Questions not answered and posed in the Agency Securities Webinar

December 7, 2011

Question: *PMIA has about $6.9 billion in CD's. What is your credit exposure tolerance and how do you monitor that credit exposure. I assume these CDS are collateralized?*

The CDs you are referring to are negotiable certificates of deposit. Unlike the $4 billion also listed as Time Deposits, the negotiable CDs are not collateralized by definition beyond FDIC insurance, if applicable. Tolerance is set above a 'D' Fitch individual rating and Moody's Bank Financial Strength Rating (BFSR.) Credit exposure for CDs is tracked daily by our Credit Manager and her staff and data available for the traders at the trade table is updated daily—including assets, equity, current ratings by Moody's, Fitch, S&P—both short term and long term (including watch status and the date of the last rating action), total capital ratios, and Tier 1 Capital measures. Further, current positions, as well as maximum maturities already in the portfolio and a schedule of all maturing CDs are updated daily. Finally, our own subjective expertise is factored in, which has led us to selectively concentrate an overwhelming majority of our negotiable deposits in Australia and Canada. Conversely, we have no positions in France, Germany, Italy, Spain, Portugal, Ireland, or Belgium.

The same rigorous oversight and monitoring applies to domestic banks, where our only current position is Union Bank.

Question: *What section of the Government Code do IBRDs fall under?*

The investment authority for IBRD is Government Code Section 16430 (l):

> (l) Obligations issued, assumed, or guaranteed by the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the International Finance Corporation, or the **Government** Development Bank of Puerto Rico.