



## Fixed Income Investor Presentation Third Quarter 2009

*Revised on 01.06.10*

The financial statements contained herein should not be relied on because Assured Guaranty will be restating them. For additional information, see the Current Report on Form 8-K that Assured Guaranty filed on or about October 18, 2011 with the Securities and Exchange Commission on this matter. It is available on the SEC Filings page of [www.assuredguaranty.com](http://www.assuredguaranty.com).

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GUARANTY<sup>®</sup>**  
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# Safe Harbor Disclosure



- Forward-looking statements are being made in this presentation that reflect the current views of Assured Guaranty Ltd. ("AGL" and, together with its subsidiaries, "Assured Guaranty" or the "Company") with respect to future events and financial performance. They are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Actual results could differ materially from these statements. For example, Assured Guaranty's forward-looking statements about the success of its putback efforts could be affected by the ability of Assured Guaranty to enforce its remedies, the willingness of sponsors and originators to provide loan file information, the extent to which sponsors and originators assert that representations and warranties have not in fact been breached and other factors identified in Assured Guaranty's filings with the Securities and Exchange Commission (the "SEC"). In addition, Assured Guaranty's forward-looking statements regarding, among other matters, its income statement expectations, its expectations regarding demand for financial guaranty insurance and reinsurance, its loss expectations and the timing of the runoff of its structured finance exposure, could be affected by:
  - Rating agency action, including a ratings downgrade at any time of Assured Guaranty Ltd. or any of its subsidiaries and/or of transactions insured by the Company or its subsidiaries, both of which have occurred in the past;
  - Developments in the world's financial and capital markets that adversely affect issuers' payment rates, Assured Guaranty's loss experience, its ability to cede exposure to reinsurers, its access to capital, its unrealized (losses) gains on derivative financial instruments or its investment returns;
  - Changes in the credit markets, segments thereof or general economic conditions;
  - More severe or frequent losses affecting the adequacy of Assured Guaranty's loss reserve;
  - The impact of market volatility on the mark-to-market of its contracts written in credit default swap form;
  - Reduction in the amount of reinsurance facultative cessions or portfolio opportunities available to Assured Guaranty;
  - Decreased demand or increased competition;
  - Changes in applicable accounting policies or practices;
  - Changes in applicable laws or regulation, including insurance and tax laws;
  - Other governmental actions;
  - Difficulties with the execution of Assured Guaranty's business strategy;
  - Contract cancellations;
  - Assured Guaranty's dependence on customers;
  - Loss of key personnel;
  - Adverse technological developments;
  - The effects of mergers, acquisitions and divestitures;
  - Natural or man-made catastrophes;
  - Other risks and uncertainties that have not been identified at this time;
  - Management's response to these factors; and
  - Other risk factors identified in Assured Guaranty's filings with the SEC.
- See Assured Guaranty's SEC filings and latest earnings press release and financial supplement, which are available on its website, for more information on factors that could affect its forward-looking statements. Do not place undue reliance on these forward-looking statements, which are made only as of December 11, 2009. Assured Guaranty does not undertake to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.
- This presentation references several non-GAAP financial measures. These non-GAAP financial measures are defined in the appendix of this presentation. In each case, if available, the most directly comparable GAAP financial measure is presented and a reconciliation of the non-GAAP financial measure and GAAP financial measure is provided. This presentation is consistent with how our management, analysts and investors evaluate our financial results and is comparable to estimates published by analysts in their research reports on us. Each of the non-GAAP financial measures is identified in this presentation as such.

# Conventions and Non-GAAP Financial Measures



- Unless otherwise noted, the following conventions are used in this presentation:
  - Ratings on our insured portfolio are Assured Guaranty's internal rating system, which is comparable to those used by the leading rating agencies.
  - The super senior category, which is not generally used by rating agencies, is used by the Company in instances where Assured Guaranty's AAA-rated exposure has additional credit enhancement due to either (1) the existence of another security rated AAA that is subordinated to Assured Guaranty's exposure or (2) Assured Guaranty's exposure benefits from a different form of credit enhancement that would pay any claims first in the event that any of the exposures incurs a loss, and such credit enhancement, in management's opinion, causes Assured Guaranty's attachment point to be materially above the AAA attachment point.
  - Exposures rated below investment grade are designated "BIG".
  - Ratings on the investment portfolios are the lower of the ratings from Moody's Investors Service Inc. ("Moody's") or Standard & Poor's Ratings Services ("S&P").
  - Percentages and totals in tables or graphs may not add due to rounding.
- This presentation references financial measures that are not financial measures that are in accordance with U.S. generally accepted accounting principles ("non-GAAP financial measures"), which management uses in order to assist analysts and investors in evaluating Assured Guaranty Ltd.'s financial results and those of its subsidiaries. Non-GAAP measures include present value of new business production ("PVP"), operating income, operating shareholders' equity, operating return on equity ("operating ROE"), adjusted book value ("ABV") and net present value of estimated future revenue on credit derivatives in force. These non-GAAP financial measures are defined in the appendix. In each case, the most directly comparable GAAP financial measure, if available, is presented, and a reconciliation of the non-GAAP financial measure and GAAP financial measure is provided in each company's respective Financial Information section. This presentation is consistent with how Assured Guaranty's management, analysts and investors evaluate Assured Guaranty's financial results and is comparable to estimates published by analysts in their research reports on Assured Guaranty.

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## Corporate Overview and Update



- **Assured Guaranty Ltd. (“AGL” and together with its subsidiaries “Assured Guaranty or “the Company””) is the world’s leading financial guaranty franchise**

- We are the only long-standing financial guaranty company still writing new business today
- We have maintained financial strength ratings acceptable to the market

- **Assured Guaranty’s sole focus is financial guaranty**

- Publicly traded holding company (NYSE: AGO) with extensive quarterly financial disclosures providing transparency to all investors
- 20+ year track record in financial guaranty market
- Two principal financial guaranty direct subsidiaries and one financial guaranty reinsurance subsidiary

- **Strong capital base**

- Consolidated investment portfolio of \$9.9 billion as of September 30, 2009
- Aggregate claims-paying resources of \$12.6 billion as of September 30, 2009
- In December 2009, issued 27.5 million shares of common stock, raising net proceeds of approximately \$574 million

## Major Financial Guaranty Participants By Net Par Outstanding and Rating

As of September 30, 2009

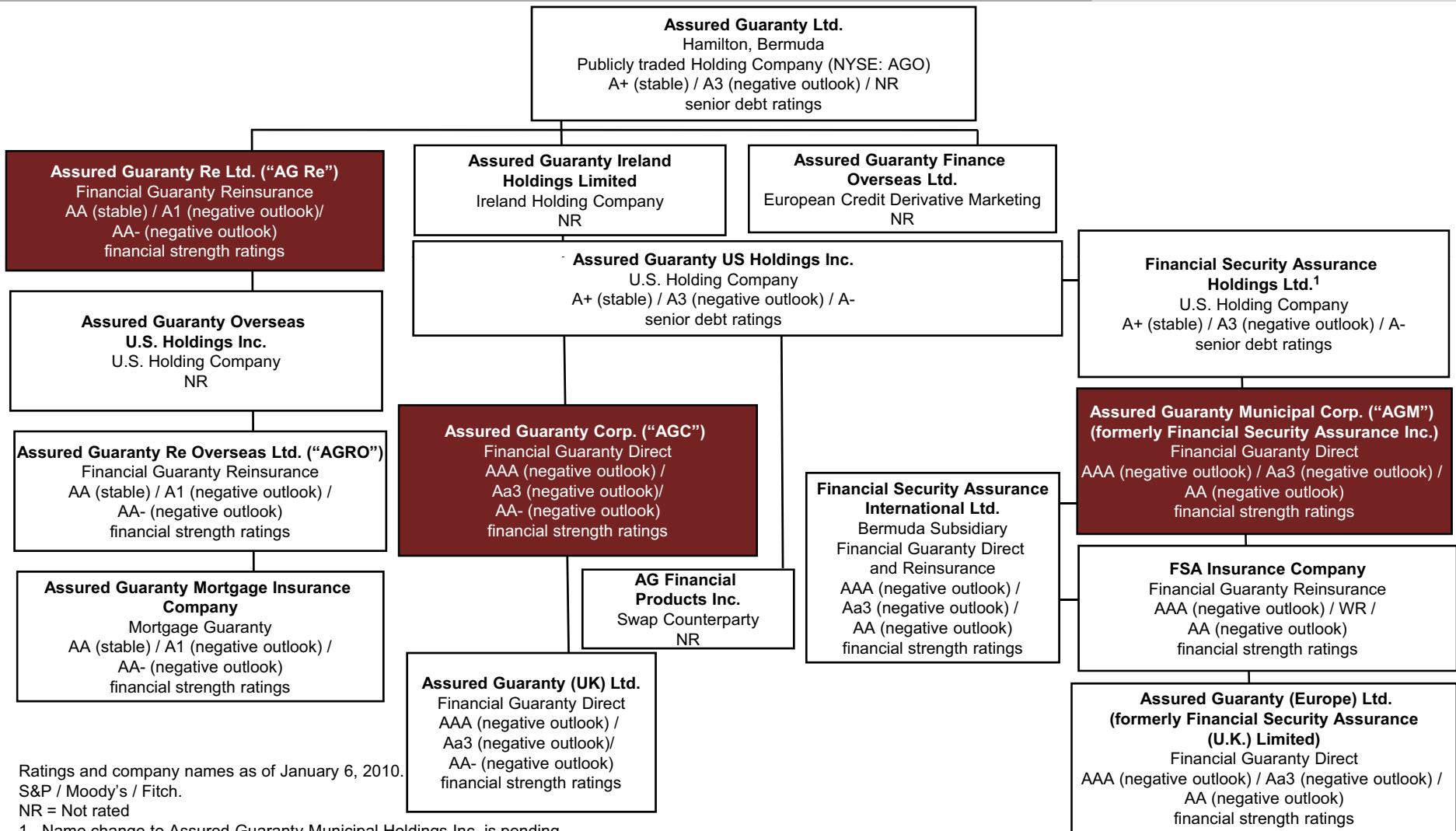
<i>(\$ in billions)</i>	<b>Net Par Outstanding<sup>1</sup></b>	<b>S&amp;P Rating</b>
Assured Guaranty Direct Segment	\$577.9	AAA
National Public Finance Guarantee Corp.	520.8	A
Ambac	409.3	CC
MBIA Insurance Corp.	215.4	BB+

1. Sources for competitors: operating supplements.

- **Exercise strict underwriting discipline**
  - Proactive and rigorous underwriting standards have protected our company
  - Our portfolio is stress-tested for adverse economic, financial and market environments
- **Expand our direct business through dual operating platforms**
  - Capitalize on well established franchise of each company
  - Operate through common infrastructure to maximize operating efficiencies
  - Market leader in new business production in 2008 and first nine months of 2009
  - Currently exploring opportunities to guarantee credit default swaps (“CDS”) written directly by a Bermuda affiliate
- **Utilize reinsurance platform to enhance market opportunities**
  - Sole reinsurance provider in market
  - Focus on facultative portfolio opportunities
  - Support direct platforms with excess capacity
- **Maintain the highest ratings possible for financial guaranty subsidiaries**
- **Deploy both soft and hard capital efficiently**
- **Pursue proactive loss mitigation strategy**
  - Aggressively pursue all contractual rights

- **On July 1, 2009, Assured Guaranty acquired Financial Security Assurance Inc. (“FSA”), the only other active legacy financial guaranty company, through its acquisition of Financial Security Assurance Holdings Ltd. (“FSAH”) from Dexia S.A. (“Dexia”).**
  - Assured Guaranty did not acquire FSAH’s Financial Products (“FP”) segment.
  - AGL and its subsidiaries are indemnified against exposure to the FP segment by Dexia. In addition, the French and Belgian governments have issued guarantees in respect of the guaranteed investment contract (“GIC”) portion of the FP segment.
- **AGL purchased FSAH for approximately \$822 million**
  - The consideration for the FSAH acquisition consisted of \$546 million in cash and 22.3 million AGL common shares
- **The purchase price was at a significant discount to FSAH’s June 30, 2009 shareholder’s equity.**
- **FSA, which was renamed Assured Guaranty Municipal Corp. (“AGM”) on November 9, 2009, focuses exclusively on the U.S. municipal and global infrastructure sectors.**
- **AGL has guaranteed \$730 million of FSAH’s outstanding debt.**

# Assured Guaranty Ltd. Corporate Structure



Ratings and company names as of January 6, 2010.  
S&P / Moody's / Fitch.  
NR = Not rated

1. Name change to Assured Guaranty Municipal Holdings Inc. is pending

# Assured Guaranty's Operating Platforms



- **Assured Guaranty Corp. (“AGC”) and AGM operate as two separate direct financial guaranty platforms with AG Re as a reinsurer**
  - AGC will continue to insure U.S. municipal, global infrastructure and structured finance.
  - AGM, formerly FSA, will focus exclusively on U.S. municipal and global infrastructure.
  - Assured Guaranty Re Ltd. (“AG Re”), as a reinsurer, will provide additional capital and flexibility to AGC and AGM and further business opportunities for AGL, the publicly traded holding company
- **AGC and AGM are integrated for origination, risk management, surveillance, credit, financial reporting and systems**
- **Assured Guaranty’s financial position and market standing along with the franchise value of AGC and AGM will be further strengthened through this structure**
  - Greater capacity to write business
  - Flexibility in balancing portfolio exposures
  - Common infrastructure maximizes operating efficiencies

# Operating Principles and Investor and Issuer Benefits



- Conservative underwriting principles and experienced and disciplined management
- Value proposition includes: Credit selection, underwriting, surveillance and remediation in addition to default protection
  - Bond insurance helps homogenize the market's view of insured credits, thereby increasing liquidity.
- Ratings: Committed to maintaining the highest ratings possible for all rated subsidiaries, including AGC, AGM and AG Re
  - AGC is currently rated AAA (negative outlook) by S&P; Aa3 (negative outlook) by Moody's and AA- (negative outlook) by Fitch Ratings ("Fitch").
  - AGM is currently rated AAA (negative outlook) by S&P; Aa3 (negative outlook) by Moody's and AA (negative outlook) by Fitch.
  - AG Re is currently rated AA (stable) by S&P; A1 (negative outlook) by Moody's and AA- (negative outlook) by Fitch.
- Disclosure and transparency: Committed to providing detailed exposure information to the market
- Investor benefits include: Portfolio management; insurer diversification; flexibility of selecting muni-only or combined company; for short-term 2a-7 investors, assists with regulatory exposure limits (10% rule)
- Issuer benefits include: Two financially strong providers; streamlined underwriting process through common infrastructure

Ratings as of January 6, 2010.

# Distinct for Legal and Regulatory Purposes



- Two separate platforms for the U.S. public finance market



- Companies distinct for legal and regulatory purposes
  - Separate insured credit exposures: net par – AGC \$129 billion, AGM \$402 billion\*, AG Re \$118 billion
  - Separate insurance licenses
  - Separate capital bases – Claims-paying resources: AGC \$2.8 billion, AGM \$7.2 billion, AG Re \$2.6 billion
  - Dividend restrictions – including Maryland and New York insurance law restrictions, and rating agency non-impairment confirmation; also, for three years after closing of acquisition, AGM cannot pay dividends unless rated at least AA-/Aa3/AA- and dividends do not exceed 125% of FSAH annual debt service.
- For U.S. public finance transactions, bid out of two platforms
  - Offering market-based pricing to reflect the added value of platforms and pricing capacity accordingly

\* Includes GICs issued by FSAH's former FP affiliates. However, FP business was not part of Assured Guaranty purchase – Assured Guaranty Ltd. and its subsidiaries are indemnified against exposure to the FP business by Dexia. In addition, the French and Belgian governments have issued guarantees in respect of the GIC portion of the FP business.

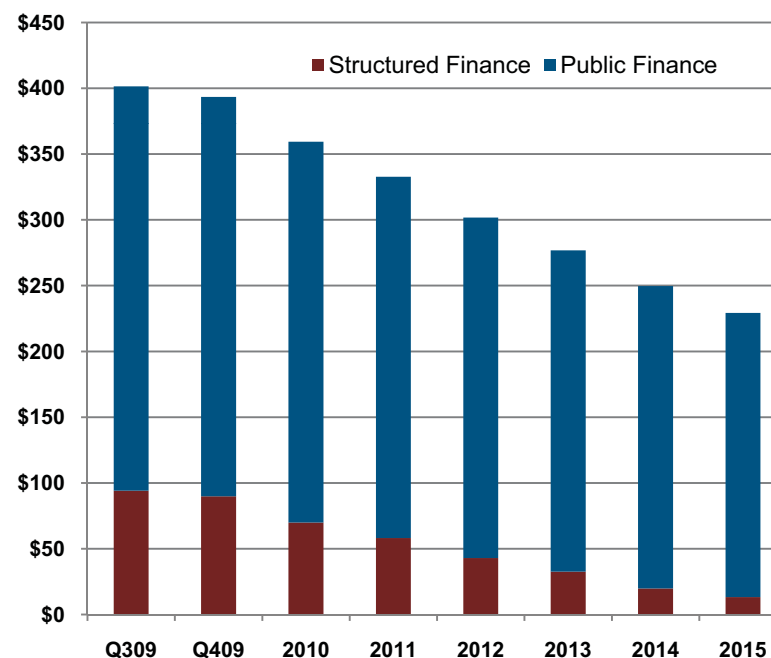
# AGM's Commitment to the Public Finance Market



- AGM is committed to writing only U.S. municipal and global infrastructure transactions now and for the future<sup>1</sup>
- AGM's existing insured portfolio will rapidly evolve toward its new public finance focus
- Legacy global structured finance insured portfolio (\$94 billion as of September 30, 2009) expected to run off rapidly - 5% by the end of 2009, 26% by year-end 2010, 54% by year-end 2012, and 86% by year-end 2015.<sup>2</sup>
  - \$59.6 billion in global pooled corporate obligations expected to be reduced by 53% by year-end 2012 and by 91% by year-end 2015
  - \$14.8 billion in U.S. residential mortgage-backed securities (“RMBS”) expected to be reduced by 55% by year-end 2012 and by 78% by year-end 2015
  - \$4.3 billion in U.S. consumer receivable obligations expected to be reduced by 63% by year-end 2010
  - \$1.4 billion in other U.S. non-municipal (excluding FP) expected to be reduced by 36% by year-end 2012 and by 72% by year-end 2015
  - \$3.1 billion in other international structured finance expected to be reduced by 49% by year-end 2012 and by 67% by year-end 2015
- Former FP business not part of Assured Guaranty's purchase; Assured Guaranty is indemnified against exposure to the FP business by Dexia. In addition, the French and Belgian governments have issued guarantees in respect of the GIC portion of the FP business.
  - \$10.9 billion in GICs expected to be reduced by 49% by year-end 2012 and by 68% by year-end 2015

## AGM Net Par Outstanding Amortization

As of September 30, 2009  
(\$ in billions)

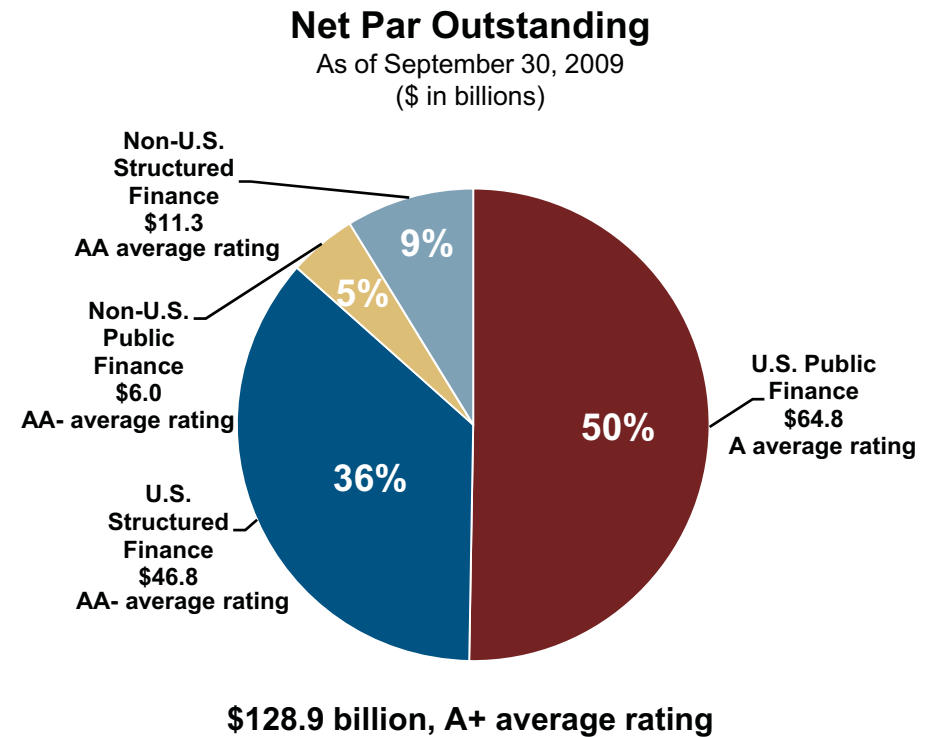


1. AGM stopped writing structured finance transactions in August 2008.  
2. Based on net par outstanding at September 30, 2009.

