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Detailed Results Of Subprime Stress Test Of Financial Guarantors

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Overview

Standard & Poor's Ratings Services, having completed its third in a continuing series of stress tests of the monoline financial guarantors with respect to their domestic subprime mortgage exposure, today announced several ratings actions as a result (see "S&P Takes Rating Action On Six Bond Insurers"). For this review, following unprecedented deterioration in the domestic mortgage market, Standard & Poor's updated its stress scenario, incorporating a broad vintage period and including a wide group of asset classes as well.

Our research has led us to the conclusion that the potential for further mortgage market deterioration remains uncertain and will challenge the ability of the insurers to accurately gauge their ongoing additional capital needs in the near term. As a result, we are effectively adopting a negative outlook for those firms with significant exposure to domestic subprime mortgages and/or meaningful lower credit quality exposures. The assignment of a negative outlook also reflects Standard & Poor's assessment with regard to the strength of a company's capital position when weighed against projected stress case losses as well as the comprehensiveness and degree of completion of projected capitalization strengthening efforts underway.

The financial strength ratings of the following companies have been affirmed but assigned a negative outlook: Ambac Assurance Corp., MBIA Insurance Corp., and XL Capital Assurance Inc. and XL Financial Assurance Ltd.

We have affirmed the financial strength ratings of CIFG Guaranty, CIFG Europe and CIFG Assurance North America Inc. all of which remain on negative outlook.

The financial strength rating on ACA Financial Guaranty Corp. has been lowered to 'CCC' and is placed on CreditWatch Developing.

Finally, the 'AAA' financial strength rating of Financial Guaranty Insurance Co. is placed on CreditWatch with negative implications.

However, the results of the stress test have led to the affirmation of the financial strength ratings of Financial Security Assurance Inc., Assured Guaranty Corp. and Radian Asset Assurance Inc.

The results of the stress scenario we developed were considered, very importantly, in the context of the capital cushions that the companies maintain. However, we believe that a number of relevant additional underlying credit characteristics needed to be weighed in reaching our rating conclusions.

Quality Of Underwriting

In our stress case analysis, asset class loss assumptions based on the expected performance of all transactions, both insured and uninsured, were adjusted in view of the fact that the insured portfolios are expected to be a better performing subset of the universe of Standard & Poor's ratings. For example, CDO exposure is predominately 'AAA' and super 'AAA' and, as such, the insurers are in a controlling rights position. Exposures within the CDOs

are generally to a variety of asset classes and vintages. With its non-prime RMBS exposure, the industry benefits from its remediation expertise and special protections written into the deals. Also, origination and service quality is viewed as above-average. The industry has generally reduced its exposure to the 2006 and 2007 vintages. Qualitatively, historical claims paid have been well below the universe of investment grade defaults and losses. As of year-end 2006, the industry had paid about \$2.5 billion of losses over the past six years, representing about 0.14% of average par outstanding. Comparative transition rates also support the adjustment. As of Dec. 3, the Standard & Poor's investment grade universe of nonprime RMBS, CDOs of ABS and SIV lites (vintages 2005 to third-quarter 2007) had suffered downward rating transitions of 19.4%. For the bond insured the most current negative transition rate is 4.5%.

Time Is On Their Side

From a liquidity perspective, we do not view this as a potential run-on-the-bank situation. Claims, if and when they occur, are not expected to happen overnight. The majority of theoretical losses are back-ended and would be paid out over several years. As for swap exposure, except for ACA there are no collateral posting requirements and swaps are written in pay-as-you-go format. Against this fundamental principle of paying principal and interest as due, most of the industry has substantial liquidity and financial flexibility. Usually more than 90% of balance sheet assets are fixed income investments with weighted average ratings in the 'AA' range. Cash flow from operations is substantial. Due to their quality, the investment portfolios readily lend themselves to reverse-repurchase borrowing if necessary.

