



Assured Guaranty Ltd. Third Quarter 2011 Earnings Conference Call

Assured Guaranty Speakers

Robert Tucker - Assured Guaranty Ltd. - Managing Director of IR

Dominic Frederico - Assured Guaranty Ltd. - President & CEO

Rob Bailenson - Assured Guaranty Ltd. – CFO

Other Speakers

Michael Grasher: Piper Jaffray

Robert Chapman: Chapman Capital

Andrew Kleinberg: Glickenhau & Co.

Brian Meredith: UBS

Operator: Good day, ladies and gentlemen, and welcome to the Third Quarter 2011 Assured Guaranty Earnings Conference Call. My name is Natasha and I will be your coordinator for today. At this time, all participants are in a listen-only mode. We will facilitate a question-and-answer session towards the end of this conference.

I'd now like to turn the call over to Mr. Robert Tucker, Managing Director of Investor Relations. Please proceed.

Robert Tucker - Managing Director, IR: Good morning and thank you for joining Assured Guaranty for our third quarter 2011 financial results conference call. Today's presentation is made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. It may contain forward-looking statements about our new business and credit outlooks, market conditions, credit spreads, financial ratings, loss reserves, financial results, future rep and warranty settlement agreements or other items that may affect our future results.

These statements are subject to change due to new information or future events, therefore you should not place undue reliance on them, as we do not undertake any obligation to publicly update or revise them, except as required by law.

If you're listening to the call by the replay or if you are reading the transcript of the call, please note that our statements made today may have been updated since this call. Please refer to the Investor Information section of our website for our recent presentations, SEC filings, and most current financial filings and for the risk factors.

Turning to the presentation, our speakers today are Dominic Frederico, President and Chief Executive Officer of Assured Guaranty Ltd.; and Rob Bailenson, our Chief Financial Officer. After their remarks, we'll open up the call to questions.

As the webcast is not enabled for Q&A, please dial into the call if you would like to ask questions. I will now turn the call over to Dominic.

Dominic J. Frederico - President and CEO: Thank you Robert, and thanks to all of you for your interest in and support of Assured Guaranty.

On today's call, I'd like to review our quarterly results, our new business activity and future opportunities, the performance of our insured portfolio and the status of our S&P and Moody's rating reviews. We reported third-quarter operating income of \$38 million, or \$0.21 per share. Our operating income would have been significantly higher if not for the effect of the change in the discount rate required by GAAP to calculate our present value of future losses.

While Rob will provide the details, one important takeaway is that our incurred losses were theoretically increased by \$120 million because of this rate movement, and this does not represent economic losses related to credit deterioration in the performance of our portfolio.

A similar impact although in the opposite direction was realized in our net income figure for the quarter, which ballooned to a profit of \$761.2 million due to the widening of our credit spreads.

Measurements like these need to be eliminated from our GAAP accounting so that results present a more realistic economic picture.

Regarding new business activities in the quarter, we insured \$4.3 billion of municipal par. For the first nine months, we insured an aggregate of \$9.3 billion in par on 883 new issued transactions. These insured transactions resulted in an estimated \$100 million in present value financing savings to municipal issuers.

The par insured transaction count and cost savings shows that our product continues to occupy a vital role in the municipal market. For September, our U.S. municipal insured penetration by transaction count increased to 15.3%, a high for the year, while our par penetration also increased to its highest level of the year at 7.3%.

For the third quarter these figures were 13.3% and 5.7%, respectively, and continued to show a quarter-over-quarter improvement since the fourth quarter of 2010. These increases reflect good demand for our product. Further, for bonds rated A, our insurance was utilized on 40% of transactions and 17% of the par sold during the first nine months of this year, which is an encouraging result when considering the overall market and our ratings uncertainty.

Taking a macro look at the U.S. municipal market, while financial pressures remain, states and municipalities are generally finding ways to manage within their new fiscal realities. And although many local governments continue to experience declines in property tax revenues, according to a recent study by the Rockefeller Institute of Government, state tax revenues grew by 10.8% in the second quarter of 2011 and by 8.4% annually for the period that ended June 30, 2011, representing good recoveries from the lows of the financial crisis. If we look at defaults for the U.S. municipal market as a whole, the level of defaults occurring this year has actually been much lower than in 2009 and 2010.