# AGC's Operating Structure



- **AGC is a diversified insurer writing all classes of financial guaranty business, including: U.S. municipal, global infrastructure and structured finance**
- **Structured finance activities:**
  - Restricted to carefully selected asset types (e.g., auto loans and leases, credit card receivables, consumer loans, equipment loans and leases, trade receivables)
  - Conservative limits
  - High attachment points
  - Less complex structures



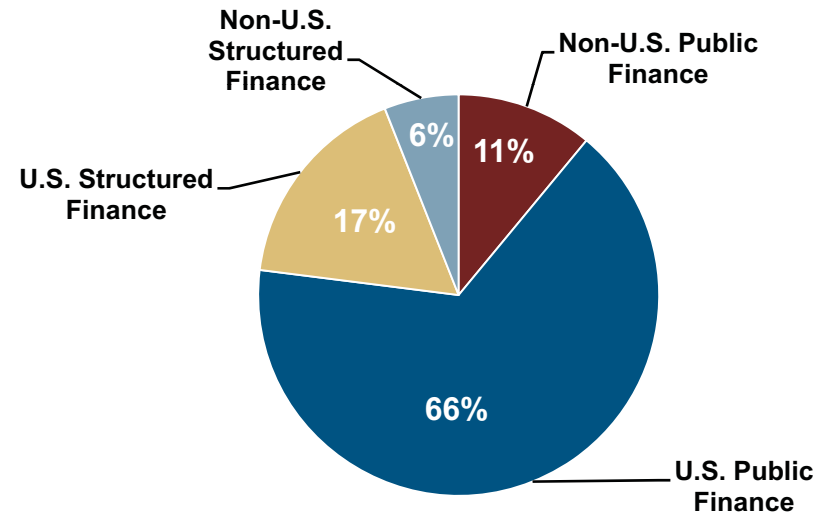
# AG Re's Operating Structure



- **AG Re is a diversified financial reinsurer with the ability to participate broadly in financial insurance**
- **Reinsurance for AGC and AGM**
- **Portfolio opportunities with existing legacy monolines**
- **Opportunities with potential new primary financial guarantors**

## AG Re Net Par Outstanding

As of September 30, 2009  
(\$ in billions)



**\$118.1 billion**

# Three Discrete Operating Companies with Separate Capital Bases



(\$ in millions)

## Claims-Paying Resources (Statutory Basis)

As of September 30, 2009

	<b>AGC</b>	<b>AGM</b>	<b>AG Re<sup>1</sup></b>	<b>Consolidated<sup>4</sup></b>
Policyholders' surplus	\$ 179	\$ 1,140	\$ 1,147	\$ 2,466
Contingency reserve	772	1,226	-	1,998
<b>Qualified statutory capital</b>	951	2,366	1,147	4,464
Unearned premium reserve <sup>2</sup>	838	2,380	857	4,075
Loss and loss adjustment expense reserve	209	1,105	68	1,382
<b>Total policyholders' surplus &amp; reserves</b>	1,998	5,851	2,072	9,921
Present value of installment premium	639	824	360	1,823
Standby line of credit/stop loss <sup>3</sup>	200	498	200	898
<b>Total claims-paying resources</b>	<u>\$ 2,837</u>	<u>\$ 7,173</u>	<u>\$ 2,632</u>	<u>\$ 12,642</u>

1. AG Re amounts are the company's estimate of U.S. statutory, as the company files Bermuda statutory financial statements.

2. Includes financial guaranty and credit derivatives.

3. For AGC, consists of committed capital securities. For AG Re, consists of standby line of credit facility. For AGM, consists of standby line of credit facility of \$298 million and money market preferred trust securities of \$200 million.

4. Does not reflect net proceeds of approximately \$574 million from December 2009 stock offering.

# We Are Keenly Focused on Loss Mitigation



- **U.S. RMBS performance has been poor; and AGC and AGM together have paid approximately \$1.7 billion in claims, net of reinsurance, on second lien transactions such as home equity line of credit (“HELOC”) and closed-end seconds (“CES”). AGC and AGM have:**
  - \$440.0 million of loss and LAE reserves, incurred losses on credit derivatives and expected loss in UPR (total “loss reserves”) for second lien US RMBS as of September 30, 2009
  - \$967.8 million for first lien US RMBS
- **Our ability to reduce our losses on RMBS is focused on enforcing the representations and warranties (“R&W”) that the mortgage originators provided when the deals were originally done.**
  - Countrywide/Bank of America is the provider against which we have asserted the most R&W claims to date
- **Through September 2009, we had reviewed over:**
  - 18,500 files, representing \$1.5 billion in outstanding par of defaulted second lien loans
  - 2,500 files, representing \$1.1 billion in outstanding par of defaulted first lien loans
- **We continue to negotiate with the sellers and originators of the breaching loans, and through October 2009:**
  - Approximately \$128.9 million of second lien loans had been repurchased by the sellers/originators
  - Approximately \$17.2 million of first lien loans had been repurchased by the sellers/originators, although we have just begun to pursue putbacks on these types of loans

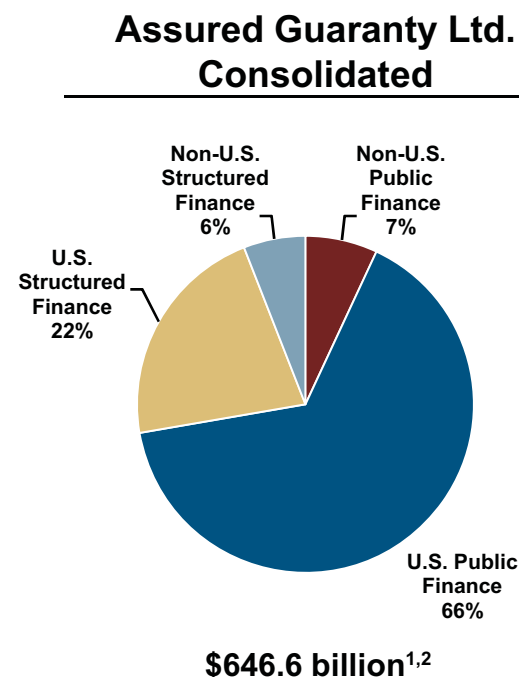
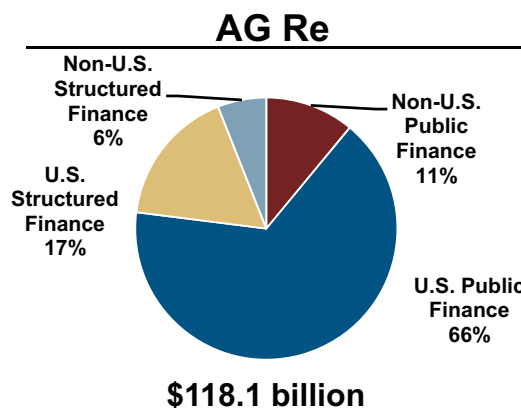
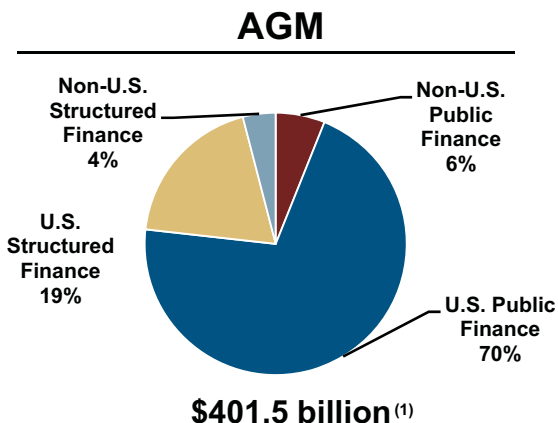
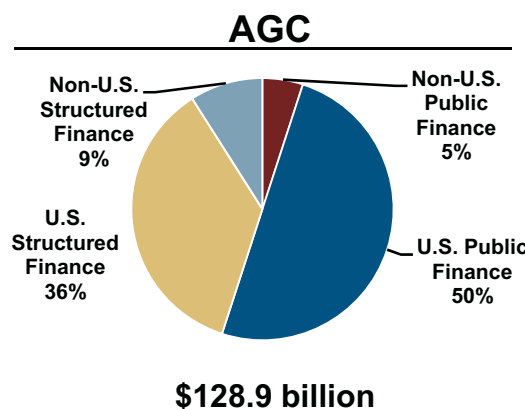
## We Are Keenly Focused on Loss Mitigation (Cont.)



- **The Company has included in its RMBS loss reserves an estimated benefit from repurchases of \$1.1 billion for R&W**
  - \$302 million for AGC (\$46 million first lien, \$256 million second lien)
  - \$668 million for AGM (\$244 million first lien, \$424 million second lien)
- **In estimating remediation recoveries under R&W, we only include defaulted loans from financially viable providers**
  - The Company's estimated benefit is based on future repurchases by nine different companies

# Portfolios Diversification by Sector

## Net Par Outstanding (as of September 30, 2009)



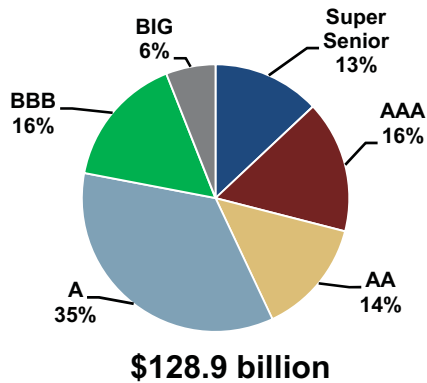
1. Includes \$10.9 billion in GICs issued by FSAH's former financial products ("FP") affiliates. However, FP business not part of Assured Guaranty Ltd. purchase. Assured Guaranty Ltd. and its subsidiaries are indemnified against exposure to this business by Dexia. In addition, the French and Belgian governments have issued guarantees in respect of the GIC portion of the FP business.
2. Subsidiary totals do not equal the consolidated total due to eliminations arising from insurance provided in the secondary market by AGM for AGC-guaranteed obligations (\$1.1 billion) and by AGC for AGM-guaranteed obligations (\$0.8 billion).

# Portfolio Ratings

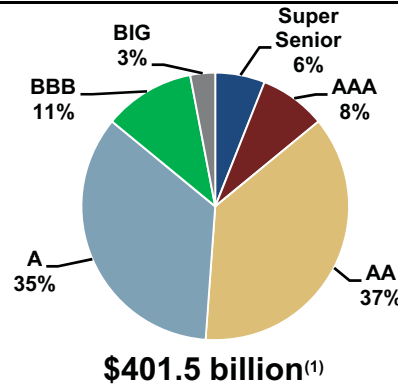
## Net Par Outstanding (as of September 30, 2009)



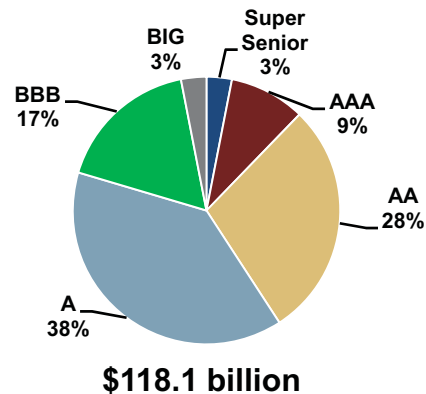
### AGC



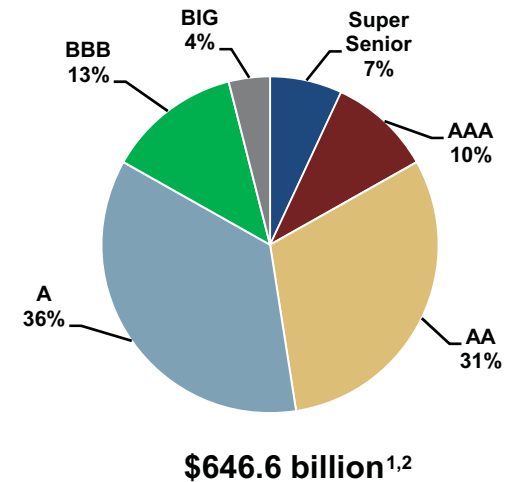
### AGM



### AG Re



### Assured Guaranty Ltd. Consolidated



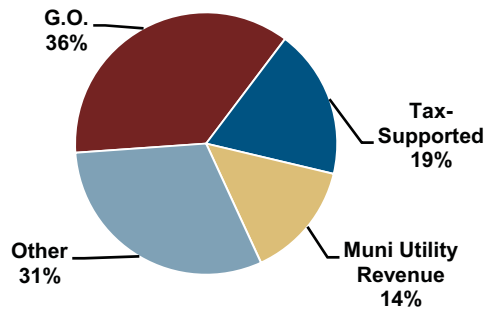
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# U.S. Public Finance Portfolios

## Net Par Outstanding (as of September 30, 2009)

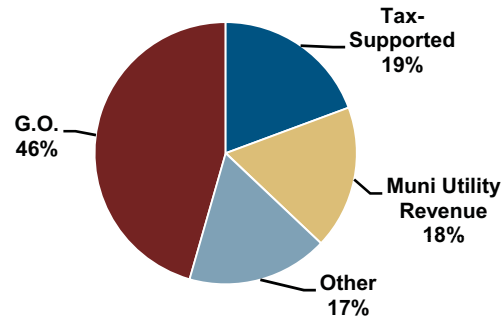


### AGC



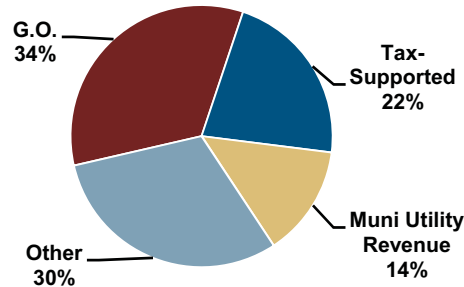
**\$64.8 billion**

### AGM



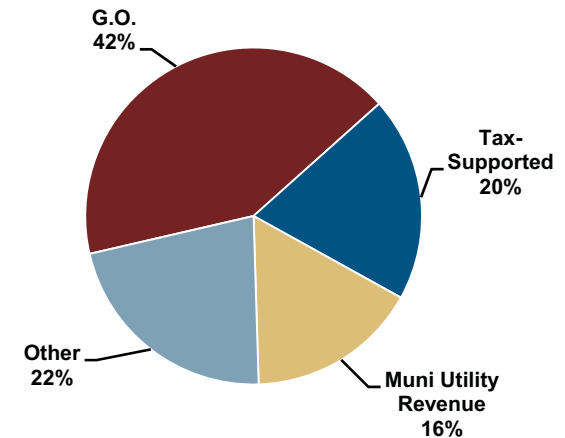
**\$282.3 billion**

### AG Re



**\$78.1 billion**

### Assured Guaranty Ltd. Consolidated



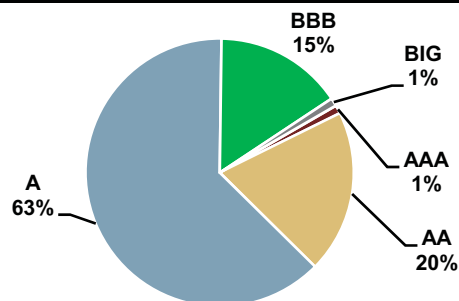
**\$424.9 billion<sup>1</sup>**  
(66% of Total Net Par Outstanding)

1. Subsidiary totals do not equal the consolidated total due to eliminations arising from insurance provided in the secondary market by AGM for AGC-guaranteed obligations (\$85 million) and by AGC for AGM-guaranteed obligations (\$146 million).

# Portfolio Ratings - U.S. Public Finance Net Par Outstanding (as of September 30, 2009)<sup>1</sup>

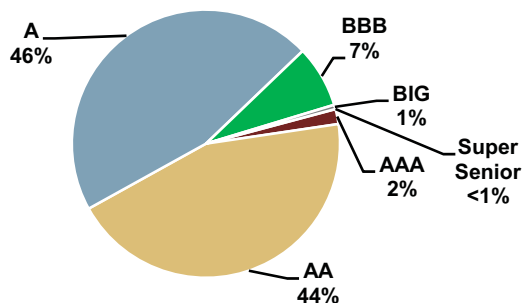


## AGC



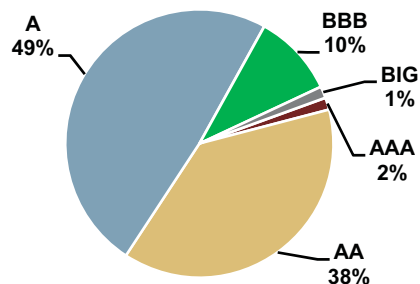
**\$64.8 billion**

## AGM



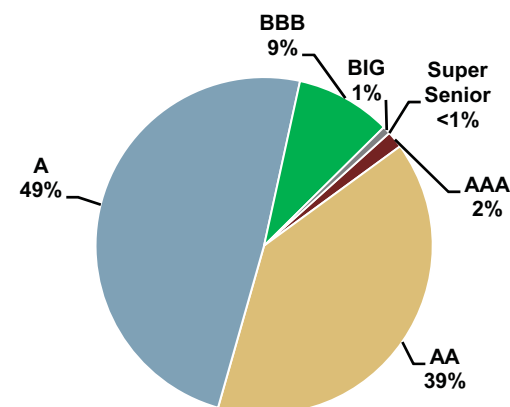
**\$282.3 billion**

## AG Re



**\$78.1 billion**

## Assured Guaranty Ltd. Consolidated

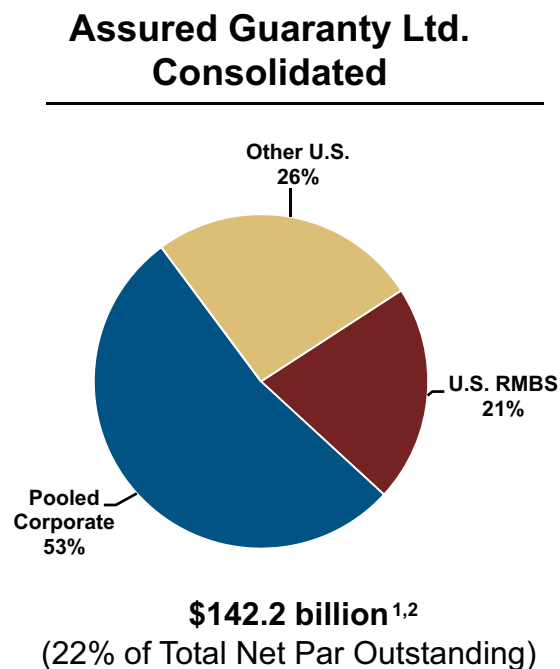
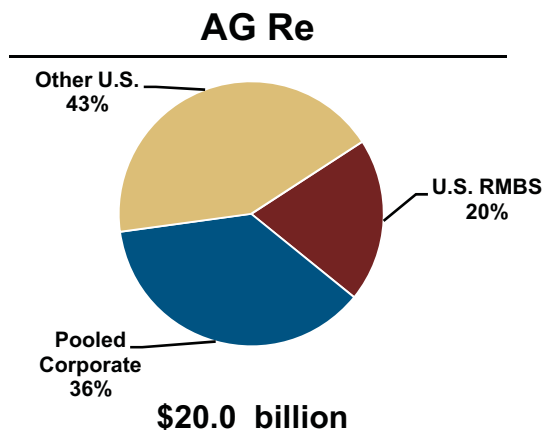
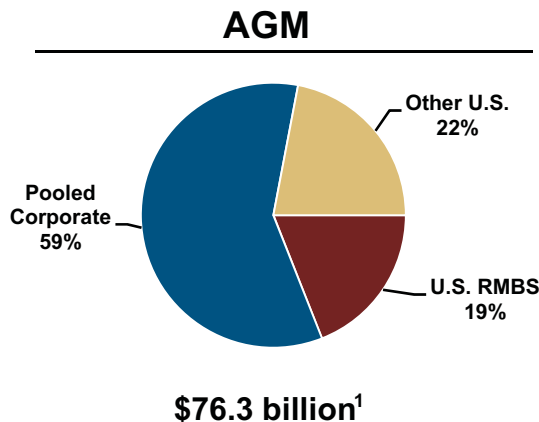
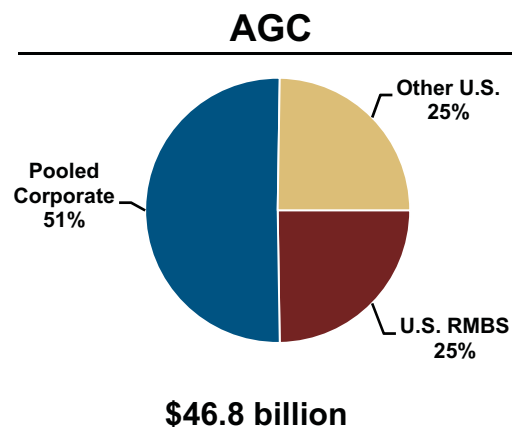


**\$424.9 billion<sup>1</sup>**  
(66% of Total Net Par Outstanding)

1. Subsidiary totals do not equal the consolidated total due to eliminations arising from insurance provided in the secondary market by AGM for AGC-guaranteed obligations (\$85 million) and by AGC for AGM-guaranteed obligations (\$146 million).

# U.S. Structured Finance Portfolios

## Net Par Outstanding (as of September 30, 2009)



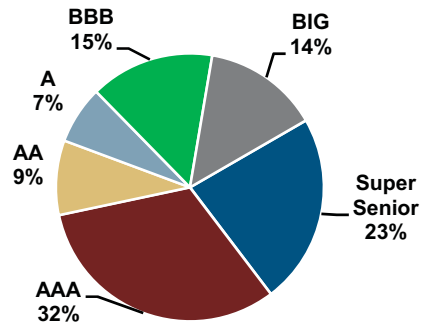
1. Includes \$10.9 billion in GICs issued by FSAH's former FP affiliates. However, FP business not part of Assured Guaranty Ltd. purchase. Assured Guaranty Ltd. and its subsidiaries are indemnified against exposure to this business by Dexia. In addition, the French and Belgian governments have issued guarantees in respect of the GIC portion of the FP business.
2. Subsidiary totals do not equal the consolidated total due to eliminations arising from insurance provided in the secondary market by AGM for AGC-guaranteed obligations (\$787 million) and by AGC for AGM-guaranteed obligations (\$187 million).