Capital Resources And Financial Flexibility

While varying by guarantor, the industry has a number of options available to it to raise capital. At-risk companies are in various stages of planning with respect to some or all of these options. These options include: excess-of-loss type reinsurance; traditional quota share reinsurance; raising additional hybrid debt or debt; issuing preferred stock through existing contingent capital trusts; raising additional equity; or common stock dividend curtailment. The industry also has a powerful capital raising tool at its disposal that is not directly reliant on third parties. The Standard & Poor's capital adequacy model and the associated capital cushion is very sensitive to assumptions about future business volume. Reductions in future business and/or focusing business initiatives on activities with lower risk and thus lower capital charges can free up hundreds of millions of dollars as added capital cushion. Finally, the annuity-like earnings characteristics of the industry has the potential to help replenish statutory capital. We expect that earned premiums will remain substantial relative to prior years even if a company chooses to curtail near-term business given unearned premium reserve amortization as well as earnings from existing annual payment business. Likewise investment income is expected to be a stable revenue element.

A summary of our analytic approach and assumptions used to test the ability of the financial guarantors to withstand mortgage market stress follows.

Capital Adequacy Stress Test

We tested the capital adequacy of the various primary bond insurers against a scenario that applies stressful default assumptions to various RMBS-related transactions that have been insured. Default rates for insured direct RMBS transactions ("direct RMBS") and for tranches of uninsured RMBS transactions ("tranching RMBS") that are a

component of the collateral backing insured CDOs are based on stressful cumulative net loss assumptions supplied by our Structured Finance department that vary by asset type and vintage. We have included the Alt-A, subprime, closed end second, HELOC and NIM asset types with 2005, 2006, and 2007 vintages in this analysis. See table 1 for the cumulative net loss assumptions for each of the asset classes by vintage.

Our analysis of additional asset types and vintages reveals growing evidence of elevated levels of delinquencies, defaults and losses across several mortgage sectors and vintages. In particular, the closed end second and HELOC asset classes have more recently shown particularly negative trends.

To stress the direct RMBS component of the bond insurers' total exposure, we developed rating-sensitive loss assumptions for individual insured transactions in each asset class. The various asset type loss assumptions were converted to probability distributions of outcomes using internal data of projected losses for individual transactions. Each of the possible outcomes were compared to typical credit enhancement levels for such transactions to determine if the transaction defaulted or not and if so, what the loss would be. Factoring in the probability of each possible outcome produces an analysis that defines the expected losses at each rating level for transactions in the various asset classes and vintages. The results of this analysis are shown in table 2.

The expected loss on each transaction was computed based on the original par value and original rating of the transaction. Next, the accumulated results were adjusted to reflect the reality that the bond insurers' underwriting and risk remediation processes do result in better overall loss rates. Finally, the calculated results were converted to a present value by discounting the losses at 5% per year over a five-year period assuming an equal payout in each period and adjusting for taxes. The results of this analysis are shown in table 5.

For CDOs, we computed rating sensitive tranche loss assumptions using the same methodology described for computing rating sensitive loss assumptions on direct RMBS transactions. The results of this analysis are shown in table 3. For each insured CDO we computed incremental collateral pool losses on all the asset types with 2005-2007 vintages based on the same methodology as described for computing losses on RMBS transactions except that there was no adjustment for better underwriting and the present value methodology was changed to reflect different payment patterns. The better underwriting adjustment was removed since the collateral of the wrapped CDOs is not insured and therefore does not benefit from the insurers' underwriting and risk remediation expertise. The period for the present value adjustment was changed to 10 years reflecting the structural features of the CDOs, which require interest only until the final maturity.

Incremental losses on that portion of the CDO collateral made up of tranches of other CDOs were determined based on the typical asset composition of such CDOs. Possible losses on CDO squared transactions were handled on a case-by-case basis. Additional capital charges were added to CDOs likely to be subject to the negative effect of event-of-default triggers (see "CDO Of ABS/Hybrids With Over-collateralization Events Of Default," below). Incremental losses were then aggregated to determine the collateral pool impairment.