2011 statistics through September 30th showed \$949 million of defaults versus 2009 and 2010 full year levels at \$8.5 billion and \$3.4 billion, respectively. Interestingly, defaults in the third quarter were only \$126 million. Separately, S&P said in a recent report that municipal bond par defaults through October of 2011 were down by 69% from the same period in 2010. In terms of Assured Guaranty's municipal loss development, our insured municipal portfolio continues to perform well. However, there are some

disturbing trends in the market which may impact our future appetite for this business. As you are aware, the Jefferson County commissioners met last week to authorize a Chapter 9 bankruptcy filing, and we are disappointed with the County commissioners' decision. We believe the settlement and restructuring of outstanding sewer system debt, as outlined in the term sheet approved by the County Commission on September 14 of 2011, represents an excellent opportunity for all parties to resolve the County's sewer system debt obligations, and this settlement provided for significant concessions by the creditors.

The situation is similar to Harrisburg's where local politics have impeded the implementation of practical and fair solutions to difficult financial problems. Local governments must recognize their responsibilities to live up to the promises made by current and former duly elected officials. The term, 'full faith and credit' must have meaning and challenges via bankruptcy or other legal maneuvers to negotiated contracts can't be accepted. We will reconsider insuring any municipality in states that do not have a framework in place to review and approve local bankruptcy petitions.

Turning to the U.S. structured finance market, we originated \$11.2 million in PVP, which is up significantly over both last year's third quarter and this year's second quarter. Our primary activities relate to non-cash bilateral trades with large financial institutions that provided credit protection over selected assets or capital relief. As you know, our portfolio loss mitigation efforts for RMBS encompass two main areas: servicing intervention and pursuit of rep and warranty claims.

During the third quarter of 2011, we terminated or placed under special servicing contracts two additional RMBS transactions, with an aggregate collateral balance of \$392 million, bringing the total servicing transfers to 23 transactions with an aggregate collateral balance of \$4 billion. Our goal for 2012 is to transfer or place under special servicing contracts an additional \$4 billion of collateral. While we have limited data on the servicing interventions done to date, the early statistics are encouraging. For our first lien book under special servicing, we have seen a significant performance differential from industry standards, including improvements of 10% in loss severities, 50% in re-default rates on loan modifications, and 40% in the average days delinquent in the 90+ buckets. We expect long-term benefits through the servicer interventions by reducing delinquencies and collateral losses, which should benefit our ultimate loss, exclusive of any benefit from the pursuit of our rep and warranty rights.

The second part of our loss mitigation process is to continue to pursue our contractual rights to rep and warranty recoveries in our RMBS transactions.

In that regard, I am pleased to report that we've recently reached a tentative agreement to resolve rep and warranty claims on approximately \$630 million of outstanding par where the counterparty has agreed to pay 71% of aggregate losses to a level in excess of our reserve expectations and the rating agencies' current stress model losses.

We believe these settlements are an efficient use of resources for both parties. However, in some cases, we need to litigate to secure our contractual rights. For example, last month, we brought an action against DLJ Mortgage Capital and Credit Suisse Securities with regard to six first lien U.S. RMBS transactions. We believe DLJ has breached rep and warranties it made on the underlying loans in the transaction and both DLJ and Credit Suisse provided false and misleading information regarding the quality of the loans included in the securitizations. In addition, DLJ has failed to comply with its contractual obligations to cure or repurchase defective loans that we have identified to it.

Specifically, the total original collateral pool for the six Credit Suisse transactions was \$4.4 billion of mortgages, against which Assured insured only \$567 million of gross par of securities, or approximately 13% of the total. To date, \$1.1 billion of the mortgages have already defaulted. As stated in our lawsuit, Assured Guaranty has reviewed approximately \$1.9 billion of defaulted or delinquent mortgages and found that 93%, or \$1.8 billion, contained breaches of representations and warranties.

Incredibly, Credit Suisse has not repurchased even one of the \$1.8 billion in putbacks that we have delivered. By contrast, we have collected \$1.7 billion to date from eight different counterparties in

connection with rep and warranty breaches. Further, we have agreements in place which represent as much as an additional \$800 million in payments we could further collect depending on future losses. In addition, the activity in the press and in the courts regarding rep and warranty exposure continues to support liability for originators, servicers and bankers for defective mortgage securitizations.