# Portfolio Ratings – U.S. Structured Finance<sup>1</sup>

## Net Par Outstanding (as of September 30, 2009)

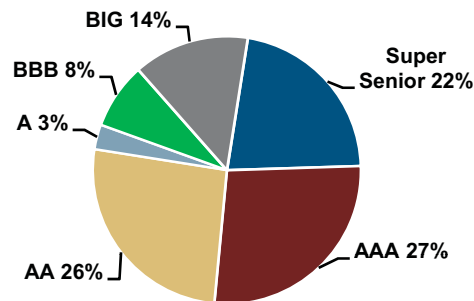


### AGC



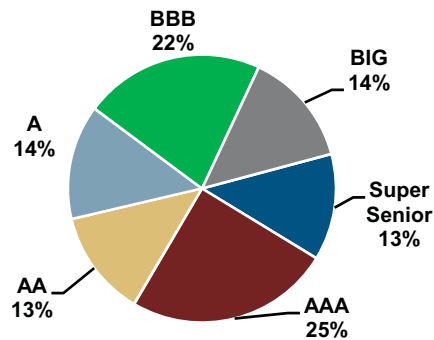
**\$46.8 billion**

### AGM



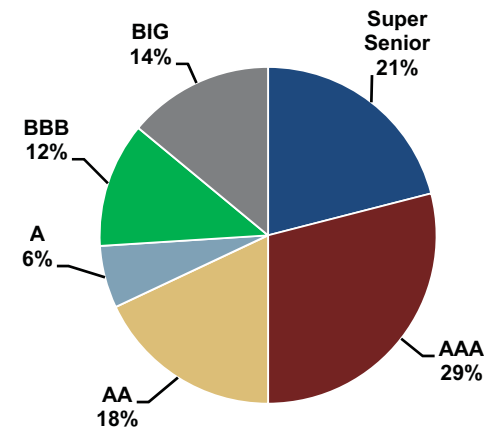
**\$76.3 billion<sup>1</sup>**

### AG Re



**\$20.0 billion**

### Assured Guaranty Ltd. Consolidated



**\$142.2 billion<sup>1,2</sup>**  
(22% of Total Net Par Outstanding)

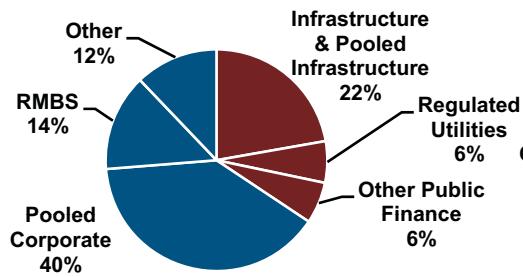
- Includes \$10.9 billion in GICs issued by FSAH's former FP affiliates. However, FP business not part of Assured Guaranty Ltd. purchase. Assured Guaranty Ltd. and its subsidiaries are indemnified against exposure to this business by Dexia. In addition, the French and Belgian governments have issued guarantees in respect of the GIC portion of the FP business.
- Subsidiary totals do not equal the consolidated total due to eliminations arising from insurance provided in the secondary market by AGM for AGC-guaranteed obligations (\$787 million) and by AGC for AGM-guaranteed obligations (\$187 million).

# Non-U.S. Portfolios (Public Finance and Structured Finance)

Net Par Outstanding (as of September 30, 2009)

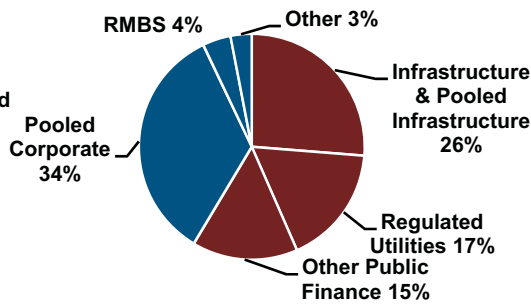


## AGC



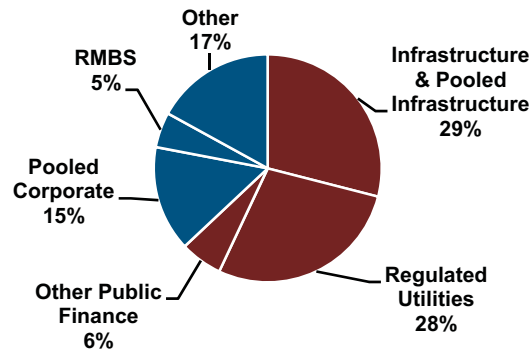
\$17.2 billion

## AGM



\$42.9 billion

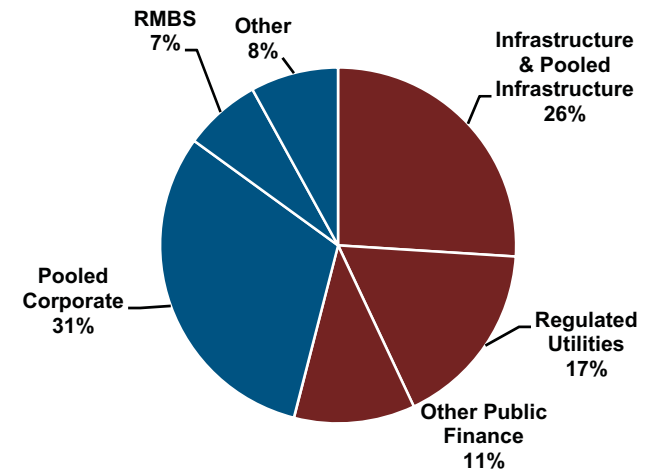
## AG Re



\$20.0 billion

Public Finance  
Structured Finance

## Assured Guaranty Ltd. Consolidated



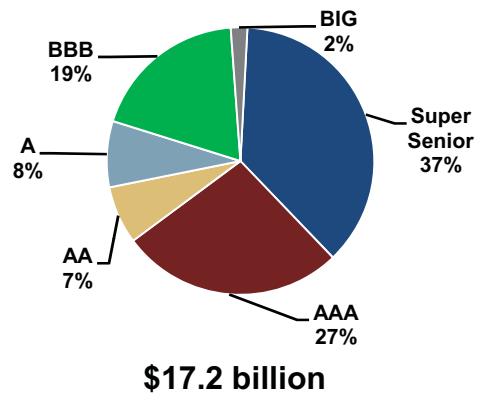
\$79.6 billion<sup>1</sup>  
(12% of Total Net Par Outstanding)

1. Subsidiary totals do not equal the consolidated total due to eliminations arising from insurance provided in the secondary market by AGM for AGC-guaranteed obligations (\$255 million) and by AGC for AGM-guaranteed obligations (\$425 million).

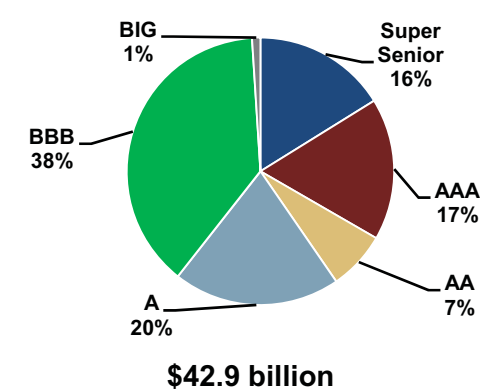
# Portfolio Ratings – Non-U.S. (Public Finance and Structured Finance) Net Par Outstanding (as of September 30, 2009)



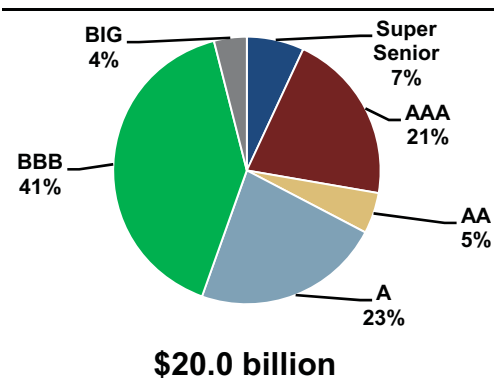
**AGC**



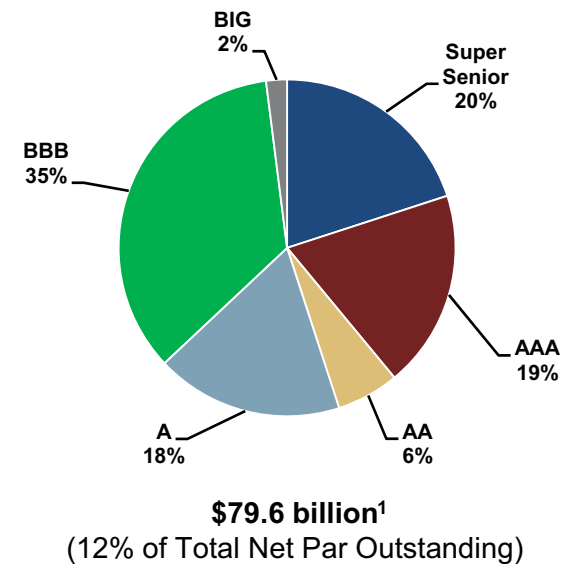
**AGM**



**AG Re**



**Assured Guaranty Ltd.  
Consolidated**



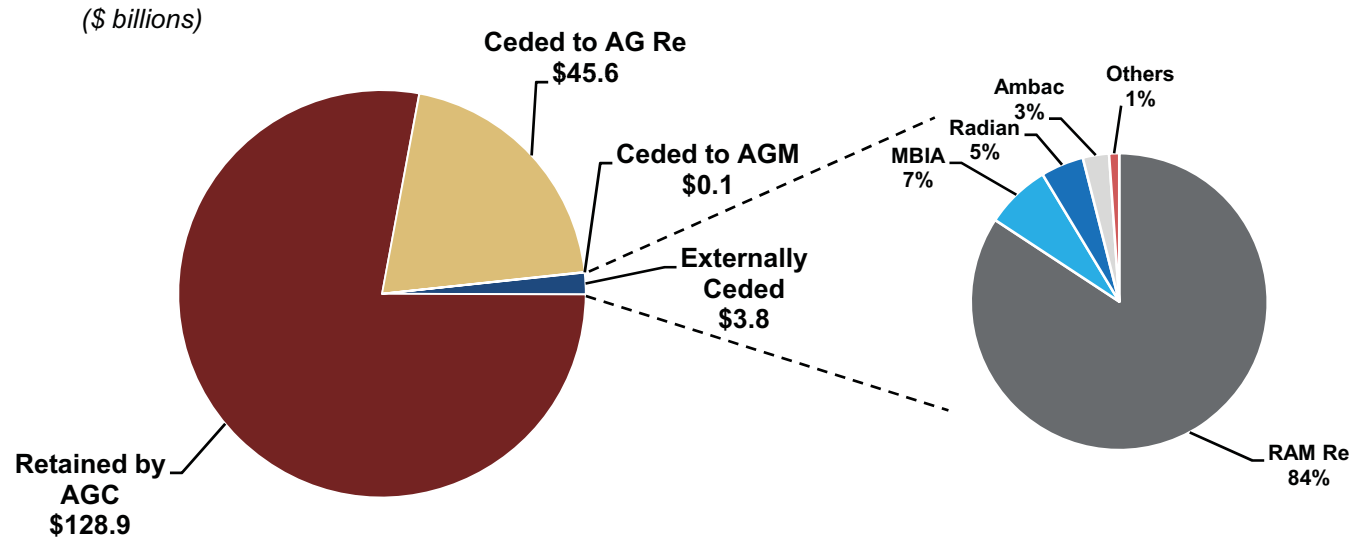
1. Subsidiary totals do not equal the consolidated total due to eliminations arising from insurance provided in the secondary market by AGM for AGC-guaranteed obligations (\$255 million) and by AGC for AGM-guaranteed obligations (\$425 million).

# Reinsurance: AGC Has Ceded 2% of Its Gross Insured Portfolio to a Diversified Group of Non-Affiliated Reinsurers and Other Monolines



**AGC's Total Gross Par Outstanding:  
\$178.4 billion**

**Ceded Par Outstanding:  
\$3.8 billion (2%)**



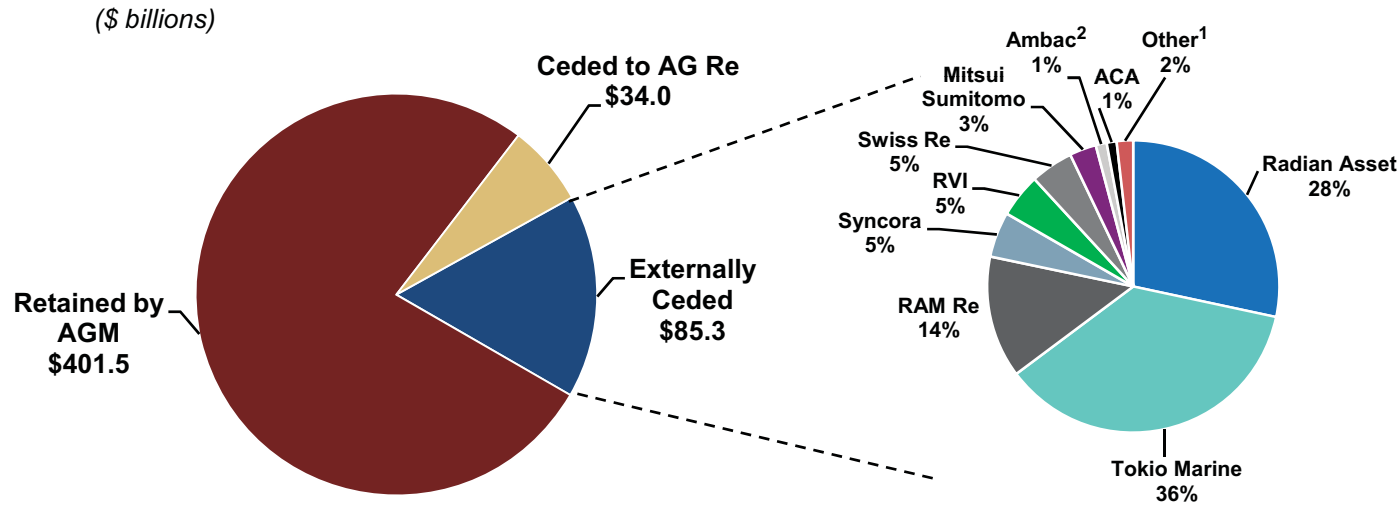
As of September 30, 2009

# Reinsurance: AGM Has Ceded 16% of Its Gross Insured Portfolio to a Diversified Group of Non-Affiliated Reinsurers and Other Monolines



**AGM's Total Gross Par Outstanding:  
\$520.9 billion**

**Ceded Par Outstanding:  
\$85.3 billion (16%)**



As of September 30, 2009.

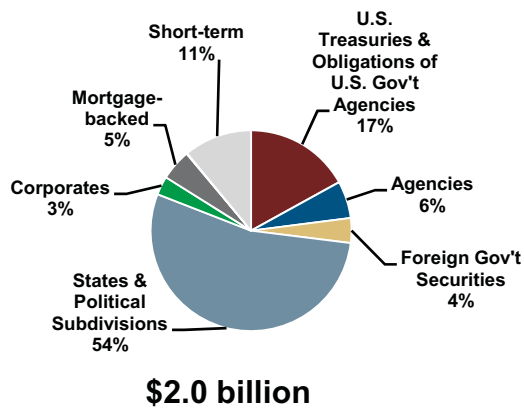
1. Federal Insurance Co., FGIC, Security Life of Denver Int., Munich Re, Partner Re.
2. All business ceded by AGM to Ambac was reassumed by AGM in October 2009.

# Investment Portfolios by Sector<sup>1</sup>

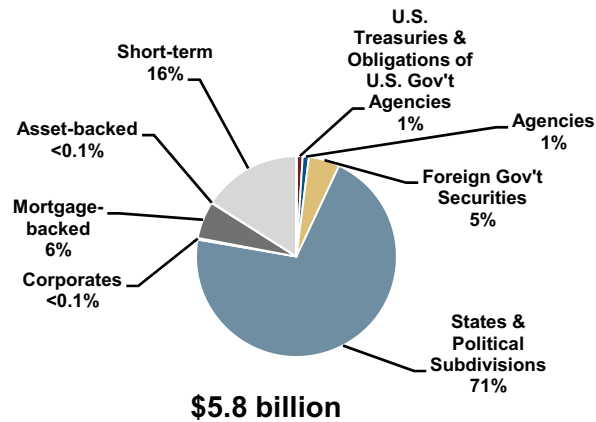
(Fair Value)  
As of September 30, 2009



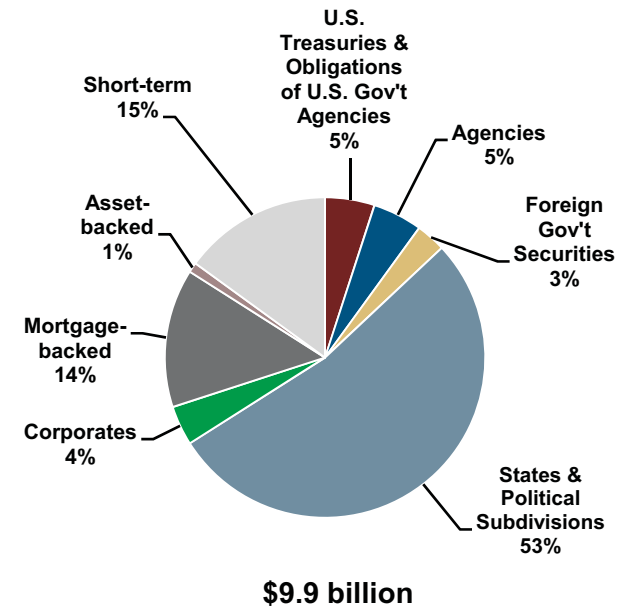
## AGC



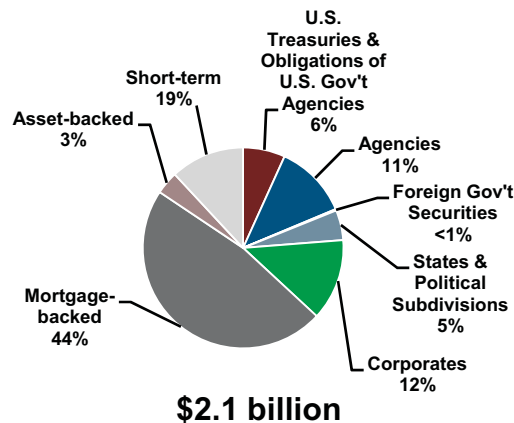
## AGM



## Assured Guaranty Ltd. Consolidated



## AG Re



1. Does not reflect net proceeds of approximately \$574 million from December 2009 stock offering.

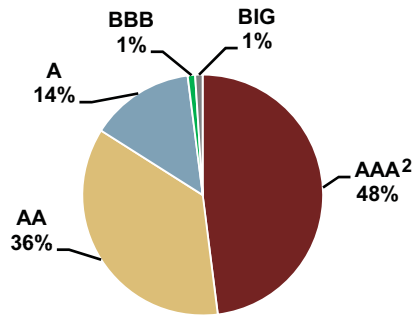
# Investment Portfolios Ratings<sup>1</sup>

(Fair Value)

As of September 30, 2009

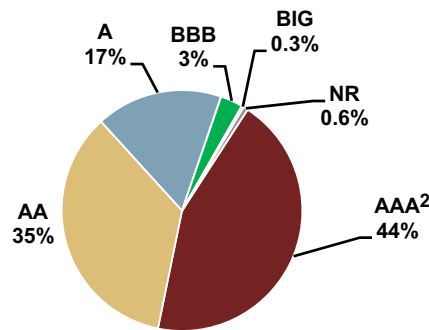


## AGC



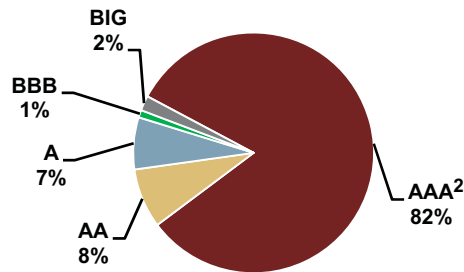
\$2.0 billion

## AGM



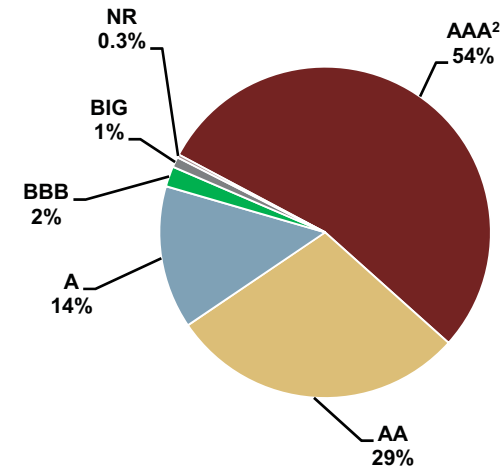
\$5.8 billion

## AG Re



\$2.1 billion

## Assured Guaranty Ltd. Consolidated



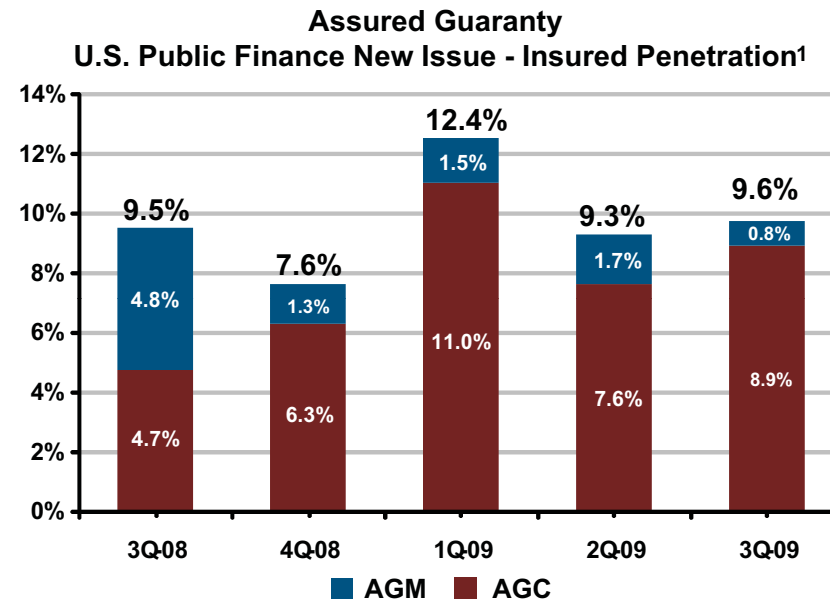
\$9.9 billion

1. Does not reflect net proceeds of approximately \$574 million from December 2009 stock offering.  
 2. Includes all short-term securities.