The collateral impairment was then compared to the subordination supporting the tranche that the bond insurer had insured. In the vast majority of cases, bond insurers have insured a "super senior" tranche, meaning that the subordination supporting the insurer's insured tranche is at least 1.3 times the level required to achieve a 'AAA' rating. The "subordination impairment ratio" (the ratio of collateral impairment divided by available subordination), shows how much of the available subordination would be lost to theoretic incremental losses.

Subordination impairment ratios above 1.0 signify that theoretic incremental losses would exceed the available

subordination. Ratios below 1.0 signify that theoretic incremental losses would be less than the available subordination in the CDO. In this case, the insurer would not incur a loss. Four categories of CDO impairment ratios under 1.0 were defined and incremental capital charges were assigned. See table 4 for the incremental capital charges assigned and table 6 for the results of this analysis. The capital charges varied depending on whether the CDO was "high grade" or "mezzanine." A high grade CDO has collateral originally rated in the 'A', 'AA' and 'AAA' rating categories. A mezzanine CDO has collateral originally rated largely in the 'BBB' category.

The sum of the incremental theoretic losses on RMBS and CDOs defines the additional stress test losses. These losses are then compared to the capital cushion an insurer has in excess of the minimum amount necessary to maintain its current rating (see table 7). The capital cushion is the amount of additional losses the insurer could incur and still pass Standard & Poor's capital adequacy test. It is calculated using the margin of safety from capital adequacy results as of Dec. 31, 2006 by solving for that amount of additional theoretic loss possible that would bring the margin of safety down to the minimum. The margin of safety is computed as the ending capital plus theoretic losses incurred divided by the theoretic losses incurred. For 'AAA'-rated insurers, the minimum is 1.25x. For 'AA'- and 'A'-rated insurers, the minimums are 1.0x and 0.8x, respectively.

For those insurers whose theoretic losses exceed their updated capital cushions, any rating action taken will reflect Standard & Poor's assessment of the comprehensiveness and degree of completion of projected capitalization strengthening efforts.

Company-Specific Comments

Ambac Assurance Corp.

We affirmed the 'AAA' financial strength and financial enhancement ratings of Ambac Assurance and the 'AA' debt ratings of Ambac Financial Group, Inc. but the outlooks have been changed to negative. The rating affirmations reflect the fact that Ambac's adjusted capital cushion of between \$1,750 and \$1,800 million is in line with its modeled stress losses. The announced reinsurance transaction with Assured Guaranty Re Ltd. was an important addition for Ambac, adding approximately \$250 million on a risk adjusted basis to its capital cushion. The negative outlooks reflect the potential for further mortgage market deterioration relative to the company's marginally adequate capital cushion.

Assured Guaranty Corp.

We affirmed the financial strength rating based on the low level of stress losses relative to the company's cushion of \$250 million to \$300 million. The relatively low stress losses are due to the fact that almost 80% of non-prime RMBS exposure, originally totaling \$17.5 billion, has underlying ratings of 'AAA'. Correspondingly, its CDOs with U.S. nonprime RMBS exposure total only \$448 million, and were structured to super senior protection levels.

CIFG Financial Guaranty

We have affirmed the 'AAA' financial strength rating of CIFG and the outlook remains negative. To support CIFG's claims-paying resources Banque Federale des Banques Populaires (BFBP) and Caisse Nationale des Caisses d'Epargne (CNCE) reportedly will contribute on an equal basis a total of \$1.5 billion in capital resources to CIFG Holding. The contribution will be in the form of equity of \$1.3 billion and soft capital of \$200 million. BFBP and CNCE will also acquire 99.99% of CIFG holding from Natixis S.A. CIFG Holding is currently owned by Natixis S.A. BFVP and CNCE each own equal (34.44%) stakes in Natixis S.A., with the remaining shares owned by the public. Successful completion of the capital plan may result in the company satisfactorily addressing Standard & Poor's

concerns relating to its capital adequacy.