In our own book as I stated, eight counterparties have recognized some level of liability but not Credit Suisse. Maybe this is an appropriate question for Credit Suisse's auditors, Board of Directors, and regulators: Are they comfortable with Credit Suisse's current disclosure and recorded liability for RMBS? We have attempted to engage their regulator, who has so far refused to talk to us because we are a party to this litigation. Based on public information, Credit Suisse reports that they sold \$128 billion of non-agency securitizations going back to 2004.

Today, those RBS transactions have experienced \$15 billion of losses, Assured Guaranty only insures 3.4% of these transactions, and today on that 3.4% we have put back \$1.8 billion of the affected mortgages. Yet Credit Suisse publicly reported last week that they have taken only a \$53 million provision for repurchase claim provisions, and substantially all of this is against their liabilities for the GSEs.

As I discussed in more detail on our second quarter call, Credit Suisse's RMBS activities are also the subject of various investigations and subpoenas and at least 18 RMBS related lawsuits. So, it appears the majority of the market has the same problem as we do. We are also pressing other significant counterparties on their rep and warranty responsibility prior to our filing litigation against them. As I've stated, our goal is to negotiate comprehensive agreements, and we remain hopeful that the other counterparties also want to take this preferred path.

As far Euro zone exposures in troubled countries, we currently have total exposure of \$3.1 billion to credits in Greece, Italy, Portugal, Spain, and Ireland. Of these, we have direct exposure to a sovereign obligor only in Greece, where we have \$291 million of net exposure to the Greek government debt. Our largest country exposure is in Italy where \$2.2 billion of net exposure includes almost \$900 million in regional obligations. The remaining exposure is well diversified among infrastructure projects and RMBS.

Turning to the rating agencies, despite our objections to the new S&P bond insurance rating criteria, including the largest obligor test and the use of the CDO evaluator in determining municipal losses and capital charges, we continue to implement our strategies to create additional rating agency capital and reduce leverage to satisfy S&P's new requirements. In 2011, we agreed to terminate policies on more than \$11 billion of net par for approximately \$375 million of S&P rating agency capital. Of this amount \$40 million was created since S&P's last rating review.

In our wrapped buyback program we purchased \$55 million of face value par during the quarter, bringing our purchases through the third quarter to \$1.2 billion of face par value at an average price of 45.8%. Further, through October we had purchased an additional \$170 million of securities. During the quarter, our U.S. structured finance book outstanding par also decreased by over \$6 billion, bringing this sector's outstanding par insured to less than \$98 billion.

These programs, supplemented by potential new reinsurance or other risk sharing arrangements are designed to satisfy the requirements of S&P's new criteria to retain our rating in the AA category. We continue to have no plans to raise equity capital. Moody's is also in the process of reviewing Assured Guaranty, and we are awaiting information regarding assumptions and stress loss estimates prior to their capital evaluation.

Keep in mind that our Moody's capital adequacy should benefit from some of the measures we have deployed to satisfy the new S&P requirements. With ratings stability in the AA category, we believe we should be in an excellent position with respect to our efforts to increase our market penetration in U.S. public finance, international and structured credit markets in 2012.

And as we should have cleared the S&P and Moody's rating reviews by year-end, we will be able to update you further on our view of our business opportunities for 2012 as well as our capital plans. And now I'll turn the call over to Robert Bailenson, our CFO, who will talk about our financial results in greater detail.

Robert A. Bailenson - CFO: Thank you, Dominic, and good morning to everyone on the call. Today, I'll briefly review the financial highlights and then provide you with more detail on the individual components of operating income followed by a summary of economic loss development in the insured portfolio for the quarter. I refer you to our press release and financial supplement for explanations and reconciliations of our non-GAAP financial measures.

Operating income for third quarter 2011 was \$38.3 million or \$0.21 per diluted share, which as Dominic mentioned, would have been significantly higher if not for the impact of declining discount rates on loss expense. The impact of changing risk free rates on the third quarter of 2011 was approximately \$120 million of pre-tax loss expense, which is not indicative of additional credit impairment.

Despite the drag on operating income from declining risk-free rates in 2011, our year-to-date total operating income remains strong at \$430.9 million or \$2.31 per diluted share. All the other significant components of pre-tax operating income are either in line with expectations or have shown favorable improvements.

The effective tax rate on operating income was 32.6% which is higher than expected, due to the operating losses in AG Re. Year-to-date the effective tax rate on operating income was 26.3%, which is in line with expected annual effective tax rates of 24% to 28%.