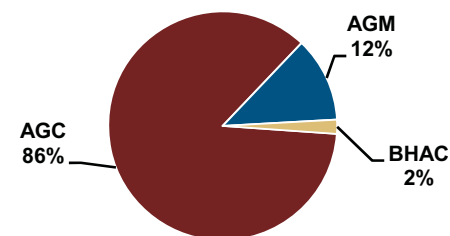
# AGC and AGM U.S. Public Finance Market Fundamentals



- Market trends remain strong in 2009 for Assured Guaranty**
  - 10.3% of U.S. public finance new issue par was insured by AGC and AGM in first nine months of 2009
  - Through October 2009, AGC and AGM guaranteed \$31.7 billion in U.S. public finance new-issue par, representing 9.5% of the total par and 19.1% of the total number of transactions
- Smaller and retail-placed deals in particular depend on insurance**
  - 17.0% insured penetration based on number of transactions in 3Q-09 and 20.1% for the first nine months of 2009
- Letter of credit usage declined in 2009**
  - 5.8% for the first nine months of 2009 versus 18.4% for full year 2008
  - 5.2% through October 2009



**First Nine Months U.S. Public Finance Insured Market Share<sup>1,2</sup>**

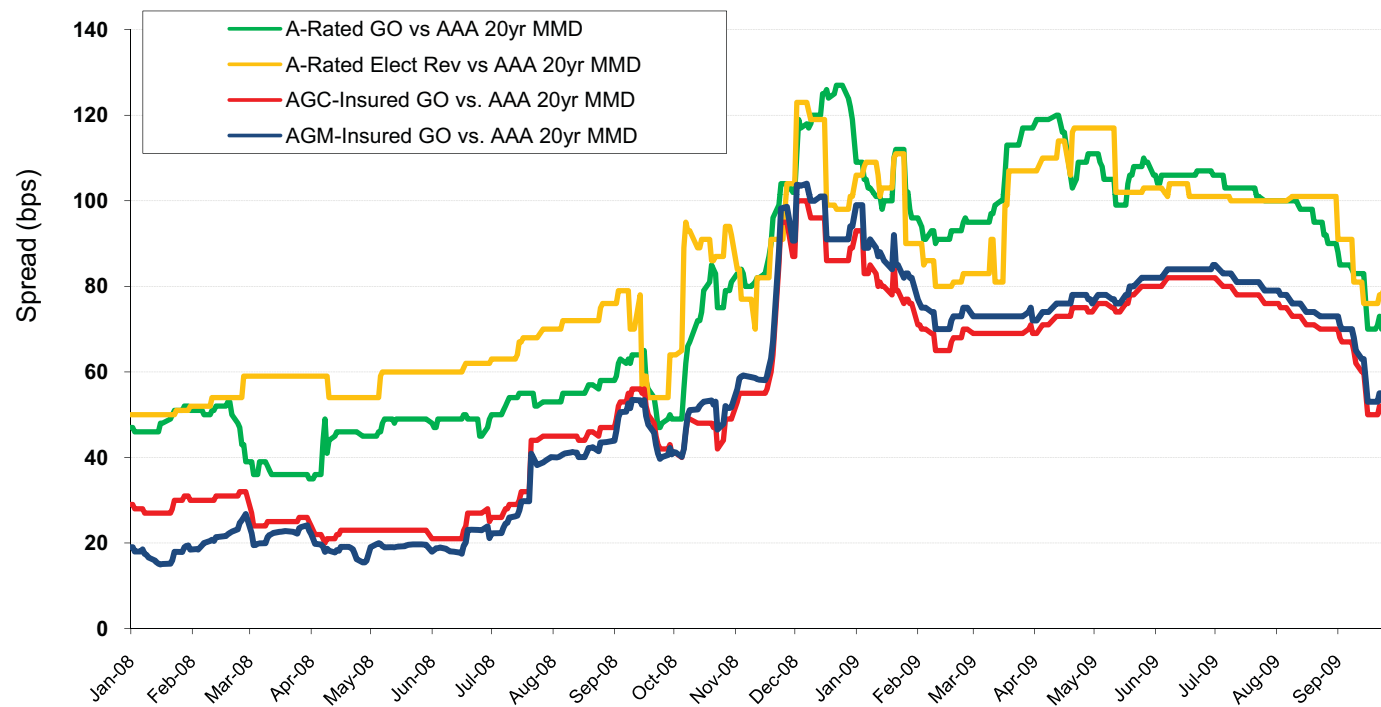


1. Source: Thomson Financial SDC Platinum. Represents only primary issuances (no secondary).  
 2. Percentage estimates based on each insurer's principal amount in Thomson's "True Economics" league table, which is designed to credit each insurer with its actual insured amount per issue.

# Current U.S. Municipal Operating Environment Remains Favorable as Credit Spreads Remain Wide



**20-Year Spreads**  
**January 1, 2008 – September 30, 2009**



- **U.S. municipal investors continue to focus on underlying issuer credit fundamentals.**
- **The proportion of spread widening for AGC and AGM insured paper is consistent with spread widening across the ratings spectrum.**

Source: Thomson Reuters. AGC GO index represents observed AGC results on new issue transactions. Prior to July 2008, the AGM GO index reflects observed new issue results for that platform. Since then, that index has been derived from an extrapolation of AGC results and market feedback.

# Credit Default Swap Spreads



- Movements in credit default swaps (“CDS”) levels for AGC and AGM continue to be significantly affected by technical factors such as supply/demand imbalance and light trading volume.
- The deterioration in the asset-backed securities market’s pricing through first quarter 2009 expanded demand for CDS protection on AGC and AGM by fixed income holders of AGC and AGM insured paper as they sought to hedge exposure, thereby exacerbating the supply/demand imbalance.
- AGC and AGM’s 5-year CDS levels peaked in mid-March at 5081 bps and 3205 bps, respectively.
- 5-year CDS levels for AGC and AGM have since rallied considerably as general market fundamentals have improved and, more recently, as a result of the market’s positive reaction to the closing of the FSAH acquisition, rating agency announcements and the December 2009 capital raise.
- In December 2009, the 5-year CDS levels were at about 15 percent of their mid-March levels. As of December 7, 2009, they were 616 bps and 572 bps, respectively.

**CDS Spreads July 1, 2008 – December 2, 2009**



Source: CMA – Represents end-of-day bid price for 5-year protection, modified restructuring credit event spreads at New York close.

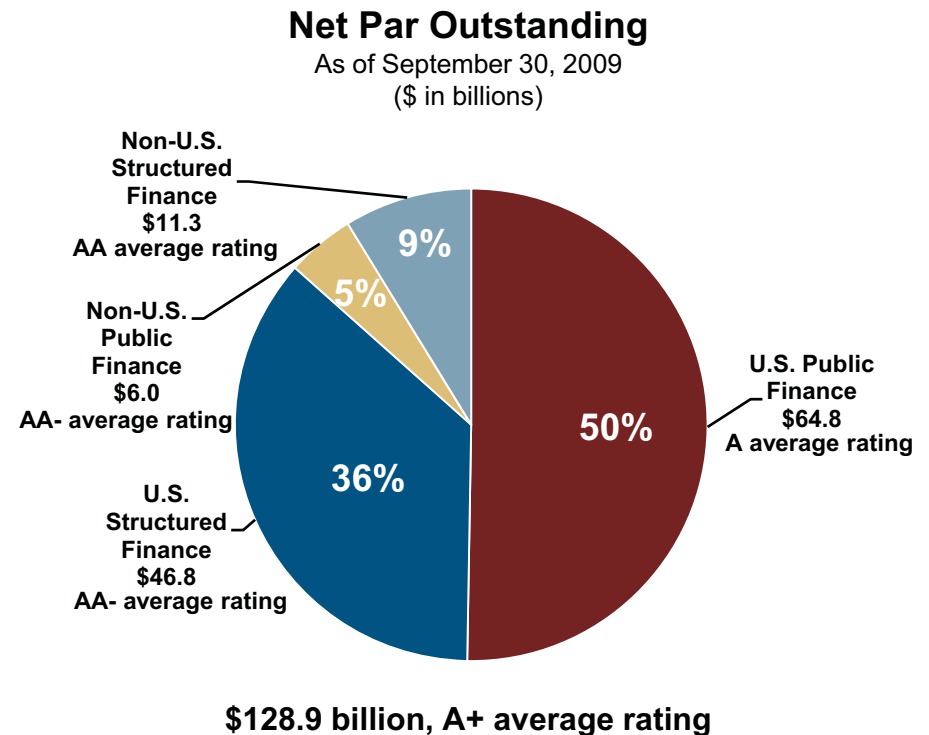
**Assured Guaranty Corp.  
Financial Guaranty Portfolio Review**



# AGC Net Par Outstanding By Market Sector



- **AGC's portfolio is well diversified by asset class**
  - 50% U.S. public finance
  - 36% U.S. structured finance
  - 5% Non-U.S. public finance
  - 9% Non-U.S. structured finance
- **Portfolio maintains a high overall credit rating despite downgrades in U.S. RMBS portfolio**
  - A+ average internal rating
- **U.S. RMBS is the largest source of non-investment grade exposures, at 68% of AGC's below investment grade exposures.**
- **AGC's portfolio was principally written by our financial guaranty direct segment**
  - Most financial guaranty reinsurance has been underwritten at AG Re since 2003



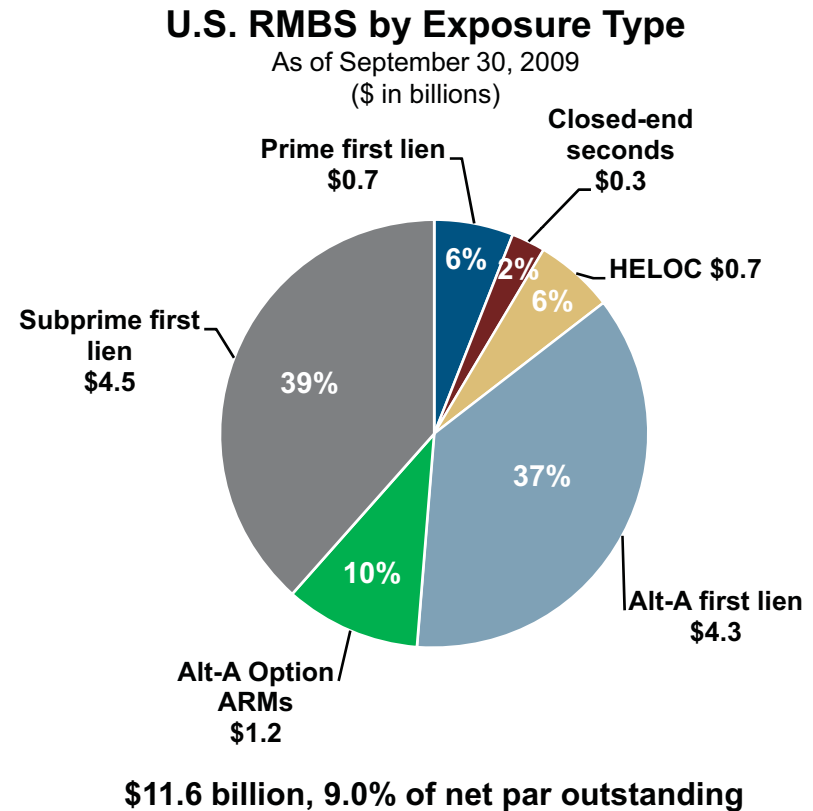
# AGC Net Par Outstanding by Exposure Category



As of September 30, 2009; \$ in millions

Sector:	As of September 30, 2009		Sector:	As of September 30, 2009	
	Net Par Outstanding	Avg. Rating		Net Par Outstanding	Avg. Rating
<b>Public Finance</b>			<b>Structured Finance</b>		
<b>United States:</b>			<b>United States:</b>		
General obligation	\$ 23,581	A	Pooled corporate obligations	\$ 23,662	AA+
Tax backed	11,941	A	Residential mortgage-backed and home equity	11,596	BBB-
Municipal utilities	9,342	A-	Commercial mortgage-backed securities	5,810	AAA
Transportation	7,080	A	Consumer receivables	2,763	AAA
Healthcare	5,486	A	Structured credit	1,478	A
Higher education	3,228	A	Commercial receivables	1,027	BBB+
Infrastructure finance	1,073	BBB	Insurance securitizations	255	A
Investor-owned utilities	788	BBB+	Other structured finance	248	BBB-
Housing	415	AA+	Total structured finance - U.S.	\$ 46,839	AA-
Other public finance	1,852	A			
Total public finance - U.S.	\$ 64,786	A	<b>Non-U.S.:</b>		
<b>Non-U.S.:</b>			Pooled corporate obligations	\$ 6,649	AAA
Pooled infrastructure	\$ 2,511	AAA	Residential mortgage-backed and home equity	2,483	AAA
Infrastructure finance	1,354	BBB	Commercial receivables	749	A-
Regulated utilities	1,095	BBB+	Structured credit	542	BBB
Other public finance	1,017	AA-	Commercial mortgage-backed securities	375	AAA
Total public finance - non-U.S.	\$ 5,977	AA-	Insurance securitizations	286	BIG
<b>Total public finance</b>	<b>\$ 70,763</b>	<b>A</b>	Other structured finance	168	AAA
			Total structured finance - non-U.S.	\$ 11,252	AA
			<b>Total structured finance</b>	<b>\$ 58,091</b>	<b>AA-</b>
			<b>Total exposures</b>	<b>\$ 128,854</b>	<b>A+</b>

- AGC’s \$11.6 billion U.S. RMBS portfolio has experienced material downgrades since year-end 2007**
  - Average rating of BBB- at September 30, 2009 versus AA at year-end 2007
  - All exposures were investment grade at the time of underwriting
- AGC’s U.S. RMBS portfolio is amortizing on an absolute basis and declining as a percentage of the portfolio**
  - 9.0% of total net par outstanding versus 14.3% at year-end 2007
  - \$11.6 billion versus \$13.4 billion at year-end 2007, a decrease of 13%

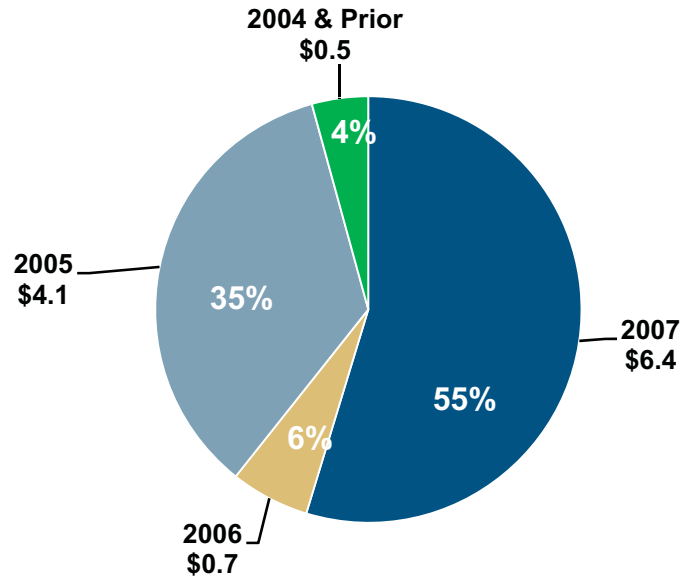


# AGC U.S. RMBS By Vintage and Rating



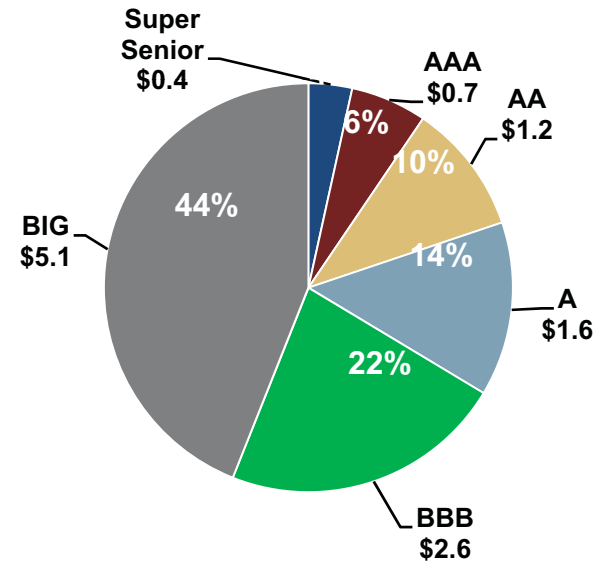
## U.S. RMBS by Year Issued

As of September 30, 2009  
(\$ in billions)



## U.S. RMBS by Rating

As of September 30, 2009  
(\$ in billions)



Total U.S. RMBS = \$11.6 billion  
BBB- average rating

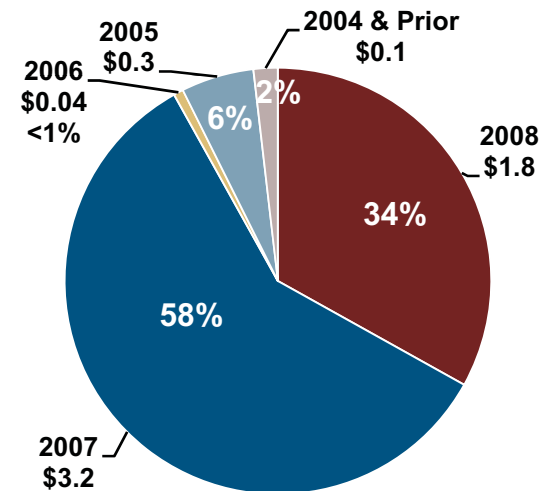
# AGC U.S. RMBS Alt-A Exposure<sup>1</sup>



- **99% of AGC's Alt-A exposures were underwritten in the financial guaranty direct segment, largely after June 2007, using our significantly stressed assumptions**
  - Many transactions were underwritten on a secondary basis and had the benefit of some seasoning
  - Limited exposures to Alt-A Option ARMs (22% of Alt-A exposure)
- **Our Alt-A exposures have an average rating below investment grade due to significant downgrades in the first nine months of 2009**
  - Less than 1% now rated triple-A
  - 55% rated below investment grade
- **Loss reserves on credit derivatives and financial guaranty contracts totaled \$252.8 million at September 30, 2009**
  - \$123.4 million for Alt-A first lien
  - \$129.4 million for Alt-A Option ARMs

## Alt-A<sup>1</sup> Exposure by Year Insured

As of September 30, 2009  
(\$ in billions)



**\$5.5 billion, BIG average rating**

1. Alt-A exposures include Alt-A first lien and Alt-A Option ARMs.

# AGC U.S. RMBS Performance

## Alt-A First Lien and Alt-A Option ARMs



(\$ in millions)

**Distribution of U.S. Mortgage-Backed Securities Issued January 1, 2005 or Later by Exposure Type, Average Pool Factor, Subordination, Cumulative Losses and 60+ Day Delinquencies as of September 30, 2009<sup>1</sup>**

<b>U.S. Alt-A First Lien</b>						
<b>Year issued:</b>	<b>Net Par Outstanding</b>	<b>Pool Factor<sup>2</sup></b>	<b>Subordination<sup>3</sup></b>	<b>Cumulative Losses<sup>4</sup></b>	<b>60+ Day Delinquencies<sup>5</sup></b>	<b>Number of Transactions</b>
2005	274	54.6%	11.8%	1.6%	13.2%	13
2006	218	68.4%	43.2%	6.5%	34.2%	2
2007	3,736	74.8%	22.8%	4.0%	32.2%	11
	<b>\$ 4,229</b>	<b>73.2%</b>	<b>23.1%</b>	<b>4.0%</b>	<b>31.1%</b>	<b>26</b>

<b>U.S. Alt-A Option ARMs</b>						
<b>Year issued:</b>	<b>Net Par Outstanding</b>	<b>Pool Factor<sup>2</sup></b>	<b>Subordination<sup>3</sup></b>	<b>Cumulative Losses<sup>4</sup></b>	<b>60+ Day Delinquencies<sup>5</sup></b>	<b>Number of Transactions</b>
2005	28	29.8%	26.7%	1.9%	24.6%	1
2006	39	50.4%	17.8%	2.6%	30.7%	1
2007	1,068	74.6%	19.4%	3.8%	32.5%	7
	<b>\$ 1,135</b>	<b>72.6%</b>	<b>19.6%</b>	<b>3.7%</b>	<b>32.2%</b>	<b>9</b>

1. For this release, net par outstanding is based on values as of September 2009. All performance information such as pool factor, subordination, cumulative losses and delinquency is based on September 2009 information obtained from Intex, Bloomberg, and/or provided by the trustee and may be subject to restatement or correction.
2. Pool factor is the percentage of the current collateral balance divided by the original collateral balance of the transactions at inception.
3. Represents the sum of subordinate tranches and over-collateralization, expressed as a percentage of total transaction size and does not include any benefit from excess interest collections that may be used to absorb losses.
4. Cumulative losses are defined as net charge-offs on the underlying loan collateral divided by the original pool balance.
5. 60+ day delinquencies are defined as loans that are greater than 60 days delinquent and all loans that are in foreclosure, bankruptcy or REO divided by net par outstanding.