CIFG's outlook was changed to negative from stable in June 2007 for reasons unconnected to its subprime exposure. Rather, we looked at the effectiveness and processes of the company's board, appropriate succession planning, and the degree of long-term support to be provided by its parent Natixis S.A. The assignment of the negative outlook also reflected our views relating to CIFG's below-average earnings and ROE. Nevertheless, we consider the \$1.5 billion capital contribution to be an important statement by CNCE and BFBP about their near-term commitments to the financial guaranty industry and CIFG.

Financial Guaranty Insurance Co.

The ratings of FGIC and FGIC Corp. are placed on CreditWatch with negative implications. Our most recent analysis of the company's non-prime RMBS and CDO of ABS exposure indicates a level of losses which would result in its capital position falling below our 'AAA' requirements. Application of current loss assumptions for 2005 to 2007 vintage exposures indicates potential losses in excess of \$2.0 billion. While the company has indicated that its goal is to create a capital cushion in excess of our requirements, there is execution risk associated with a number of components of the capital raising plan. Meaningful progress toward raising the needed capital could result in the removal of CreditWatch, however, placement of debt and financial strength ratings on negative outlook would be a most likely outcome.

Financial Security Assurance

The 'AAA' financial strength rating of FSA as well as the 'AA' senior debt rating and other related ratings of Financial Security Assurance Holdings Ltd. are affirmed. FSA has a long history of underwriting conservatism and compared to other companies in the industry, has less nonprime RMBS exposure. FSA only has \$373 million of exposure to two CDOs of ABS, Subprime option ARMs and first lien Alt-A exposure since 2004 has been underwritten exclusively at the 'AAA' level. FSA has projected stress test losses of \$216 million against a Dec. 31, 2007 capital cushion of \$700 to \$750 million.

MBIA Insurance Corporation

The outlook on MBIA and MBIA Inc.'s financial strength and debt ratings is changed to negative and their ratings affirmed. The outlook change is warranted because of the absolute size of stress scenario losses relative to the adjusted capital cushion of \$2.75 billion. The adjustments to MBIA's Dec. 31, 2006 capital cushion were the retention of \$500 million of special dividends, revision to the 2007 business plan, and the \$1.0 billion capital infusion by Warburg Pincus. In the Dec. 31, 2006 capital adequacy model, it was assumed that the company would upstream \$500 million in dividends in 2007 to support its share repurchase plan. These dividends were not upstreamed, therefore the capital cushion was adjusted to reflect this fact. The revision to the 2007 business plan included stronger premium pricing than predicted, improvement in the quality of the back book of business due to the retirement of some speculative credits in 2007, principally the EuroTunnel exposure. To address the strain on the companies' claims paying resource due to the current conditions in the RMBS and CDO markets, the company has developed a capital plan that includes a capital markets debt instrument and reshaping of the insured portfolio through reinsurance transactions.

XL Capital Assurance Inc./XL Financial Assurance Ltd.

We revised the outlook on XLCA, XLFA, and Security Capital Assurance Ltd.'s financial strength and debt ratings to negative, while affirming the respective ratings. The outlook change is warranted because of the absolute size of stress scenario losses relative to the combined capital cushion of \$645 million. There were no adjustments to

XLCA/XLFA's Dec. 31, 2006 combined capital cushion. To address the strain on the companies' claims paying resources due to the current conditions in the RMBS and CDO markets, management has developed a capital plan that includes the following components:

- The commutation/restructuring of several CDO transactions,
- Reshaping of the insured portfolio through reinsurance transactions with third parties, and
- Capital infusions from third parties.

Radian Asset Assurance Inc.