The comparable operating income for third quarter 2010 was \$222.6 million, or \$1.19 per diluted share and the comparable operating income for the nine months ended September 30, 2010 was \$511.4 million. I will discuss variances of operating results from third quarter 2010 by component later in my discussion.

On a GAAP basis, we reported net income of \$761.2 million, which is primarily driven by net unrealized gains on credit derivatives due to the widening of AGC and AGM credit spreads during the third quarter of 2011. Our operating income results reverse the effects of these and other fair value gains and losses that are not indicative of credit impairment and which are expected to reverse to zero as the contracts approach their maturities.

Before I go into the details of the third quarter results, I want to provide an update on the restatement. As you are probably aware, we announced a restatement on October 18th, which was related to the accounting for intercompany transactions between the insurance company subsidiaries and the consolidated financial guarantee variable interest entities. At this point, we have filed amendments to the 2010 10-K and the March and June 2011 10-Qs.

While it's unfortunate to have to restate our GAAP results, I believe it is important to note that this restatement had no effect on cumulative operating income, the company's adjusted book value, or claims-paying resources. In addition, all comparisons to prior year are to the restated amounts.

While market challenges persist, we have managed to maintain a strong and steady adjusted book value per share compared with year end 2010. This is a direct result of new business generation and our various strategic initiatives including loss mitigation most notably R&W recovery efforts and commutations.

Operating shareholders equity per share was \$28.05, up 8.4% from year-end 2010, which equates to an annualized year-to-date operating ROE of 11.6%. In third quarter 2011, we repurchased 2 million shares for \$23.3 million at an average price of \$11.66 per share, and our Board just authorized another 5 million share repurchase program.

I will now turn to the components of third quarter operating income. Net earned premiums and credit derivative revenues were in line with expectations and totaled \$271.9 million.

Third quarter 2010 earned premiums of \$352.2 million were higher than 2011 due primarily to the larger portfolio of structured finance in-force business at that time. The decline in net premiums earned and credit derivative revenues reflected deleveraging of our structured finance book of business as well as scheduled amortization.

Net investment income was \$97.5 million in third quarter 2011, which represents a 13.9% increase over third quarter 2010. We have been shifting the portfolio to longer term assets, which has improved our investment yield. The yield on the investment portfolio was 3.85% in the third quarter 2011 compared with 3.72% in the third quarter 2010. The average size of the investment portfolio increased to \$10.6 billion based on amortized cost in third quarter 2011 from \$10.2 billion in third quarter 2010 primarily as a result of cash collected from R&W providers.

Operating expenses decreased 19.7% from \$52.2 million in the third quarter 2011 to \$41.9 million in the third quarter 2010. I expect operating expenses to be approximately \$45 million to \$50 million for the fourth quarter 2011.

The effective tax rate on operating income was 32.6% in third quarter 2011. In the third quarter 2011, our Bermuda operations had operating losses, which contributed to a higher effective tax rate on operating income for the third quarter 2011. For the nine months of 2011, the effective tax rate on operating income is within our expected range. The effective tax rate fluctuates due to the amount of income in different tax jurisdictions. I expect the effective tax rate on operating income to be 24% to 28% for 2011.

I will now turn to losses. As many of you already know, transactions in our insured portfolio are treated differently under GAAP, depending on whether the exposure involves an insurance policy, a derivative, or consolidated financial guaranty variable interest entity. However, my commentary encompasses the entire insured portfolio as it would be presented under the financial guaranty insurance accounting model, regardless of the GAAP accounting convention.

Loss expense in operating income is recognized when expected losses exceed unearned premium reserve on a transaction-by-transaction basis. This is a very simplified explanation, and I refer you to the loss accounting policy in our SEC filings for further information describing some of the complexities involved in the timing of loss recognition.

The economic loss development reflects changes in assumptions based on observed market trends, changes in discount rates, accretion of discount, and the economic effects of our various loss mitigation efforts. It is the measure management uses to evaluate the loss experience of the insured portfolio, but keep in mind, that it also includes changes that are due to discount rate fluctuations.

Total economic loss development was \$187 million during third quarter 2011. The largest individual factor contributing to net economic loss development was a decline in the risk-free rate used to discount losses, which accounted for approximately \$147 million of the total economic loss development. Of that \$147 million, approximately \$120 million was recognized in the loss expense during the third quarter 2011. The difference is absorbed by unearned premium reserve and will be recognized as loss expense in future periods. The component of loss expense that is attributable to a change in discount rates is not indicative of additional credit impairment nor is it a reflection of our own investment yields. Interest rate movements will always cause fluctuations in our loss expense, as the accounting rules require us to reset the discount rates every quarter to the then current risk-free rates.