# AGC U.S. RMBS

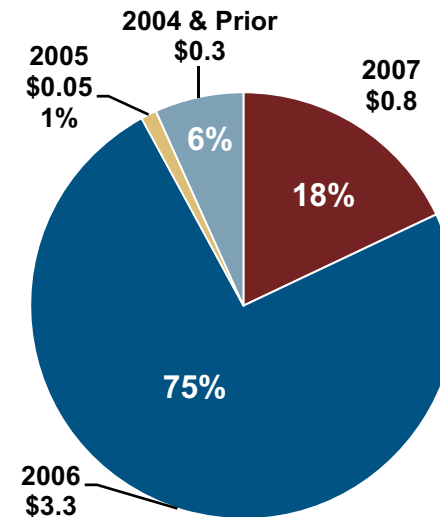
## Subprime First Lien Exposure



- **Our subprime first lien portfolio is performing well given the current economic environment**
  - 24% rated triple-A or super senior<sup>1</sup>
  - Of the \$4.5 billion portfolio, only 14.4% is BIG rated
  - Of the seven transactions written in 2005 or later, for a total par of \$4.2 billion, average subordination is 56.0%
- **Of 102 total subprime first lien transactions, totaling \$4.5 billion, only 35 exposures are rated non-investment grade**
  - Largest BIG exposure is \$340 million
- **Loss reserves for financial guaranty and credit derivative contracts totaled \$43.6 million at September 30, 2009**

### Subprime First Lien by Year Insured

As of September 30, 2009  
(\$ in billions)



\$4.5 billion, A- average rating

# AGC U.S. RMBS Performance

## Subprime First Lien Exposure



(\$ in millions)

**Distribution of U.S. Mortgage-Backed Securities Issued January 1, 2005 or Later by Exposure Type, Average Pool Factor, Subordination, Cumulative Losses and 60+ Day Delinquencies as of September 30, 2009<sup>1</sup>**

### U.S. Subprime

Year issued:	Net Par Outstanding	Pool Factor <sup>2</sup>	Subordination <sup>3</sup>	Cumulative Losses <sup>4</sup>	60+ Day Delinquencies <sup>5</sup>	Number of Transactions
2005	\$ 3,397	29.6%	61.3%	10.1%	44.0%	3
2006	424	44.3%	30.3%	13.2%	49.3%	2
2007	377	46.1%	37.7%	13.7%	50.4%	2
	\$ 4,198	32.6%	56.0%	10.7%	45.1%	7

1. For this release, net par outstanding is based on values as of September 2009. All performance information such as pool factor, subordination, cumulative losses and delinquency is based on September 2009 information obtained from Intex, Bloomberg, and/or provided by the trustee and may be subject to restatement or correction.
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3. Represents the sum of subordinate tranches and over-collateralization, expressed as a percentage of total transaction size and does not include any benefit from excess interest collections that may be used to absorb losses.
4. Cumulative losses are defined as net charge-offs on the underlying loan collateral divided by the original pool balance.
5. 60+ day delinquencies are defined as loans that are greater than 60 days delinquent and all loans that are in foreclosure, bankruptcy or REO divided by net par outstanding.

# AGC U.S. RMBS

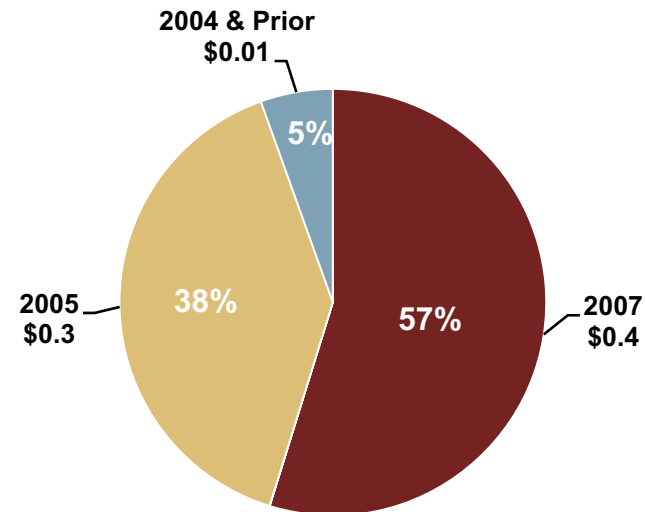
## Home Equity Line of Credit (HELOC) Exposure



- **AGC's HELOC book consists principally of two Countrywide deals underwritten in 2005 and 2007**
  - \$38 million of pre-2005 HELOCs from reinsurance segment
- **Current par insured of \$705 million for all HELOCs net of par ceded to AG Re**
- **Loss reserves totaled \$6.4 million at September 30, 2009**
- **HELOC and CES loss reserves include the assumption that we will receive \$256.0 million in R&W repurchases**

### HELOCs by Year Insured <sup>1</sup>

As of September 30, 2009  
(\$ in billions)



**\$0.7 billion, BIG average rating**

1. There was no exposure to HELOCs insured in 2006, 2008 or 2009.

# AGC U.S. RMBS Performance HELOC



(\$ in millions)

**Distribution of U.S. Mortgage-Backed Securities Issued January 1, 2005 or Later by Exposure Type, Average Pool Factor, Subordination, Cumulative Losses and 60+ Day Delinquencies as of September 30, 2009<sup>1</sup>**

## U.S. HELOC

Year issued:	Net Par Outstanding	Pool Factor <sup>2</sup>	Subordination <sup>3</sup>	Cumulative Losses <sup>4</sup>	60+ Day Delinquencies <sup>5</sup>	Number of Transactions
2005	\$266	27.2%	0.0%	14.9%	15.1%	2
2007	401	53.3%	0.0%	24.8%	9.4%	2
	\$667	42.9%	0.0%	20.8%	11.6%	4

1. For this release, net par outstanding is based on values as of September 2009. All performance information such as pool factor, subordination, cumulative losses and delinquency is based on September 2009 information obtained from Intex, Bloomberg, and/or provided by the trustee and may be subject to restatement or correction.
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4. Cumulative losses are defined as net charge-offs on the underlying loan collateral divided by the original pool balance.
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# AGC U.S. RMBS

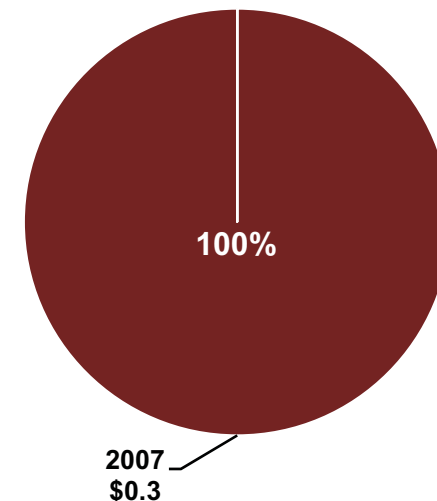
## Closed-End Second Lien Exposure



- **Limited exposure to closed-end second liens (“CES”)**
  - \$289 million in total exposure
  - Less than \$1.5 million in reinsurance segment
- **5 direct transactions totaling \$288 million**
  - 4 deals for \$248 million rated BIG
  - 1 deal is rated AA
  - All five are 2007 vintage
- **Loss reserves totaled \$29.0 million at September 30, 2009**

### Closed-End Second Liens by Year Insured<sup>1</sup>

As of September 30, 2009  
(\$ in billions)



**\$0.3 billion, B+ average rating**

1. There was no exposure to closed-end second liens transactions insured in 2009, 2008, 2006 and 2005. Approximately \$1 million of outstanding CES exposure was insured in 2004 and prior years.

# AGC Direct U.S. RMBS Performance Closed-End Seconds



(\$ in millions)

**Distribution of U.S. Mortgage-Backed Securities Issued January 1, 2005 or Later by Exposure Type, Average Pool Factor, Subordination, Cumulative Losses and 60+ Day Delinquencies as of September 30, 2009<sup>1</sup>**

**U.S. CES**

<b>Year issued:</b>	<b>Net Par Outstanding</b>	<b>Pool Factor<sup>2</sup></b>	<b>Subordination<sup>3</sup></b>	<b>Cumulative Losses<sup>4</sup></b>	<b>60+ Day Delinquencies<sup>5</sup></b>	<b>Number of Transactions</b>
2007	288	47.6%	13.4%	42.5%	15.4%	5
	<b>\$288</b>	<b>47.6%</b>	<b>13.4%</b>	<b>42.5%</b>	<b>15.4%</b>	<b>5</b>

1. For this release, net par outstanding is based on values as of September 2009. All performance information such as pool factor, subordination, cumulative losses and delinquency is based on September 2009 information obtained from Intex, Bloomberg, and/or provided by the trustee and may be subject to restatement or correction.
2. Pool factor is the percentage of the current collateral balance divided by the original collateral balance of the transactions at inception.
3. Represents the sum of subordinate tranches and over-collateralization, expressed as a percentage of total transaction size and does not include any benefit from excess interest collections that may be used to absorb losses.
4. Cumulative losses are defined as net charge-offs on the underlying loan collateral divided by the original pool balance.
5. 60+ day delinquencies are defined as loans that are greater than 60 days delinquent and all loans that are in foreclosure, bankruptcy or REO divided by net par outstanding.

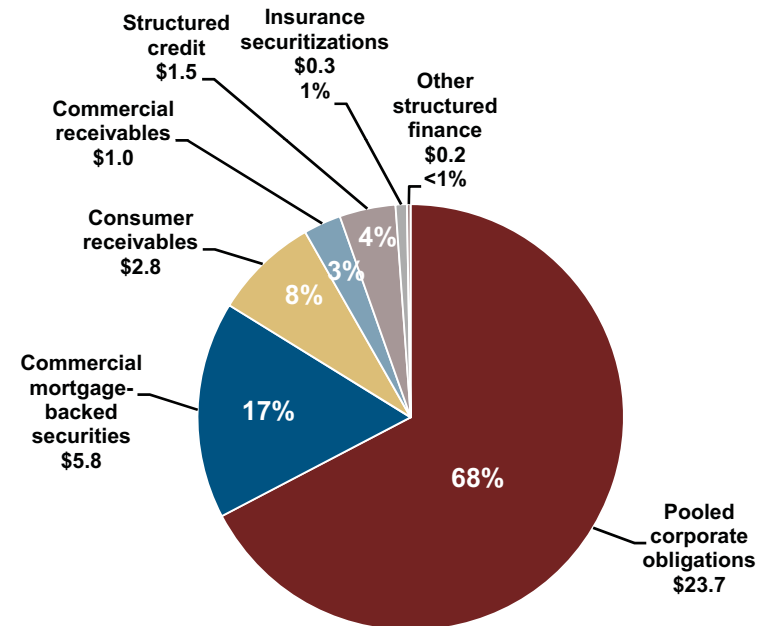
# AGC Non-RMBS U.S. Structured Finance Exposure



- **AGC's non-RMBS U.S structured finance exposures consist principally of:**
  - Pooled corporate obligations
  - Commercial mortgage-backed securities
  - Consumer receivables
- **Non-RMBS U.S. structured finance credit experience has been generally strong, although downgrades increased during the first nine months of 2009**
  - 70% rated super senior or AAA
  - 4% rated BIG
- **Loss reserves of \$58.7 million as of September 30, 2009 for both financial guaranty and credit derivative contracts**

## U.S. Non-RMBS Structured Finance

As of September 30, 2009  
(\$ in billions)



**\$35.3 billion, AA+ average rating**

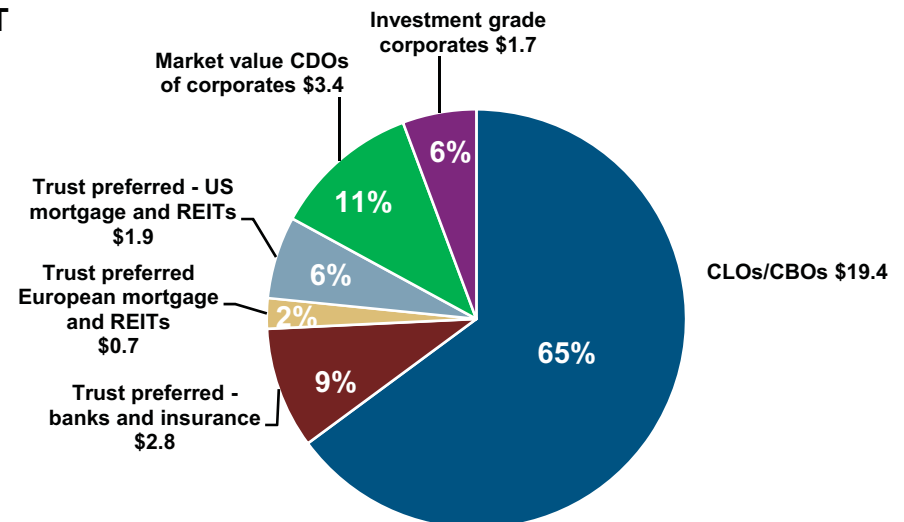
# AGC Global Pooled Corporate Obligations



- **Our pooled corporate exposure written in our financial guaranty direct segment is highly rated and well protected**
  - Average credit enhancement of 32.1%
  - 75.2% rated AAA or super senior, AA+ average rating
- **\$1.9 billion of Trust Preferreds for U.S. mortgage and REIT is the lowest rated asset class**
  - BB+ average rating
- **AGC's \$5.4 billion TruPS portfolio is diversified by region (US and European) as well as by collateral type (bank, thrift, insurance company, REIT and CMBS)**
  - AGC's TruPS have exposure to more than 1,400 issuers
  - All of AGC's exposure is the senior-most debt tranche; therefore, AGC is the first to be paid in early amortization
  - 85% of US bank and insurance TruPS, 100% of European TruPS and 100% of US mortgage and REIT TruPS were originated at super senior levels with a junior triple-A tranche below AGC's exposure.

## Financial Guaranty Direct Pooled Corporate Obligations<sup>1</sup> By Asset Class

As of September 30, 2009  
(\$ in billions)



**\$29.8 billion, AA+ average rating**

1. AGC also reinsures \$483 million of pooled corporate exposure.

# AGC Direct Pooled Corporate Obligations By Collateral Type



(\$ in millions)

## Distribution of Financial Guaranty Direct Corporate Obligations by Asset Class as of June 30, 2009

Asset class:	Net Par Outstanding	% of Total	Avg. Initial Credit Enhancement <sup>1</sup>	Avg. Current Enhancement <sup>1</sup>	Avg. Rating
CLOs/CBOs <sup>2</sup>	\$ 19,401	65.0%	34.3%	28.2%	AAA
Market Value CDOs <sup>3</sup> of corporate	3,390	11.4%	37.9%	42.3%	AAA
Trust Preferred – banks and insurance	2,833	9.5%	46.9%	36.6%	BBB+
Trust Preferred – US mortgage and REITs <sup>4</sup>	1,885	6.3%	50.1%	42.7%	BB+
Synthetic investment grade pooled corporate	1,659	5.6%	30.0%	43.5%	Super Senior
Trust Preferred – European mortgage and REITs	659	2.2%	37.5%	31.9%	BBB-
	<u>\$ 29,827</u>	<u>100.0%</u>	<u>36.8%</u>	<u>32.1%</u>	<u>AA+</u>

1. "Average Credit Enhancement" is intended to provide a measure of the amount of equity and/or subordinate tranches that are junior in the capital structure to Assured's exposure, and reflects any reduction of that credit support resulting from defaults or other factors. For transactions where excess spread may be available to absorb certain losses, the numbers shown above do not include any benefit from excess spread. The calculation methodologies differ for the various asset classes to reflect differences in transaction structures in order to provide a measure that management believes is comparable across asset classes. Data is obtained from third-party sources such as trustee reports and may be subject to misstatement or correction.
2. CBOs (collateralized bond obligations) / CLOs (collateralized loan originations) are largely non-investment grade/high yield collateral.
3. CDOs are collateralized debt obligations.
4. REITs are real estate investment trusts.

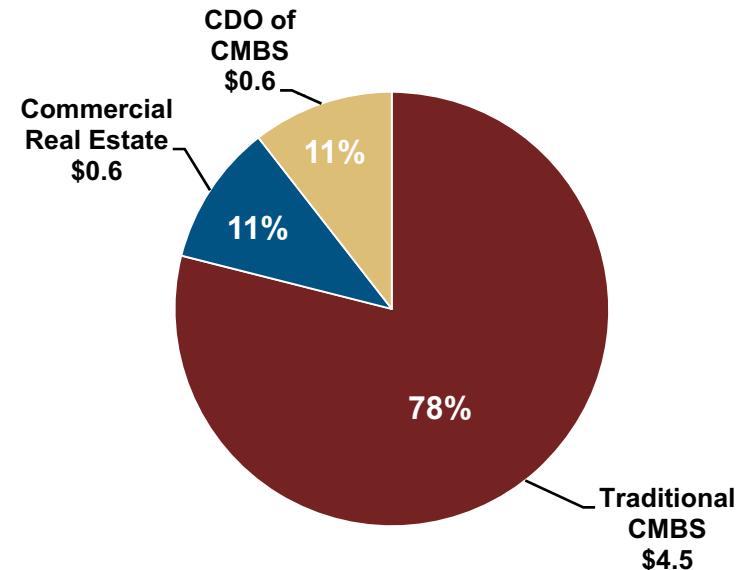
# AGC U.S. CMBS Exposure Overview



- **AGC's CMBS-related exposures were conservatively underwritten at high attachment points**
  - All deals except one were written at triple-A ratings at inception
  - One deal was written at single-A ratings at inception
- **AGC's portfolio is highly rated**
  - 84% rated AAA as of September 30, 2009
- **Beginning in the middle of 2006, AGC concluded that underwriting standards applied to newly originated commercial property loans were deteriorating and adjusted underwriting standards accordingly**

## CMBS Exposure by Sector

As of September 30, 2009  
(\$ in billions)



**\$5.8 billion, AAA average rating**

# AGC U.S. Traditional CMBS<sup>1</sup>



- **Most of the exposure was underwritten in credit derivative form**
- **Most of the exposures were written as “basket trades”; some have additional credit enhancement from first-loss position retained by the investor**
- **The total traditional CMBS portfolio (\$4.5 billion) is highly rated – 79% is triple-A, 16% is double-A and 5% is single-A (as of September 2009)**

(\$ in millions)

**Distribution of Financial Guaranty Direct U.S. Mortgage-Backed Securities Issued January 1, 2005 or Later by Exposure Type, Average Pool Factor, Subordination, Cumulative Losses and 60+ Day Delinquencies as of September 30, 2009<sup>1</sup>**

**U.S. Commercial Mortgage-Backed Securities (“CMBS”)**

<b>Year issued:</b>	<b>Net Par Outstanding</b>	<b>Pool Factor<sup>2</sup></b>	<b>Subordination<sup>3</sup></b>	<b>Cumulative Losses<sup>4</sup></b>	<b>60+ Day Delinquencies<sup>5</sup></b>	<b>Number of Transactions</b>
2005	\$ 2,742	94.6%	29.2%	0.1%	2.1%	159
2006	1,161	97.8%	30.9%	0.0%	2.7%	58
2007	427	86.5%	21.7%	0.1%	3.6%	13
	<b>\$ 4,330</b>	<b>94.7%</b>	<b>28.4%</b>	<b>0.1%</b>	<b>2.6%</b>	<b>230</b>

1. For this release, net par outstanding is based on values as of September 2009. All performance information such as pool factor, subordination, cumulative losses and delinquency is based on September 30, 2009 information obtained from Intex, Bloomberg, and/or provided by the trustee and may be subject to restatement or correction.
2. Pool factor is the percentage of the current collateral balance divided by the original collateral balance of the transactions at inception.
3. Represents the sum of subordinate tranches and over-collateralization, expressed as a percentage of total transaction size and does not include any benefit from excess interest collections that may be used to absorb losses.
4. Cumulative losses are defined as net charge-offs on the underlying loan collateral divided by the original pool balance.
5. 60+ day delinquencies are defined as loans that are greater than 60 days delinquent and all loans that are in foreclosure, bankruptcy or REO divided by net par outstanding.