We affirm the 'AA' financial strength rating of Radian Asset. Radian has limited nonprime RMBS and CDO of ABS exposure. Nominal nonprime RMBS exposure is about \$700 million and total CDO of ABS exposure is \$800 million. Following Standard & Poor's negative outlook in January 2004, significant staffing and process upgrades in the areas of underwriting and risk management have occurred. Most of the company's problematic credits date back to 2003. The company has not written any direct subprime RMBS since 2004. Stress losses are \$68 million against a Dec. 31, 2007 capital cushion of \$550 million to \$600 million.

ACA Financial Guaranty Corp.

The financial strength and financial enhancement ratings on ACA are lowered to 'CCC' and placed on CreditWatch Developing. The lower rating reflects the substantial excess-of-modeled stress test losses of nearly \$2.2 billion over the company's adjusted capital cushion at Dec. 31, 2007 of approximately \$650 million. While ACA has been diligently working to address contingent liquidity concerns, it has not focused significantly on raising additional capital. Lower new business activity during this period of rating uncertainty is a positive from a capital adequacy standpoint but the incremental improvement is not sufficient to close the gap between stress losses and the capital cushion. The magnitude of the gap is large enough to create significant doubt that the company could possibly access sufficient hard capital resources to resolve the problem. CreditWatch Developing acknowledges the possibility that the company may be able to modify its obligations to its counterparties but reflects the real possibility that the counterparties will require the company to post significant collateral going forward.

CDO Of ABS/Hybrids With Overcollateralization Events Of Default

Events of default (EOD) in insured CDOs may have material economic consequences for bond insurers. Some, but not all, of the EODs have a small probability of occurrence, given the legal, credit and/or structural protections. However, recent market events have shone the light on at least one EOD trigger (the overcollateralization ratio test) that could prove problematic for the bond insurers. Overcollateralization ratio tests have been extensively used in CDOs of ABS/Hybrids for different purposes, including as a trigger of an EOD and as cash flow diversion mechanisms. Given the current market environment, the probability of overcollateralization EOD trigger being breached appears greater than expected.

An overcollateralization ratio compares the amount of outstanding debt with the "net" principal amount of the collateral debt securities backing the debt. The net amount represents a downward adjustment to the principal balance of certain collateral debt securities. The adjustment is typically based on transaction-specific formulas that are based on the ratings and other credit characteristics of the collateral debt securities. Overcollateralization ratio tests typically provide credit support to the rated notes by triggering credit support mechanisms as specified in the transaction documents, including the diversion of cash flow, when the assets of a CDO suffer deterioration in credit quality. These well established mechanisms aim to shift the risk burden between classes of notes with different

ratings, so senior notes receive a greater percentage of available cash flow when credit quality deteriorates.

Overcollateralization ratio tests have also been used to trigger EODs in cash flow and hybrid (cash and synthetic) CDOs. Events of default overcollateralization tests are more sensitive to changes in credit deterioration if they are computed with rating based haircuts. When an event of default overcollateralization test is breached, it typically allows the most senior class of notes outstanding to take control of the transaction and also typically results in a re-direction of all cash flows to pay notes in sequential order.

Once an EOD trigger has occurred, as the controlling class, the bond insurer may control whether the transaction accelerates or liquidates. If the transaction is accelerated, it will typically change the priority of payments to a true sequential waterfall, which stops interest and principal payments to all classes of notes that are subordinate to the super senior swap or the senior-most class of notes outstanding upon liquidation. An acceleration may also lead to the transaction's early termination and a liquidation of the assets owned by the CDO at the then market value. Standard & Poor's expects that a typical bond insurer would choose the path that would place the least strain on its capital and liquidity resources.

The EOD risk to a bond insurer is in its CDOs in which there is a CDO bucket. In other words, CDOs are a portion of the collateral pool in a CDO. Often these CDO collateral classes are called inner-CDOs. For the inner-CDOs, the bond insurer may not be the controlling class, thereby being exposed to the decision making of another party. The actions of the controlling party of the inner-CDO could affect the performance of the inner-CDO and ultimately the CDO for which the bond insurer is providing enhancement.

