully Expended Case)	38%	32%	50%	9%
7c1 Derived Default Rate	61%	56%	70%	30%
7c2 Derived Severity Rate	61%	56%	70%	30%
<b>9 Worth (Cents on Dollar)</b>				
<b>9a This Case</b>	<b>\$ 0.62</b>	<b>\$ 0.68</b>	<b>\$ 0.50</b>	<b>\$ 0.91</b>
9a1 Unrealized Losses Case	\$ 0.77	\$ 0.81	\$ 0.70	\$ 0.95
9a2 Zero Capital Case	\$ 0.80	\$ 0.92	\$ 0.69	\$ 0.98
9a3 SIF Fully Expended Case	\$ 0.62	\$ 0.68	\$ 0.50	\$ 0.91
9b MTM of Corp Case	\$ 0.77	\$ 0.81	\$ 0.70	\$ 0.95
9c Spread Between SIF Fully Expended & MTM of Corp Cases	\$ 0.15	\$ 0.12	\$ 0.19	\$ 0.04

Assumptions:

- 1) Data as of February 28, 2008 in \$ Billions
- 2) Credit Enhancements of 20% at Wescorp and 40% at US Central
- 3) Excluded from All Calculations - US Central Investments (\$0.2B) and Other Investments (\$1.1B)

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**Breakdown of Credit Losses by Type of Collateral at US Central**

	<b>Total</b>	<b>ABS</b>	<b>RMBS</b>	<b>CMBS</b>
<b>1 Portfolio</b>				
1a Book Value	\$ 29.7	\$ 11.4	\$ 17.9	\$ 0.4
1b Fair Value	\$ 19.4	\$ 9.9	\$ 9.2	\$ 0.3
1c Unrealized Losses	\$ 10.3	\$ 1.5	\$ 8.7	\$ 0.1
2 Gross Credit Loss of SIF Fully Expended Case	\$ 8.2	\$ 1.2	\$ 6.9	\$ 0.1
<b>2a Gross Credit Loss (Estimated to be Realized) as a % of Unrealized Loss</b>	<b>80%</b>	<b>80%</b>	<b>80%</b>	<b>80%</b>
<b>Components of Gross Credit Loss</b>				
3 Credit Enhancement	\$ 5.2	\$ -	\$ 5.2	\$ -
4 Net Loss After CE	\$ 3.0	\$ 1.2	\$ 1.7	\$ 0.1
5 Capital	\$ 2.5	\$ 0.4	\$ 2.1	\$ 0.0
6 Net Loss After Capital Equals Zero (SIF Pays)	\$ 0.5	\$ 0.8	\$ (0.4)	\$ 0.1
<b>Losses as % of Portfolio</b>				
7a Unrealized Losses	35%	13%	49%	25%
7b Zero Capital Case	26%	3%	41%	6%
7c Gross Credit Loss (SIF Fully Expended Case)	28%	10%	39%	20%
7c1 Derived Default Rate	53%	32%	62%	45%
7c2 Derived Severity Rate	53%	32%	62%	45%
<b>9 Worth (Cents on Dollar)</b>				
<b>9a This Case</b>	<b>\$ 0.72</b>	<b>\$ 0.90</b>	<b>\$ 0.61</b>	<b>\$ 0.80</b>
9a1 Unrealized Losses Case	\$ 0.65	\$ 0.87	\$ 0.51	\$ 0.75
9a2 Zero Capital Case	\$ 0.74	\$ 0.97	\$ 0.59	\$ 0.94
9a3 SIF Fully Expended Case	\$ 0.72	\$ 0.90	\$ 0.61	\$ 0.80
9b MTM of Corp Case	\$ 0.65	\$ 0.87	\$ 0.51	\$ 0.75
9c Spread Between SIF Fully Expended & MTM of Corp Cases	\$ 0.07	\$ 0.03	\$ 0.10	\$ 0.05

Assumptions:

- 1) Data as of February 28, 2008 in \$ Billions
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- 3) Excluded from All Calculations - Agency Debt (\$0.1B), Agency RMBS (\$1.5B), and Corporate Bonds & Notes (\$1.5B)

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