# AGC CDOs of Commercial Real Estate



- **AGC underwrote three commercial real estate transactions totaling \$622 million net par<sup>1</sup> as of September 30, 2009**
  - All were underwritten at the super senior attachment level
- **In aggregate, collateral currently consists of the following:**
  - 81% whole loans
  - 4% mezzanine CMBS
  - 14% other (includes but not limited to mezzanine and subordinated notes, participation interests and preferred securities)
- **Average credit enhancement currently stands at 48.7%**
  - Average initial credit enhancement was 49.2%
- **All transactions are rated triple-A as of September 30, 2009**

1. May change due to deals with revolvers.

- **U.S. consumer receivable exposures are well protected**

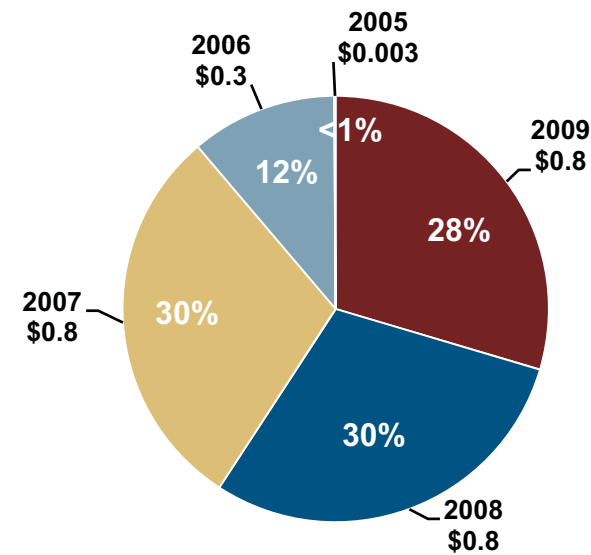
- Average rating of AAA
- For student loans and auto loans current credit enhancement is higher than initial credit enhancement
- Credit cards have 29.3% current credit enhancement
- 85% rated super senior or AAA
- None rated below investment grade

- **58% of the par was written in 2008 and 2009, after the deterioration in consumer credit trends was evident**

- AGC utilized underwriting criteria that had stress scenario assumptions

## U.S. Consumer Receivables by Year Insured

As of September 30, 2009  
(\$ in billions)



**\$2.7 billion, AAA average rating**

# AGC U.S. Direct Consumer Receivables By Collateral Type



(\$ in millions)

**Distribution of Direct Consumer Receivables by Asset Class as of September 30, 2009**

<b>Asset class:</b>	<b>Net Par Outstanding</b>	<b>% of Total</b>	<b>Average Rating</b>	<b>Avg. Initial Credit Enhancement <sup>1</sup></b>	<b>Avg. Current Enhancement <sup>1</sup></b>
Student loans	\$ 1,186	44.0%	AAA	6.4%	7.4%
Credit cards	1,320	48.9%	AAA	29.3%	29.3%
Auto	192	7.1%	BBB+	20.4%	32.6%
	<b>\$ 2,698</b>	<b>100.0%</b>	<b>AAA</b>	<b>18.6%</b>	<b>19.9%</b>

1. "Average Credit Enhancement" is intended to provide a measure of the amount of equity and/or subordinate tranches that are junior in the capital structure to Assured Guaranty's exposure, expressed as a percentage of the total transaction size, and reflects any reduction of that credit support resulting from defaults or other factors. For transactions where excess spread may be available to absorb certain losses, the amounts shown above do not include any benefit from excess spread. The calculation methodologies differ for the various asset classes to reflect differences in transaction structures in order to provide a measure that management believes is comparable across asset classes. Data is obtained from third-party sources such as trustee reports and may be subject to misstatement or correction.

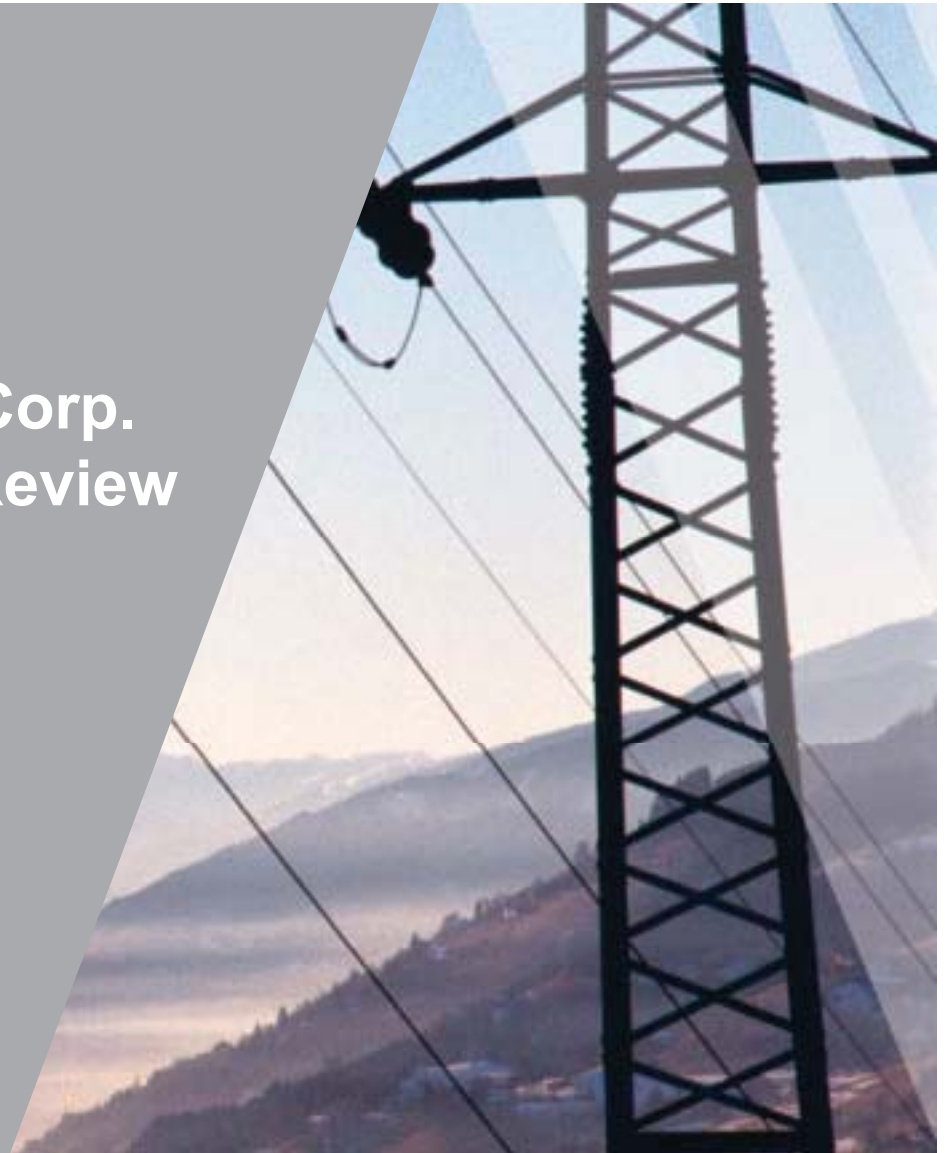
# AGC Loss and Loss Adjustment Expense Reserves



	<b>Total Net Par Outstanding for BIG Transactions</b>	<b>3Q-09 Incurred Losses<sup>2,4</sup></b>	<b>YTD 3Q-09 Incurred Losses<sup>2,4</sup></b>	<b>Loss and Loss Adjustment Expense Reserves<sup>3,4</sup></b>
<b>Total Financial Guaranty: 1</b>				
Prime first lien	\$ 512	\$ 1.1	\$ 1.0	\$ 2.2
Closed end seconds	248	9.8	37.7	29.0
HELOC	667	33.5	43.3	6.4
Alt-A first lien	2,081	60.9	78.5	123.4
Alt-A Option ARMs	927	69.5	94.3	129.4
Subprime first lien	644	13.1	24.7	43.6
Total U.S. RMBS	5,079	187.9	279.5	334.0
Other structured finance	1,672	13.4	1.6	58.7
Public finance	729	18.4	33.7	40.7
<b>Total Financial Guaranty</b>	<b>\$ 7,480</b>	<b>\$ 219.7</b>	<b>\$ 314.8</b>	<b>\$ 433.4</b>

1. Includes financial guaranty (FG) and insured derivatives in the insured portfolio.
2. Includes loss and loss adjustment expenses (recoveries) and incurred losses on credit derivatives, for the financial guaranty direct and reinsurance segments only.
3. Includes loss and loss adjustment expense reserves for financial guaranty and credit derivatives, for the financial guaranty direct and reinsurance segments only.
4. The Company adopted ASC 944-20 effective January 1, 2009.

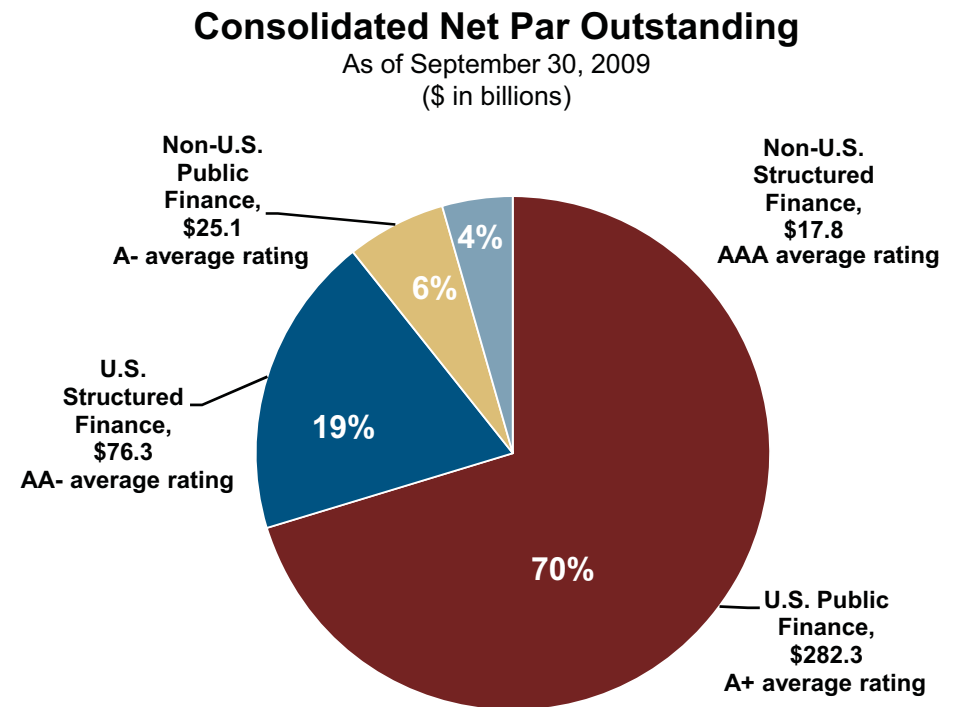
**Assured Guaranty Municipal Corp.  
Financial Guaranty Portfolio Review**



# AGM Net Par Outstanding By Market Sector



- **AGM's portfolio is well diversified by asset class**
  - 70% U.S. public finance
  - 19% U.S. structured finance
  - 6% Non-U.S. public finance
  - 5% Non-U.S. structured finance
- **The portfolio maintains a high overall credit rating despite downgrades in our U.S. RMBS portfolio**
  - A+ average internal rating
- **U.S. RMBS is the largest source of non-investment grade exposures, at 81% of the below investment grade exposures.**



**\$401.5 billion, A+ average rating**

# AGM Net Par Outstanding by Exposure Category

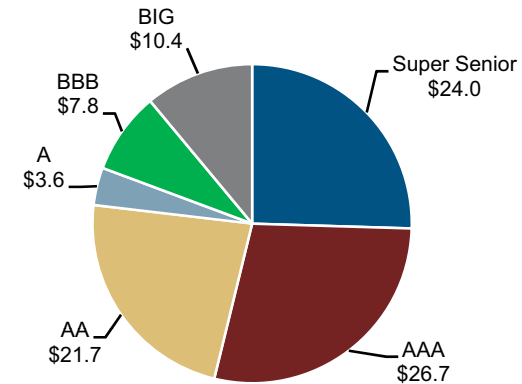
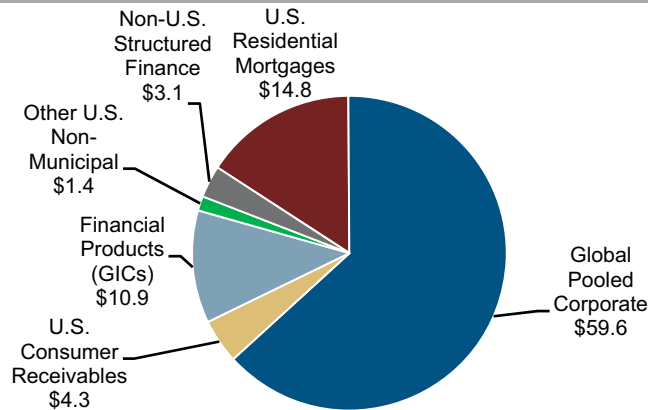


As of September 30, 2009; \$ in millions

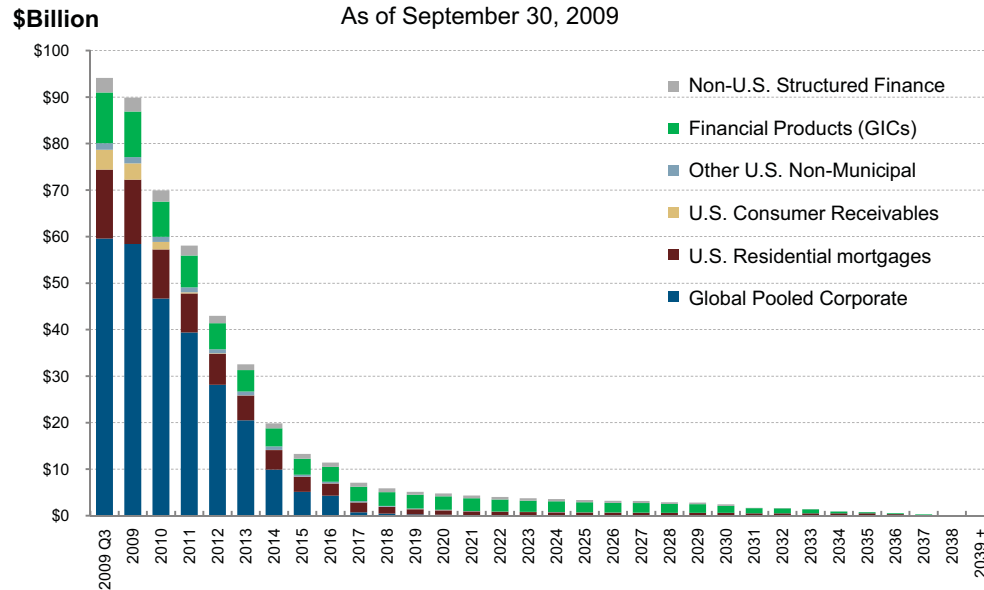
Sector:	As of September 30, 2009	
	Net Par Outstanding	Avg. Rating
<b>Public Finance</b>		
<b>United States:</b>		
General obligation	\$ 128,539	A+
Tax backed	54,682	A+
Municipal utilities	49,966	A+
Transportation	20,560	A
Healthcare	10,976	A
Higher education	8,073	A+
Housing	6,762	AA-
Infrastructure finance	1,089	BBB
Investor-owned utilities	27	BBB
Other public finance	1,596	A
Total public finance - U.S.	282,270	A+
<b>Non-U.S.:</b>		
Infrastructure finance	\$ 11,080	BBB
Regulated utilities	7,414	BBB+
Other public finance	6,633	AA-
Total public finance - non-U.S.	25,127	A-
<b>Total public finance</b>	<b>\$ 307,397</b>	<b>A+</b>

Sector:	As of September 30, 2009	
	Net Par Outstanding	Avg. Rating
<b>Structured Finance</b>		
<b>United States</b>		
Pooled corporate obligations	\$ 44,907	AAA
Residential mortgage-backed and home equity	14,816	BB
Financial products	10,914	AA-
Consumer receivables	4,291	BBB
Commercial receivables	97	BBB
Structured credit	82	BBB
Insurance securitization	368	AA
Other structured finance	841	A
Total structured finance - U.S.	76,316	AA-
<b>Non-U.S.:</b>		
Pooled corporate obligations	\$ 14,673	AAA
Residential mortgage-backed and home equity	1,862	AA+
Structured credit	644	BBB
Commercial receivables	246	A
Insurance securitizations	37	A+
Other structured finance	340	AAA
Total structured finance - non-U.S.	17,802	AAA
<b>Total structured finance</b>	<b>94,118</b>	<b>AA</b>
<b>Total exposures</b>	<b>\$ 401,515</b>	<b>A+</b>

# AGM Run-Off of Global Insured Structured Finance Portfolio



**\$94.1 billion Net Par Outstanding**  
As of September 30, 2009



- Legacy global structured finance insured portfolio (\$94 billion as of September 30, 2009) expected to run off rapidly - 5% by the end of 2009, 26% by year-end 2010, 54% by year-end 2012, and 86% by year-end 2015.<sup>1</sup>
  - \$59.6 billion in global pooled corporate obligations expected to be reduced by 53% by year-end 2012 and by 91% by year-end 2015
  - \$14.8 billion in U.S. residential mortgage-backed securities ("RMBS") expected to be reduced by 55% by year-end 2012 and by 78% by year-end 2015
  - \$4.3 billion in U.S. consumer receivable obligations expected to be reduced by 63% by year-end 2010
  - \$1.4 billion in other U.S. non-municipal (excluding FP) expected to be reduced by 36% by year-end 2012 and by 72% by year-end 2015
  - \$3.1 billion in other international structured finance expected to be reduced by 49% by year-end 2012 and by 67% by year-end 2015
- Former FP business not part of Assured Guaranty's purchase; Assured Guaranty is indemnified against exposure to the FP business by Dexia. In addition, the French and Belgian governments have issued guarantees in respect of the GIC portion of the FP business.
  - \$10.9 billion in GICs expected to be reduced by 49% by year-end 2012 and by 68% by year-end 2015

1. Based on net par outstanding at September 30, 2009.

# AGM Return of Capital from Structured Finance Run-Off

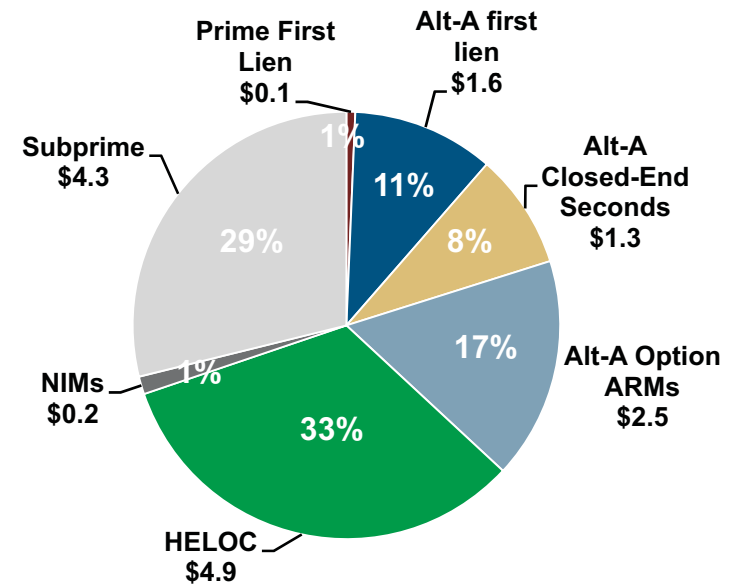


- **In aggregate, we estimate that over \$1 billion of risk-based capital will be released as the portfolio runs off over the next 3-5 years.**
  - Rating agency stress loss estimates on AGM’s RMBS exposure are significantly greater than expected losses. This difference should increase excess capital as actual claims are paid and the exposure runs off.
  - In addition, capital currently allocated to the remaining **structured finance** portfolio, where no losses are expected, will be released as the portfolio amortizes with no new originations.
- **These additional resources will reduce leverage and increase excess capital for AGM’s public finance business**

- **AGM’s \$14.8 billion U.S. RMBS portfolio has experienced material downgrades since year-end 2007**
  - Average rating of BB at September 30, 2009 versus BBB at March 31, 2009
- **No U.S. RMBS underwritten since January 2008**
- **AGM’s U.S. RMBS portfolio is amortizing on an absolute basis and declining as a percentage of the portfolio**
  - 3.7% of total net par outstanding versus 4.0% at year-end 2008
  - \$14.8 billion net par outstanding versus \$17.1 billion at year-end 2008
- **Total loss reserves for U.S. RMBS as of September 30, 2009 of \$1,188.5 million**
  - \$122.8 million of loss and LAE reserves and \$1,065.7 million of expected loss in UPR

## U.S. RMBS by Exposure Type

As of September 30, 2009  
(\$ in billions)



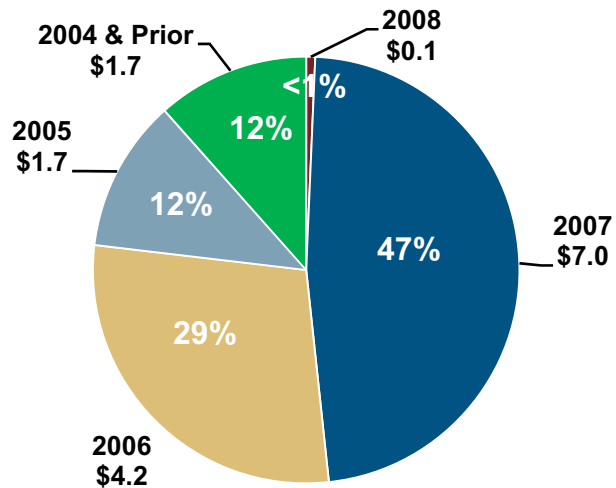
**\$14.8 billion, 4% of net par outstanding**