For the bond insurers' CDO exposure at Sept. 30, 2007, the percentage of CDOs within CDOs is presented in table 8. The table also highlights the controlling party of the inner-CDOs in percentage terms based on the inner-CDO collateral. In those instances where a bond insurer is the controlling class of the inner CDO, the risk of action detrimental to the performance of the inner-CDO was thought to be minimal. The risk to a bond insurer lies in the inner-CDOs where the controlling party is someone other than a bond insurer of a class senior to the bond insurer--columns three and four, respectively.

CDO-squared exposure is a component of some bond insurers' inner-CDO exposure that has a heightened level of focus. These are exposures where the inner-CDOs represent almost the entirety of the CDO exposure, not the 10%-20% highlighted in table 8. In many of these structures, the inner-CDO often are mezzanine and junior CDO tranche collateral.

Table 1

Asset Class Cumulative Net Loss Assumptions (%)					
Vintage	Alt-A	Subprime	Closed-End	Second HELOC	NIM
2005	2.75	5.75	17.25	10.35	5.75
2006	3.50	15.50	40.00	15.75	15.50
2007	3.50	17.00	40.00	13.00	17.00

Table 2

Direct RMBS Transaction Loss Assumptions (%)					
Vintage/Original Rating	Alt-A	Subprime	Closed-End	Second HELOC	NIM
2005					
AAA	0.00	0.00	0.06	0.04	0.00

Table 2

Direct RMBS Transaction Loss Assumptions (%) (cont.)					
AA	0.05	0.00	1.49	1.13	0.00
A	0.38	0.05	3.75	2.98	0.05
BBB	0.96	0.41	6.58	5.03	0.41
BB and lower					20.00
2006					
AAA	0.00	0.07	17.40	0.69	0.07
AA	0.08	2.40	26.12	4.78	2.40
A	0.64	5.44	29.91	7.91	5.44
BBB	1.42	8.16	32.82	10.40	8.16
BB and lower					20.00
2007					
AAA	0.00	0.06	16.18	0.36	0.06
AA	0.11	2.17	24.95	3.34	2.17
A	0.70	5.06	28.91	5.92	5.06
BBB	1.44	8.13	32.05	8.07	8.13
BB and lower					20.00

Table 3

Tranched RMBS Tranche Loss Assumptions (%)					
Vintage/Original Rating	Alt-A	Subprime	Closed-End	Second	HELOC
2005					
AAA	0.00	0.00	0.06	0.04	
AA	1.44	0.00	9.57	12.32	
A	22.67	1.07	37.22	47.08	
BBB	59.15	8.69	57.04	70.07	
BB and lower	87.86	27.89	68.76	70.57	
2006					
AAA	0.00	0.07	17.40	0.69	
AA	1.92	19.52	83.68	45.14	
A	34.62	62.72	93.99	83.68	
BBB	71.48	77.47	95.74	92.06	
BB and lower	90.81	84.24	96.82	96.23	
2007					
AAA	0.00	0.06	16.18	0.36	
AA	2.83	16.45	82.40	39.44	
A	39.25	54.92	92.53	78.51	
BBB	72.67	72.71	95.30	90.56	
BB and lower	91.24	80.65	96.47	95.94	

Note: NIM transactions were not tranched

Table 4

Incremental Losses/Capital Charges* on CDOs	
Impairment Ratio	Loss/Capital Charge (%)
High Grade CDOs	
> 1.00	Greater of calculated loss or 10
> 0.75 < 1.00	4.0
> 0.50 < 0.75	2.2
> 0.25 < 0.50	0.6
> 0.00 < 0.25	0.4
Mezzanine CDOs	
> 1.00	Greater of calculated loss or 20
> 0.75 < 1.00	13.6
> 0.50 < 0.75	7.0
> 0.25 < 0.50	2.0
> 0.00 < 0.25	1.4