U.S. RMBS losses increased as we updated our loss models for observed trends and market data. The Company increased its estimate of the R&W benefit based on existing contractual agreements and for other transactions due to the potential for higher recoveries under updated settlement scenarios. The

difference between our economic loss development of \$187 million and \$253.7 million in loss expense is essentially expected losses that were absorbed in unearned premium reserve and are now recognized in loss expense.

I'll now turn the call over to our operator to give you the instructions for the Q&A period.

Operator:[Operator Instructions]. And your first question comes from the line of Mike Grasher with Piper Jaffray. Please proceed.

Michael Grasher, Piper Jaffray: Rob just to follow up on your conversation here with the reserving the discount rate. Can you explain a little bit more in terms of the change in discount rate quarter-to-quarter do you go back and adjust prior quarters along the way or is this just for the specific quarter that is being reported?

Robert A. Bailenson - CFO: Mike, every quarter end you are required to discount your loss reserves at the risk free rate at the end of the quarter. So if the treasury yield curve decreases, if you have yields that decrease, then you're going to have increases in loss reserves. Conversely, if interest rates increase then your reserves will go down.

Michael Grasher - Piper Jaffray: So, it is the cumulative and not just that quarter's activity?

Robert A. Bailenson - CFO: It's the cumulative balance sheet, yes.

Michael Grasher - Piper Jaffray: Just: Okay, thanks for clarifying that. Dominic, you're running through these capital generation numbers, can you go back and just, in total, what they were for the quarter and where it stands year-to-date as far as rating agency capital?

Dominic J. Frederico - President and CEO: Michael, for us we really count since the last time Standard & Poor's did a review because obviously we got the AA-plus rating back at that second review with AA-plus capital that reflected the capital charges that we had talked about on previous quarters in light of what we thought was going to be their new criteria that was issued back in January. So now we have another new threshold and new kind of account that we are taking and if you add up the rep and warranty settlements, the terminations, the run-off, and the buyback of insured securities - and remember this is not an exact science because we are still getting some further information on actual capital charges. We think we were somewhere in the \$600 million to \$800 million of further capital benefit relative to S&P.

Michael Grasher - Piper Jaffray: Just in 3Q?

Dominic J. Frederico - President and CEO: Well, since April 1st.

Michael Grasher - Piper Jaffray: Since April 1.

Dominic J. Frederico - President and CEO: Obviously, we have other strategies that we're still continuing to implement and specifically related to potential new reinsurance or other risk-sharing vehicles as well.

Michael Grasher - Piper Jaffray: Then just to sort of transition out, as there is all those concerns about capital, yet, we see you buying back shares and granted it wasn't a huge number, but it was I guess in total \$20 million plus in the quarter, can you comment just in terms of how you weigh the two and how you think through that? How we should be thinking about it?

Dominic J. Frederico - President and CEO: Well, our first and foremost goal is to maintain ratings in the AA category and that's what we are striving to achieve. However, we still have to think about where are accretive transactions that can be exercised or executed by the company as we see opportunities. So, we're trying to do a delicate balancing act and, as you point out, the amount of share buyback was not

significant, but we believe took advantage of an opportune price in the market that was significantly below both operating book and adjusted book. We will continue to look at those opportunities, but the first and foremost goal, especially as we're now getting fairly close to getting final determinations we hope on our ratings, is to maintain ratings in the AA level, which we believe will give us an excellent opportunity for new business production, and obviously to continue to achieve higher long-term value for the company.

Operator: Your next question comes from the line of Brian Meredith with UBS. Please proceed.

Brian Meredith - UBS: Good morning. A couple of questions here. First one, I wonder if you could just elaborate a little bit on the increases I guess in severity that you had with the RMBS securities and the change in the model, what happened there, and maybe provide us a view of what we can expect going forward given the current economic environment?

Dominic J. Frederico - President and CEO: Well, as we said, we use basically current data that continue to affect our estimates and our models. What we are seeing is a continued uptick in first lien severities, which we believe is principally due to modifications that are being counted in the trustee reports as in fact foreclosure losses. We've had to move up those first-lien estimates of stress severity to basically encompass that and we will continue to carry this 90% estimate of stress loss severities for first-lien for at least a few more months as we see the effect of these modifications coming through the trustee reports. It's for first lien and subprime only that we've seen that aberration in severity, Brian.