# AGM U.S. RMBS by Vintage and Rating



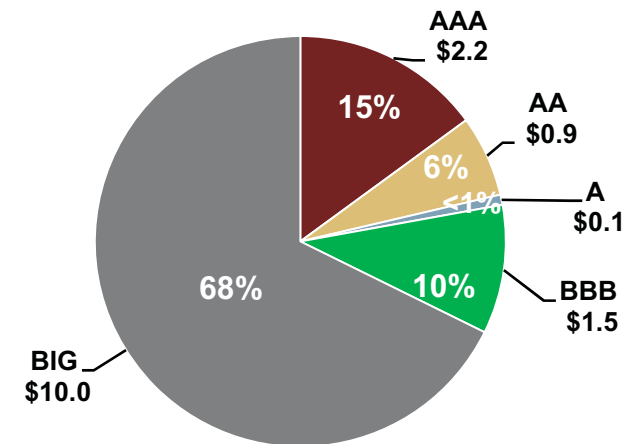
## U.S. RMBS by Year Insured

As of September 30, 2009  
(\$ in billions)



## U.S. RMBS by Rating

As of September 30, 2009  
(\$ in billions)



**Total U.S. RMBS = \$14.8 billion**  
**BB average rating**

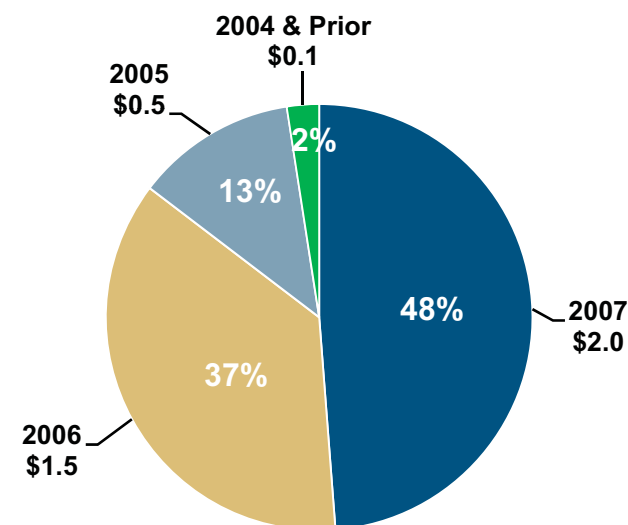
# AGM U.S. RMBS Alt-A Exposure<sup>1</sup>



- **AGM's portfolio was largely underwritten since 2006 and all were rated AAA at closing**
- **AGM's Alt-A exposures have an average rating of BIG due to significant downgrades in 2008 and 2009**
  - 7% rated AAA
  - 89% rated below investment grade
- **Total loss reserves of \$569.9 million at September 30, 2009**
  - \$3.3 million in loss and loss adjustment expense reserves
  - \$566.6 million in expected loss in UPR

## Alt-A<sup>1</sup> Exposure by Year Insured

As of September 30, 2009  
(\$ in billions)



**\$4.1 billion, BIG average rating**

1. Alt-A exposures include Alt-A first lien and Alt-A Option ARMs.

# AGM U.S. RMBS Performance

## Alt-A First Lien and Alt-A Option ARMs



(\$ in millions)

**Distribution of AGM Mortgage-Backed Securities Issued January 1, 2005 or Later by Exposure Type, Average Pool Factor, Subordination, Cumulative Losses and 60+ Day Delinquencies as of September 30, 2009<sup>1</sup>**

### U.S. Alt-A First Lien

Year issued:	Net Par Outstanding	Pool Factor <sup>2</sup>	Subordination <sup>3</sup>	Cumulative Losses <sup>4</sup>	60+ Day Delinquencies <sup>5</sup>	Number of Transactions
2005	\$ 406	62.0%	4.8%	7.5%	36.7%	8
2006	588	60.7%	4.8%	7.3%	36.4%	7
2007	527	70.3%	3.1%	6.4%	41.1%	3
	\$ 1,521	64.4%	4.2%	7.0%	38.1%	18

### U.S. Alt-A Option ARMs

Year issued:	Net Par Outstanding	Pool Factor <sup>2</sup>	Subordination <sup>3</sup>	Cumulative Losses <sup>4</sup>	60+ Day Delinquencies <sup>5</sup>	Number of Transactions
2005	139	39.2%	11.4%	5.8%	45.9%	3
2006	980	67.7%	9.5%	5.7%	47.4%	6
2007	1,409	77.0%	9.4%	4.4%	43.4%	6
	\$ 2,529	71.3%	9.5%	5.0%	45.1%	15

1. For this release, net par outstanding is based on values as of September 2009. All performance information such as pool factor, subordination, cumulative losses and delinquency is based on September 2009 information obtained from Intex, Bloomberg, and/or provided by the trustee and may be subject to restatement or correction.
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3. Represents the sum of subordinate tranches and over-collateralization, expressed as a percentage of total transaction size and does not include any benefit from excess interest collections that may be used to absorb losses.
4. Cumulative losses are defined as net charge-offs on the underlying loan collateral divided by the original pool balance.
5. 60+ day delinquencies are defined as loans that are greater than 60 days delinquent and all loans that are in foreclosure, bankruptcy or real estate owned ("REO") divided by net par outstanding.

# AGM U.S. RMBS

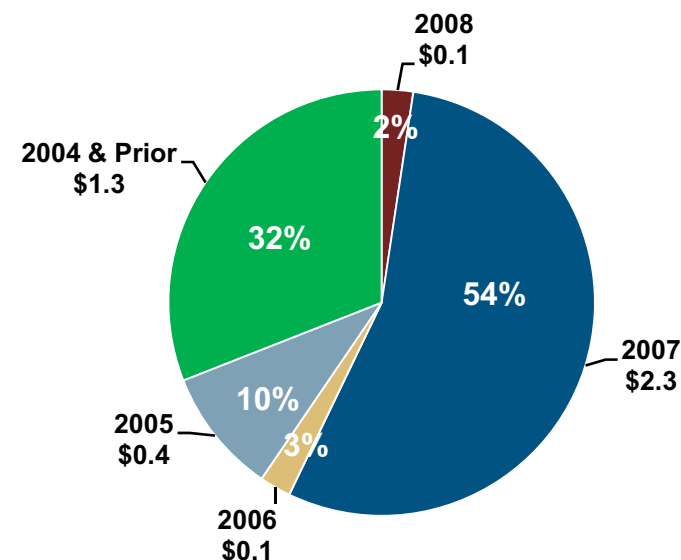
## Subprime First Lien Exposure



- **AGM's subprime first lien portfolio is performing well considering the current economic environment**
  - 32% rated AAA
  - 35% rated BIG
  - Average subordination left is 31.5% on transactions insured after January 1, 2005
- **Of 94 total subprime transactions only 11 exposures (34.7%) of net par are rated BIG**
  - Largest BIG exposure is \$664 million
- **Loss reserves<sup>1</sup> totaled \$101.5 million at September 30, 2009**
  - \$38.3 million in loss and loss adjustment expense reserves
  - \$63.2 million in expected loss in UPR

### Subprime First Lien by Year Insured

As of September 30, 2009  
(\$ in billions)



**\$4.3 billion, A- average rating**

1. Includes financial guaranty and credit derivatives

# AGM U.S. RMBS Performance

## Subprime First Lien



(\$ in millions)

**Distribution of AGM Mortgage-Backed Securities Issued January 1, 2005 or Later by Exposure Type, Average Pool Factor, Subordination, Cumulative Losses and 60+ Day Delinquencies as of September 30, 2009<sup>1</sup>**

### U.S. Subprime First Lien

Year issued:	Net Par Outstanding	Pool Factor <sup>2</sup>	Subordination <sup>3</sup>	Cumulative Losses <sup>4</sup>	60+ Day Delinquencies <sup>5</sup>	Number of Transactions
2005	\$ 497	36.8%	49.0%	5.0%	36.6%	9
2006	49	75.1%	22.8%	2.1%	32.5%	1
2007	2,296	75.7%	27.8%	5.7%	46.2%	10
2008	72	77.7%	35.3%	2.9%	36.7%	1
	<b>\$ 2,913</b>	<b>69.1%</b>	<b>31.5%</b>	<b>5.5%</b>	<b>44.1%</b>	<b>21</b>

1. For this release, net par outstanding is based on values as of September 2009. All performance information such as pool factor, subordination, cumulative losses and delinquency is based on September 2009 information obtained from Intex, Bloomberg, and/or provided by the trustee and may be subject to restatement or correction.
2. Pool factor is the percentage of the current collateral balance divided by the original collateral balance of the transactions at inception.
3. Represents the sum of subordinate tranches and over-collateralization, expressed as a percentage of total transaction size and does not include any benefit from excess interest collections that may be used to absorb losses.
4. Cumulative losses are defined as net charge-offs on the underlying loan collateral divided by the original pool balance.
5. 60+ day delinquencies are defined as loans that are greater than 60 days delinquent and all loans that are in foreclosure, bankruptcy or real estate owned ("REO") divided by net par outstanding.

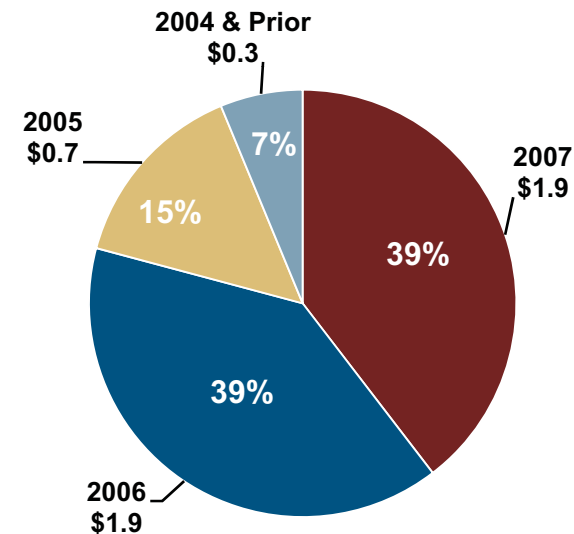
# AGM U.S. RMBS HELOC Exposure



- **Current par insured of \$4.9 billion**
- **Average rating<sup>2</sup> of B+**
  - \$3.5 billion of HELOCs are below investment grade
  - \$1.4 billion of HELOCs remain investment grade
- **Expected loss in UPR totaled \$134.5 million at September 30, 2009**
  - None recorded in loss and loss adjustment expense reserves

## HELOCs by Year Insured <sup>1</sup>

As of September 30 2009  
(\$ in billions)



**\$4.9 billion, B+ average rating**

1. There was no exposure to HELOCs insured in 2008 or 2009.

2. Loss and loss adjustment expense reserves.

# AGM U.S. RMBS Performance

## HELOC Exposure



(\$ in millions)

**Distribution of AGM U.S. Mortgage-Backed Securities Issued January 1, 2005 or later by Exposure Type, Average Pool Factor, Subordination, Cumulative Losses and 60+ Day Delinquencies as of September 30, 2009 <sup>1</sup>**

### HELOCs

Year issued:	Net Par Outstanding	Pool Factor <sup>2</sup>	Subordination <sup>3</sup>	Cumulative Losses <sup>4</sup>	60+ Day Delinquencies <sup>5</sup>	Number of Transactions
2005	\$ 743	25.4%	1.0%	6.9%	9.7%	4
2006	1,986	54.9%	0.3%	19.9%	14.3%	8
2007	1,806	47.6%	4.9%	17.8%	6.8%	6
	\$ 4,535	47.1%	2.2%	16.9%	10.6%	18

1. For this release, net par outstanding is based on values as of September 2009. All performance information such as pool factor, subordination, cumulative losses and delinquency is based on September 2009 information obtained from Intex, Bloomberg, and/or provided by the trustee and may be subject to restatement or correction.
2. Pool factor is the percentage of the current collateral balance divided by the original collateral balance of the transactions at inception.
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# AGM U.S. RMBS

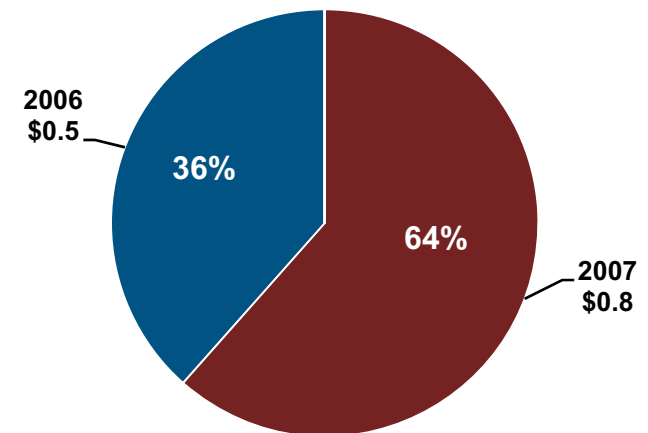
## Closed-End Second Lien Exposure



- **Limited exposure to CES**
  - All vintage is 2007 and 2006
- **11 transactions totaling \$1.3 billion**
  - 7 deals for \$1.0 billion rated below investment grade
- **Loss reserves<sup>2</sup> totaled \$270.1 million at September 30, 2009**
  - \$58.1 million in loss and loss adjustment expense reserves
  - \$212.0 million in expected loss in UPR

### CES by Year Insured<sup>1</sup>

As of September 30, 2009  
(\$ in billions)



**\$1.3 billion, B+ average rating**

1. There was no exposure to Alt-A CES insured in 2008, 2005, 2004 and prior years. Amounts do not equal total due to rounding.  
2. Includes financial guaranty and credit derivatives

# AGM U.S. RMBS Performance

## Closed-End Seconds



(\$ in millions)

**Distribution of AGM's U.S. Mortgage-Backed Securities Issued January 1, 2005 or Later by Exposure Type, Average Pool Factor, Subordination, Cumulative Losses and 60+ Day Delinquencies as of September 30, 2009<sup>1</sup>**

### Closed-End Seconds

Year issued:	Net Par Outstanding	Pool Factor <sup>2</sup>	Subordination <sup>3</sup>	Cumulative Losses <sup>4</sup>	60+ Day Delinquencies <sup>5</sup>	Number of Transactions
2006	\$ 457	29.0%	-68.4%	49.2%	16.1%	2
2007	801	39.2%	-18.4%	49.4%	15.6%	9
	<b>\$ 1,258</b>	<b>35.5%</b>	<b>-36.6%</b>	<b>49.3%</b>	<b>15.8%</b>	<b>11</b>

1. For this release, net par outstanding is based on values as of September 2009. All performance information such as pool factor, subordination, cumulative losses and delinquency is based on September 2009 information obtained from Intex, Bloomberg, and/or provided by the trustee and may be subject to restatement or correction.
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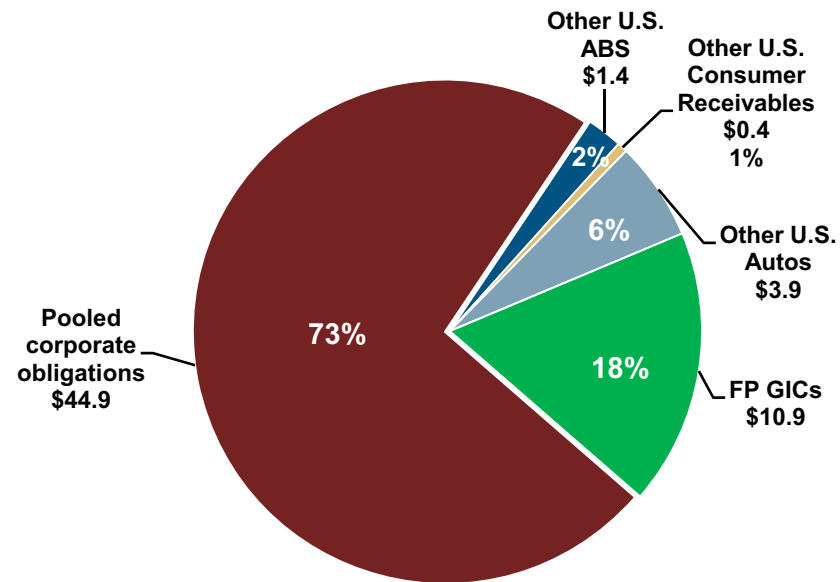
# AGM Non-RMBS U.S. Structured Finance Exposure



- **AGM’s non-RMBS U.S. structured finance exposures consist principally of**
  - Pooled corporate
  - Consumer receivables
  - Other U.S. non-RMBS structured finance obligations
  
- **Non-RMBS U.S. structured finance credit experience has been generally strong given the current environment**
  - 57% rated super senior or AAA
  - 1% rated below investment grade
  
- **Total loss reserves of \$76.1 million**
  - \$23.1 million in loss and LAE reserves
  - \$53.0 million in expected loss in UPR

## U.S. Non-RMBS Structured Finance

As of September 30, 2009  
(\$ in billions)



**\$61.5 billion, AA+ average rating**

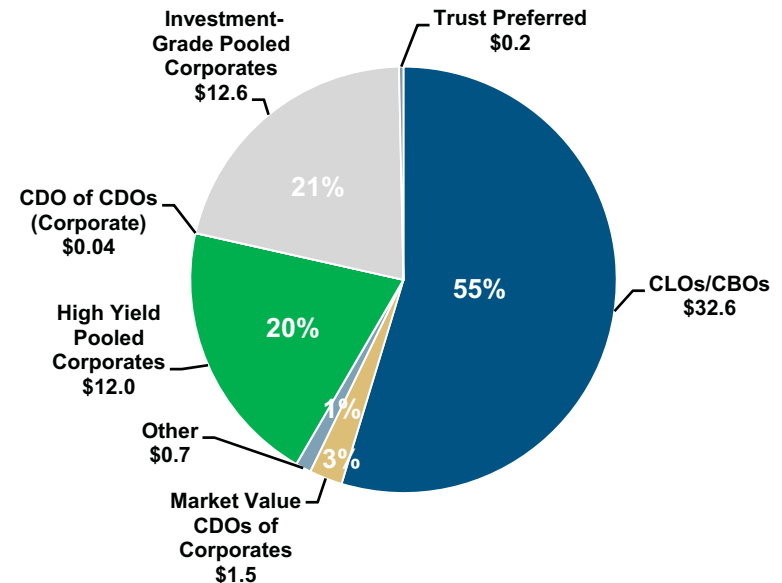
# AGM Global Pooled Corporate Obligations



- **AGM's pooled corporate exposure is generally highly rated and well-protected**
  - Average credit enhancement of 24.1%
  - 79% rated super senior or AAA,
  - AAA average rating
  - Less than 1% rated below investment grade
- **\$169 million of Trust Preferreds (bank and insurance company only)**
  - Single-A average rating
  - Credit enhancement remains strong at 47.1%

## Pooled Corporate Obligations By Asset Class

As of September 30, 2009  
(\$ in billions)



**\$59.6 billion, AAA average rating**

# AGM Global Pooled Corporate Obligations By Collateral Type



(\$ in millions)

<b>Asset class:</b>	<b>Net Par Outstanding</b>	<b>% of Total</b>	<b>Avg. Initial Credit Enhancement <sup>1</sup></b>	<b>Avg. Current Enhancement <sup>1</sup></b>	<b>Avg. Rating</b>
Synthetic high yield pooled corporates	11,975	20.1%	36.8%	31.8%	AAA
Synthetic investment grade pooled corporates	12,621	21.2%	17.4%	15.9%	Super Senior
CLOs/CBOs	32,557	54.6%	27.1%	24.3%	AAA
Market Value CDOs of corporates	1,492	2.5%	17.0%	34.5%	AAA
Trust preferred - banks and insurance	169	0.3%	47.5%	47.1%	A
CDO of CDOs (corporate)	39	0.1%	24.1%	20.4%	A-
Other Pooled Corporates	726	1.2%	N/A	N/A	A-
	<b>\$59,580</b>	<b>100.0%</b>	<b>26.4%</b>	<b>24.1%</b>	<b>AAA</b>

1. "Average Credit Enhancement" is intended to provide a measure of the amount of equity and/or subordinate tranches that are junior in the capital structure to AGM's exposure, and reflects any reduction of that credit support resulting from defaults or other factors. For transactions where excess spread may be available to absorb certain losses, the numbers shown above do not include any benefit from excess spread. The calculation methodologies differ for the various asset classes to reflect differences in transaction structures in order to provide a measure that management believes is comparable across asset classes. Data is obtained from third-party sources such as trustee reports and may be subject to adjustments.