* Capital charges applied to notional value of insured CDO

Table 5

RMBS Exposure Information and Stress Test Results										
	ACA	AGC	Ambac	CIFG	FGIC	FSA	MBIA	Radian	XLCA	Total
Original Net Par Written (Mil. \$)										
CES		343.0	15,017.5	603.3	13,295.2		14,126.7		2,456.7	45,842.4
HELOCs		2,167.5	34,521.9	1,619.5	32,344.7	13,683.0	27,181.7		6,617.6	118,135.9
NIMs	8.5	8.8	346.1		148.0	1,267.9		21.2		1,800.4
Alt A		4,409.4	15,076.8	124.5	5,537.5	7,704.9	4,317.0	63.9	3,046.4	40,280.5
Subprime		10,658.9	48,754.7	3,509.6	23,135.8	31,907.5	32,163.0	2,287.4	5,085.8	157,502.6
Total	8.5	17,587.5	113,717.1	5,856.8	74,461.3	54,563.4	77,788.4	2,372.4	17,206.5	363,561.9
Current Par Outstanding at 9/30/2007 (Mil. \$)										
CES		335.2	5,653.6	525.4	9,006.8		11,082.5		2,101.6	28,705.1
HELOCs		1,152.9	12,483.3	810.9	10,055.4	7,966.9	10,153.5		3,356.9	45,979.7
NIMs	8.5	0.0	27.5		18.7	330.9		2.9		388.5
Alt A		3,267.4	7,789.5	89.3	2,025.5	5,563.7	4,118.9	45.7	2,128.5	25,028.6
Subprime		5,569.6	8,774.1	1,922.6	7,870.2	4,774.2	4,319.4	578.7	1,182.6	34,991.2
Total	8.5	10,325.0	34,728.0	3,348.2	28,976.5	18,635.8	29,674.2	627.2	8,769.5	135,093.1
Vintage Based on Original Par Written (Mil. \$)										
2004 and prior	0.0	40.4	66.9	34.0	51.4	57.8	57.2	81.8	31.8	56.9
2005	100.0	8.8	11.3	25.8	22.9	12.9	12.4	5.1	13.9	14.4
2006	0.0	21.0	12.3	29.9	19.2	13.9	14.7	6.4	32.2	16.1
2007	0.0	29.8	9.5	10.3	6.5	15.4	15.7	6.7	22.1	12.7
Rating Distribution Based on Original Par Written (%)										
AAA	0.0	79.3	10.2	51.8	10.3	64.0	16.1	40.7	42.7	25.3
AA	0.0	1.7	5.2	5.6	6.0	1.0	1.3	0.6	7.9	3.8
A	0.0	7.8	37.8	10.2	12.9	3.3	15.4	16.6	7.4	19.3

Table 5

RMBS Exposure Information and Stress Test Results(cont.)										
BBB	0.0	11.2	46.7	32.4	70.8	31.7	67.2	42.1	42.0	51.6
BB and lower	100.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Rating Distribution Based on Current Par Outstanding (%)										
AAA	0.0	81.8	18.0	57.0	12.3	51.9	26.1	25.7	34.3	30.2
AA	0.0	3.4	4.8	0.8	3.5	4.2	1.3	3.0	17.5	4.3
A	0.0	1.7	17.2	11.0	15.8	0.7	4.9	12.4	2.6	9.6
BBB	0.0	12.5	56.1	30.2	66.3	26.3	54.8	31.0	45.6	49.1
BB and lower	100.0	0.5	3.8	1.0	2.1	16.8	13.0	28.0	0.0	6.8
Total Projected Losses (Mil. \$)										
	0.0	51.5	1,647.3	161.4	2,305.3	382.6	3,009.4	1.6	596.0	8,153.6
Present Value of Losses (Mil. \$)										
	0.0	44.6	1,426.4	139.8	1,996.2	331.3	2,605.9	1.4	516.1	7,060.2
After Tax Net RMBS Losses										
	0.0	29.0	927.1	90.8	1,297.5	215.3	1,693.8	0.9	335.4	4,589.1