Brian Meredith - UBS: Then the second question - I'm just curious - I noticed disclosure on Greece in the 10-Q and I guess your point here is that you don't think you have any exposure to the commission's announcement on debt relief measures. I wonder if you could kind of talk a little bit more about that as to exactly why there is no exposure there for you?

Dominic J. Frederico - President and CEO: Well, because this is so far - and obviously things are continuing to change - is a voluntary exchange that under our policy would not appear to be a default subject to reimbursement as long as it remains voluntary.

Operator: Andrew Kleinberg, Glickenhau & Co.

Andrew Kleinberg - Glickenhau & Co.: My question is actually a different spin on the first questioner. With an operating book value north of \$20 and adjusted book value north of \$45 and an operating business that's questionable going forward under fire from S&P and very time consuming, and most importantly a stock price of \$11.32, can you please explain to shareholders why this company shouldn't just go into run-off and start returning cash in the form of dividends and what would be extraordinarily accretive share buybacks?

Dominic J. Frederico - President and CEO: Well, Andrew that goes back to the age-old question in terms of what are we trying to achieve. We are trying to achieve what we believe is long-term value creation. We believe, based on our preferred position in the market, our ability to demand pricing and terms, that's an opportunity that one doesn't walk away from easily and we believe our goal of attaining Double-A ratings stable through the end of this year is achievable. But like any other strategy that is subject to continued reevaluation and we will reevaluate it at the appropriate time. We do see the same thing you see in terms of accretive opportunities relative to the stock price against both operating and adjusted book value and we try to effect those transactions when we think it's appropriate, but at this point in time, and we'll have plenty of time to make further evaluations and decisions if that changes into the future, we still think this the best course of action.

Michael Grasher - Piper Jaffray: Your comments about going into states and having them sort of have this actual guideline in terms of potential events happening down the road, is this a change of terms and conditions and how important is that from the standpoint that a lot of these states and municipalities haven't thought about that or don't have those sort of terms and conditions in place?

Dominic J. Frederico - President and CEO: I think it is a change. I wouldn't say it's in terms and conditions. I think as we look at our underwriting standards, Mike, we have to keep current on what we believe is the appropriate level of risk. We continue to evaluate policies around what is appropriate risk taking opportunities or situations. We are concerned that the term bankruptcy gets thrown around a little bit too easily these days in the municipal market. We're not very happy with people that provide you terms like "full faith and credit" and then decide to challenge that wording in either a court of law or court of public opinion as you see constantly in Harrisburg. We're being asked to make concessions that make absolutely no sense. We have provided value to these municipalities that's helping them achieve debt financing at a cheaper cost. We like states that have structures that deal with some level of process and even potentially approval of any bankruptcy filings from a local municipality like we have in Pennsylvania. We will have to now consider that as a very important fact relative to our underwriting appetite and most states do have this in place.

Michael Grasher - Piper Jaffray: For those who don't, have they pushed back already or what's been...

Dominic J. Frederico - President and CEO: The pushback is going to be entirely ours, right, as we're getting opportunities in those states, we're going to start to tell the bankers that we're not interested in insuring in those states until such time as we see real change happening. Alabama is going to be a classic one.

Michael Grasher - Piper Jaffray: In terms of the market that's available to you - or so, in other words, there is sort of the below investment grade that you won't go and underwrite and then at the other end of the spectrum, there is the AAA that makes no sense. What is, I guess, the percent of the market that would be available to you? Have you seen any change in that, I guess, since S&P came out with their initial criteria and even after the revisions?

Dominic J. Frederico - President and CEO: I think it's a good question relative to the market opportunity and our market appetite. As we talked about in the quarter, roughly 40% of all A-rated transactions were insured by us in the quarter. That is typically our targeted area, our sweet spot, but if you actually break down the quarter, we also insured 14 transactions in AA category. So it seems that our rating still has value up and down the rating scale, and against that we only did two transactions in the BBB area. So, you can see the predominance of our transactions are A-rated or AA-rated. The second thing is, if you read in the press today, the changes of ratings by the rating agencies are in a downward trend, where downgrades are outpacing upgrades by that same five to six to one factor that was in the opposite direction back in '08 and '09 and 2010. So as the market also comes back to us from a ratings point of view, we believe that will broaden our opportunities. As I've said, we're dominant today in the A-rated category.

Robert Chapman - Chapman Capital: Going back to the Greek exposure, while I understand the voluntary nature of the proposed - I'm emphasizing the word proposed - settlement that has been put out there. it's a pretty fragile structure that one could argue is not going to be seeing consummation, is the main purpose of not reserving against that, given there's probably an inevitable default of sovereigns down the road, diminution in the principal value of the asset, I don't know if it's this year or next year, that you want to strengthen any kind of legal discussion you have regarding the triggering of your exposure in the same way that maybe Credit Suisse hasn't taken reserves because they want to strengthen their legal argument as well?

Dominic J. Frederico - President and CEO: I'm glad you brought the Credit Suisse part up, to call attention to that, but no, the situations are not the same. Number one, we do carry a reserve for Greece. If you remember, in our GAAP accounting, which I'll continue to say has some strange components to it, we are required to create, in effect, loss scenarios, and then probability-weight them. Obviously the settlement, or the proposed settlement, is one of our scenarios in our loss reserving model that gets a probability weighting. However, we have other scenarios, like bankruptcy, et cetera, which trigger claims

to which we then have to probability-weight and carry a reserve. We did talk, I think on our last call, that our two exposures are due - they are sovereign obligations, Greek bonds - one set is due in 2037 and carries a 4.5% coupon rate, and that's for \$267 million gross - remember our net is \$291 million here - and the remaining piece is another bond that's due in 2057. So, both of our sovereign obligations are incredibly long term. So, on a net present value basis, it would be significantly discounted, except if you use the current risk free discount rate, which is another accounting anomaly that I'll leave for other days, but the two numbers there, we have them in our reserve model and we have them probability-weighted that we will pay the claim.

Robert Chapman - Chapman Capital: But would you say that the materiality of the probable loss increase has gotten worse and there's been a linear relationship to the reserving at AGL?

Dominic J. Frederico - President and CEO: Say that again.

Robert Chapman - Chapman Capital: Essentially, have you been increasing your reserves in line with the increasing fragility of the situation in Greece?

Dominic J. Frederico - President and CEO: Of course. We've been monitoring Greece for some time now and continue to make reserve adjustments on these scenario analyses and probability weighting, which we try to keep as current as possible. Obviously, the most recent quarter has the unique feature of both tentative settlement and obviously a worsening condition in Greece.

Robert A. Bailenson - CFO: We do adjust our scenarios based upon new facts and all of them are probability weighted. So, if the facts get worse, then the probability weight towards the non-settlement will go up; if the facts get better, then we're probability weighted towards a better scenario.

Dominic J. Frederico - President and CEO: So, unlike Credit Suisse, we do have reserves and we do do a full disclosure of our obligations.

Robert Chapman - Chapman Capital:

Well, but Credit Suisse simply can't afford to take the reserves because then their equity disintegrates.

Dominic J. Frederico - President and CEO: Now once again, that's hopefully an issue for their regulators, their auditors and their Board of Directors.

Brian Meredith - UBS: Dominic, I was wondering if you could walk through kind of how you come to a \$19 million reserve for Jefferson County, given all of the exposure you have, and just what are the kind of key components that kind of reduce your exposure down to that \$18 million or \$19 million?

Dominic J. Frederico - President and CEO: Well, obviously, we paid some already, as you all know, and that was part of the settlement discussions that we went through with the commissioners. Two, we looked at the deal that was presented and agreed that carries a probability weight. Three, we obviously look at all parties involved in this transaction. Of course, if you read the press, you know there is a significant party that has culpability and has recognized liability in this transaction, which would further diminish the amount of our contribution. And once again, we do a probability weighting of all the scenarios, including the acceptance of the bankruptcy filing of Jefferson County, to try to look at the view of our loss. Also, it's very important to remember these are revenue bonds and we don't really have an asset *per se*, we have a lien on the future revenues of the water authority, which, based on the position of Mr. Young, who is the receiver of the water authority, will be adequate to repay a substantial amount of the debt as we go forward, based on the rate increases that he has planned for the water authority customers.

Operator: I show no further questions in the queue. Please standby.

Robert Tucker - Managing Director, IR: Thank you, operator. I'd like to thank everyone for joining us on the call today. If you have additional questions, please feel free to give us a call my number is listed on the press release. Thank you very much.