Table 6

CDO Exposure Information And Stress Test Results (Mil. \$)										
	ACA	AGC	Ambac	CIFG	FGIC	FSA	MBIA	Radian	XLCA	Total
CDO Net Par Insured with RMBS Exposure										
Impairment Ratios:										
> 1.0	12,437.4	0.0	5,773.3	5,314.8	8,182.2	0.0	13,974.9	100.0	8,346.3	54,129.0
> 0.75 < 1.0	1,273.5	8.6	7,040.5	903.5	1,199.5	0.0	1,997.5	510.8	3,507.1	16,441.0
> 0.50 < 0.75	4,369.6	15.9	6,345.5	974.8	0.0	0.0	7,156.7	0.0	2,990.0	21,852.5
> 0.25 < 0.50	2,356.4	2.7	4,600.6	825.4	552.1	300.0	3,009.3	0.0	845.7	12,492.2
> 0.0 < 0.25	6,175.3	420.8	5,434.0	1,375.1	1,000.0	64.2	2,642.1	2,237.7	1,187.6	20,536.8
Secondary Market							1,623.0			1,623.0
Total	26,612.3	448.0	29,193.9	9,393.6	10,933.7	364.2	30,403.4	2,848.5	16,876.8	127,074.4
Theoretic Loss And Incremental Capital Charges										
Impairment Ratios:										
> 1.0	3,854.5	0.0	1,302.1	1,163.6	1,587.2	0.0	2,333.8	100.0	834.6	10,867.9
> 0.75 < 1.0	173.2	1.2	281.6	122.9	77.7	0.0	139.3	20.4	141.7	958.0
> 0.50 < 0.75	133.1	1.1	139.6	36.1	0.0	0.0	176.5	0.0	65.8	552.2
> 0.25 < 0.50	22.7	0.1	27.6	14.6	11.0	1.8	34.9	0.0	6.6	119.2
> 0.0 < 0.25	32.3	1.7	21.7	12.1	4.0	0.3	20.5	9.0	6.3	107.9
Secondary Market							154.2			154.2
Total	4,215.7	4.0	1,772.6	1,349.3	1,680.0	2.1	2,859.1	129.4	1,055.0	12,759.4
Present Value Of Losses										
	3,372.6	3.2	1,418.1	1,079.4	1,344.0	1.6	2,287.3	103.5	844.0	10,207.5
After-Tax Net CDO Losses										
	2,192.2	2.1	921.8	701.6	873.6	1.1	1,486.7	67.3	548.6	6,634.9

Table 7

Summary of Losses and Capital Position (Mil. \$)										
	ACA	AGC	Ambac	CIFG	FGIC	FSA	MBIA	Radian	XLCA	Total
After-Tax Net RMBS Losses	0.0	29.0	927.1	90.8	1,297.5	215.3	1,693.8	0.9	335.4	4,589.1
After-Tax Net CDO Losses	2,192.2	2.1	921.8	701.6	873.6	1.1	1,486.7	67.3	548.6	6,180.0
Total After-Tax Losses	2,192.2	31.1	1,848.9	792.5	2,171.1	216.4	3,180.6	68.2	884.1	10,769.1
Adjusted Capital Cushion at 12/31/2007	650-700	250-300	1,550-1,600	150-200	300-350	700-750	1,750-1,800	550-600	600-650	
Identified Hard and Soft Capital Additions			255	1,500			1,000			

Table 8

Inner-CDO Exposure (%)					
	CDO exposure within CDO	Inner-CDO bond insurer controlling class	Inner-CDO bond insurer, but not controlling class	Inner-CDO non-bond insurer controlling class	
ACA	18		18	5	77
AGC	NM		NM	NM	NM
Ambac	20		16	0	84
CIFG	11		12	1	87
FGIC	15		16	1	83
FSA	17		16	0	84
MBIA	20		15	1	84
Radian	20		24	0	76
XLCA	23		19	0	81

NM not material

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