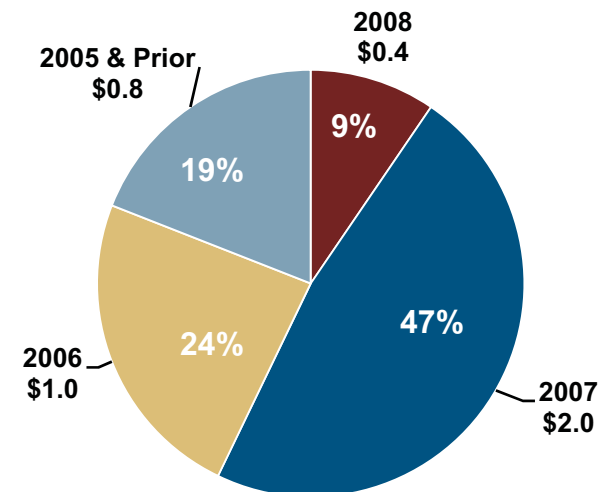
# AGM U.S. Consumer Receivables



- **U.S. consumer receivable exposures are well protected**
  - Average rating of BBB
  - \$3.9 billion in auto receivable transactions have 24.2% average current credit enhancement
  - \$88 million in credit cards have 18.1% current credit enhancement
- **Over half of the par was written in 2007 or later, after the deterioration in consumer credit trends was evident**
  - AGM utilized underwriting criteria that had stress scenario assumptions

## U.S. Consumer Receivables by Year Insured

As of September 30, 2009  
(\$ in billions)



**\$4.3 billion, BBB average rating**

# AGM U.S. Consumer Receivables By Collateral Type



(\$ in millions)

## Distribution of U.S. Consumer Receivables by Asset Class as of September 30, 2009

### U.S. Consumer Receivables

Asset class:	Net Par Outstanding	%	Average Rating	Avg. Initial Credit Enhancement <sup>1</sup>	Avg. Current Enhancement <sup>1</sup>
Credit cards	\$ 88	2.1%	BBB	13.2%	18.1%
Auto	3,874	90.3%	BBB	11.5%	24.2%
Manufactured housing	329	7.6%	BBB	27.5%	26.7%
	<u>\$ 4,291</u>	<u>100%</u>	<u>BBB</u>	<u>12.8%</u>	<u>24.3%</u>

1. "Average Credit Enhancement" is intended to provide a measure of the amount of equity and/or subordinate tranches that are junior in the capital structure to AGM's exposure, expressed as a percentage of the total transaction size and reflects any reduction of that credit support resulting from defaults or other factors. For transactions where excess spread may be available to absorb certain losses, the amounts shown above do not include any benefit from excess spread. The calculation methodologies differ for the various asset classes to reflect differences in transaction structures in order to provide a measure that management believes is comparable across asset classes. Data is obtained from third-party sources such as trustee reports and may be subject to adjustments.

# AGM Loss and Loss Adjustment Expenses



(\$ in millions)

	<b>Total Net Par Outstanding for BIG transactions</b>	<b>3Q-09 Incurred Losses<sup>2</sup></b>	<b>Loss and Loss Adjustment Expense Reserves<sup>3,4</sup></b>	<b>Expected Loss in Unearned Premium Reserve<sup>4</sup></b>
<b>Total Financial Guaranty<sup>1</sup></b>				
Prime first lien	\$ -	\$ -	\$ -	\$ 0.1
Closed end seconds	995	(12.5)	58.1	212.0
HELOC	3,482	(0.6)	-	134.5
Alt-A first lien	1,315	(0.0)	-	184.9
Alt-A Option ARMs	2,370	2.7	3.3	381.7
Subprime first lien	1,649	2.3	38.3	63.2
Total U.S. RMBS	9,811	(8.1)	99.7	976.4
Other structured finance	553	(3.0)	23.1	53.0
Public finance	1,678	(15.3)	-	36.3
<b>Total Financial Guaranty</b>	<b>\$ 12,042</b>	<b>\$ (26.4)</b>	<b>\$ 122.8</b>	<b>\$ 1,065.7</b>

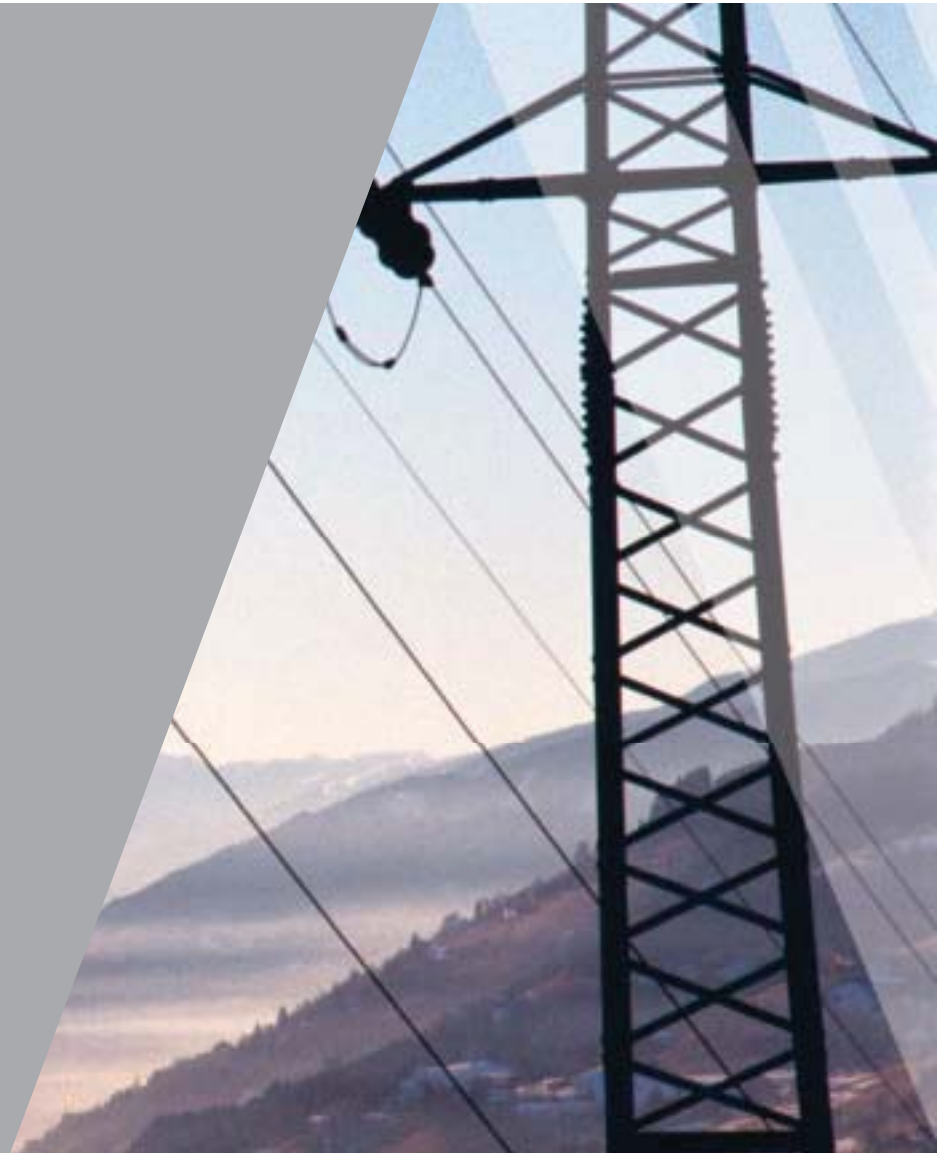
1. Includes financial guaranty and insured derivatives in the insured portfolio.

2. Includes loss and loss adjustment expenses (recoveries) and incurred losses on credit derivatives.

3. Includes loss and loss adjustment expense reserves for credit derivatives. Accounting for credit derivatives was not affected by purchase accounting.

4. See page 81 for summary of the impact of purchase GAAP accounting.

**Assured Guaranty Corp.  
Financial Information**



# AGC Income Statements<sup>1</sup>



(\$ in millions)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
<b>Revenues</b>				
Net earned premiums <sup>1</sup> :				
Scheduled net earned direct premiums	\$ 12.0	\$ 18.8	\$ 51.8	\$ 44.2
Scheduled net earned reinsurance premiums	(1.8)	3.3	8.6	11.4
Refundings	3.2	5.7	47.4	7.2
Total net earned premiums	13.4	27.7	107.8	62.8
Net investment income	19.2	19.9	58.3	53.4
Realized gains on credit derivatives <sup>2</sup>	22.4	22.4	67.4	67.3
Incurring losses on credit derivatives	(141.9)	(6.2)	(169.2)	(10.1)
Other Income	3.5	0.2	4.6	0.4
<b>Total revenues</b>	<b>(83.4)</b>	<b>64.0</b>	<b>68.9</b>	<b>173.8</b>
<b>Expenses</b>				
Loss and loss adjustment expenses <sup>1</sup>	77.8	45.3	145.6	92.3
Profit commission expense	-	-	0.8	0.4
Amortization of deferred acquisition costs <sup>1</sup>	0.1	5.3	2.9	12.1
Other operating expenses	16.8	13.3	61.5	40.7
Interest and related expenses	1.3	1.5	4.6	4.0
<b>Total expenses</b>	<b>96.0</b>	<b>65.4</b>	<b>215.4</b>	<b>149.5</b>
Operating (loss) income before (benefit) provision for income taxes <sup>3</sup>	(179.4)	(1.4)	(146.5)	24.3
Total (benefit) provision for income taxes	(58.1)	(4.6)	(56.3)	(2.9)
<b>Operating (loss) income<sup>3</sup></b>	<b>(121.3)</b>	<b>3.2</b>	<b>(90.2)</b>	<b>27.2</b>
Plus: Realized gains (losses) on investments, after tax	0.4	(4.4)	4.0	(2.9)
Plus: Non-credit impairments unrealized gains (losses) on credit derivatives, after tax	36.9	(55.6)	(106.5)	203.2
Plus: Unrealized gains (losses) on committed capital securities, after tax	(0.8)	4.5	(27.4)	15.8
Plus: Goodwill impairment	(85.4)	-	(85.4)	-
<b>Net (loss) income</b>	<b>\$ (170.2)</b>	<b>\$ (52.2)</b>	<b>\$ (305.5)</b>	<b>\$ 243.3</b>

1. The Company adopted ASC 944-20 effective January 1, 2009.

2. Includes revenue earned on credit derivatives.

3. For the definition of operating income, which is a non-GAAP financial measure, please refer to the appendix, page 90.

# AGC Balance Sheets<sup>1</sup>



(\$ in millions)

	As of	
	September 30, 2009	December 31, 2008
<b>Assets</b>		
Fixed maturity securities, at fair value	\$ 1,746.8	\$ 1,511.3
Short-term investments, at cost which approximates fair value	226.8	110.0
<b>Total investments</b>	<b>1,973.6</b>	<b>1,621.3</b>
Cash	4.9	7.8
Premiums receivable, net	402.8	12.4
Ceded unearned premium reserve	428.1	206.5
Deferred acquisition costs	44.9	79.0
Reinsurance recoverable on paid and unpaid losses	56.6	22.0
Credit derivative assets	229.3	139.5
Goodwill	-	85.4
Committed capital securities, at fair value	8.9	51.1
Deferred tax asset	150.4	110.3
Salvage recoverable	166.0	70.9
Other assets	107.7	48.2
<b>Total assets</b>	<b>\$ 3,573.2</b>	<b>\$ 2,454.5</b>
<b>Liabilities and shareholder's equity</b>		
<b>Liabilities</b>		
Unearned premium reserves	\$ 1,420.2	\$ 708.0
Reserves for losses and loss adjustment expenses	182.2	133.7
Credit derivative liabilities	905.3	481.0
Funds held under reinsurance contracts	5.5	5.5
Reinsurance balances payable, net	204.6	23.7
Other liabilities	62.5	56.5
<b>Total liabilities</b>	<b>2,780.3</b>	<b>1,408.4</b>
<b>Shareholder's equity</b>		
Common stock	15.0	15.0
Additional paid-in capital	480.4	480.4
Retained earnings <sup>2</sup>	254.8	561.6
Accumulated other comprehensive income (loss) <sup>2</sup>	42.7	(10.9)
<b>Total shareholder's equity</b>	<b>792.9</b>	<b>1,046.0</b>
<b>Total liabilities and shareholder's equity</b>	<b>\$ 3,573.2</b>	<b>\$ 2,454.5</b>

1. The Company adopted ASC 944-20 effective January 1, 2009.

2. The Company adopted ASC 320-10-65-1, "Investments—Debt and Equity Securities" (FSP No. FAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments") effective April 1, 2009. The adoption of this accounting rule increased retained earnings and decreased accumulated other comprehensive income (loss) by \$5.8 million.

# AGC Reconciliations of PVP<sup>1</sup> to Gross Written Premiums and Operating Income<sup>1</sup> to Net Income (Loss)



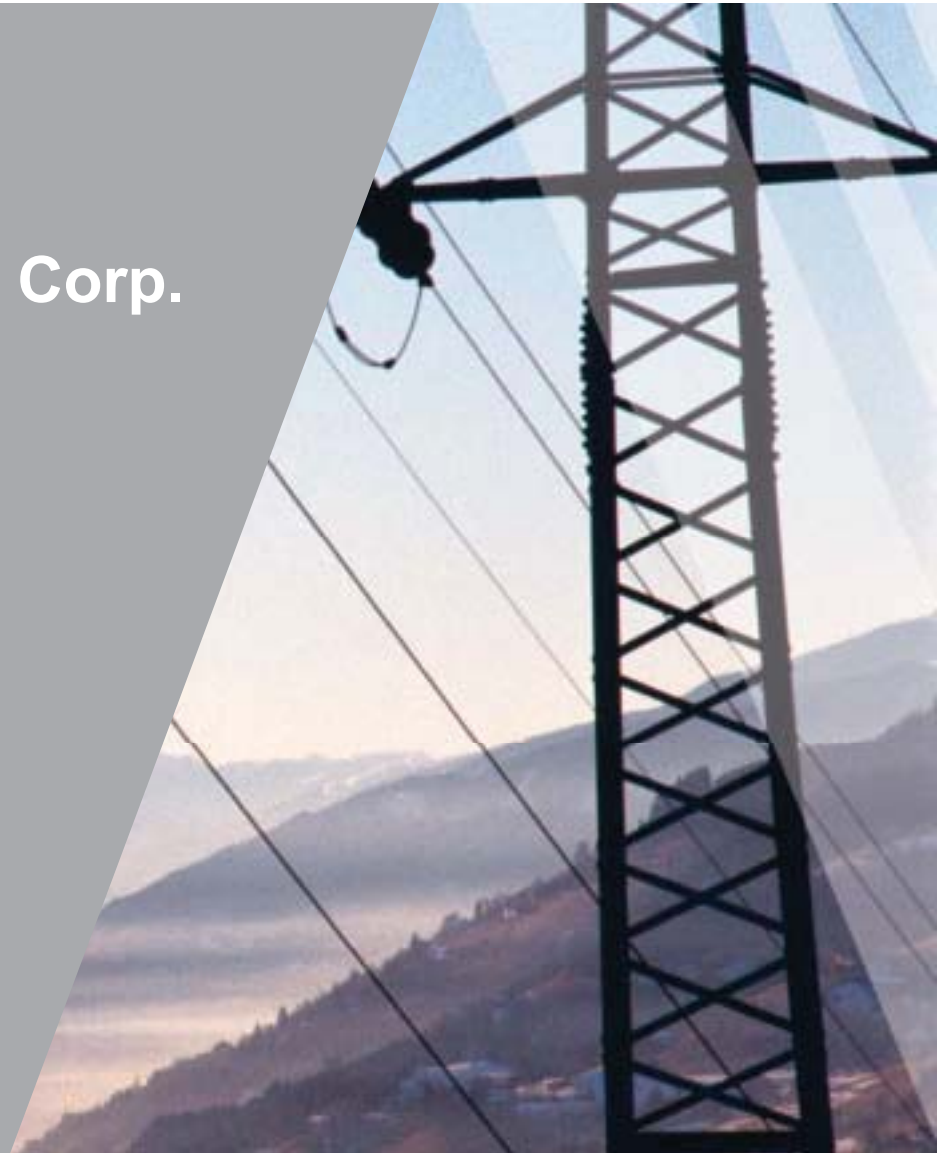
(\$ in millions)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
<b>Consolidated new business analysis:</b>				
Present value of new business production ("PVP")				
Public finance - U.S.	\$ 141.9	\$ 67.7	\$ 487.2	\$ 374.3
Public finance - non-U.S.	-	-	1.8	9.0
Structured finance - U.S.	1.9	14.5	16.6	137.7
Structured finance - non-U.S.	-	-	-	57.8
Total PVP <sup>1</sup>	143.8	82.2	505.6	578.8
Less: PVP <sup>1</sup> of credit derivatives	-	30.3	2.4	143.8
PVP <sup>1</sup> of financial guaranty insurance	143.8	51.9	503.2	435.0
Less: Financial guaranty installment premium PVP	(0.2)	20.8	33.3	70.0
Total: Financial guaranty upfront GWP	144.0	31.1	469.9	365.0
Plus: Financial guaranty installment GWP <sup>2</sup>	(14.3)	41.6	35.8	51.3
Total financial guaranty GWP	129.7	72.7	505.7	416.3
Plus: Other segment GWP	-	-	-	0.2
<b>Total GWP</b>	<b>\$ 129.7</b>	<b>\$ 72.7</b>	<b>\$ 505.7</b>	<b>\$ 416.5</b>
<b>Operating income reconciliation:</b>				
<b>Operating (loss) income</b>	<b>\$ (121.3)</b>	<b>\$ 3.2</b>	<b>\$ (90.2)</b>	<b>\$ 27.2</b>
Plus: Realized gains (losses) on investments, after tax	0.4	(4.4)	4.0	(2.9)
Plus: Non-credit impairments unrealized gains (losses) on credit derivatives, after tax	36.9	(55.6)	(106.5)	203.2
Plus: Unrealized gains (losses) on committed capital securities, after tax	(0.8)	4.5	(27.4)	15.8
Plus: Goodwill impairment	(85.4)	-	(85.4)	-
<b>Net (loss) income</b>	<b>\$ (170.2)</b>	<b>\$ (52.2)</b>	<b>\$ (305.5)</b>	<b>\$ 243.3</b>

1. For definitions of the non-GAAP financial measures PVP and operating income, please refer to the appendix page 90.

2. 2009 amounts include the difference in management estimates for the discount rate applied to future installments as well as the estimated term for future installments compared to the discount rate used for ASC 944-20.

**Assured Guaranty Municipal Corp.  
(formerly Financial Security  
Assurance Inc.)  
Financial Information**



# Summary of Impact of GAAP Purchase Accounting (“P-GAAP”) on AGM Financial Statements



- **AGM was purchased by Assured Guaranty US Holdings Inc., a subsidiary of Assured Guaranty Ltd., on July 1, 2009. These financial statements present financial information since its acquisition. On July 1, 2009, the purchase method of accounting was pushed down to AGM, which affects comparability of third quarter 2009 financial results to periods prior to the acquisition.**
- **Under generally accepted accounting principles (“GAAP”), acquisition accounting requires that the fair value of each AGM financial guaranty contract be recorded on the balance sheets.**
- **The carrying value recorded on July 1, 2009 takes into account the total fair value of each financial guaranty contract, including expected losses, on a contract by contract basis.**
- **No loss reserve may be established for a given financial guaranty transaction until its expected losses exceed its unearned premium reserve (“UPR”). AGM’s UPR exceeded its expected losses on the acquisition date.**
- **Each financial guaranty transaction’s total expected losses are now reflected in the fair value recorded on the balance sheet, primarily in the UPR.**
- **The expected losses will be recognized in the income statement line item “loss and loss adjustment expenses” in subsequent periods as the UPR amortizes.**

# AGM Income Statement<sup>1</sup>



(\$ in millions)

	<b>Quarter Ended September 30, 2009</b>
<b>Revenues</b>	
Net earned premiums	280.5
Net investment income	44.9
Realized gains on credit derivatives <sup>2</sup>	28.8
Incurred (losses) recoveries on credit derivatives	27.3
Other income	34.3
<b>Total revenues</b>	<b>415.8</b>
<b>Expenses</b>	
Loss and loss adjustment expenses	0.9
Amortization of deferred acquisition costs	-
Other operating expenses	41.7
FSAH acquisition-related expenses	32.8
Interest and related expenses	2.3
Other expense	1.2
<b>Total expenses</b>	<b>78.9</b>
Operating income before (benefit) provision for income taxes <sup>3</sup>	336.9
Total (benefit) provision for income taxes	106.2
<b>Operating income<sup>3</sup></b>	<b>230.7</b>
Plus: Realized gains (losses) on investments, after tax	0.3
Plus: Non-credit impairments unrealized gains (losses) on credit derivatives, after tax	(50.0)
Plus: Unrealized gains (losses) on committed capital securities, after tax	(33.7)
Plus: Goodwill and settlement of intercompany relationship, net	232.6
<b>Net income (loss) attributable to Assured Guaranty Municipal</b>	<b>\$ 379.9</b>

1. The Company adopted ASC 944-20, "Financial Services--Insurance" (FAS No. 163, "Accounting for Financial Guarantee Insurance Contracts") effective January 1, 2009.

2. Includes revenue earned on credit derivatives.

3. For the definition of operating income, which is a non-GAAP financial measure, please refer to the appendix, page 90.

# AGM Balance Sheets<sup>1</sup>



(\$ in millions)

	As of	
	September 30, 2009	July 1, 2009
<b>Assets</b>		
Investment portfolio, available-for-sale		
Fixed maturity securities, at fair value	\$ 4,815.2	\$ 4,968.9
Short-term investments	941.9	766.3
<b>Total investments</b>	<b>5,757.1</b>	<b>5,735.2</b>
Assets acquired in refinancing transactions	159.2	168.4
Cash	213.6	85.1
Premiums receivable, net	798.5	846.4
Ceded unearned premium revenue	1,648.8	1,727.7
Credit derivative assets	238.2	297.2
Committed capital securities, at fair value	29.6	81.4
Deferred tax asset, net	1,011.5	993.6
Financial guaranty variable interest entity assets	846.9	1,879.4
Other assets	248.6	295.3
<b>Total assets</b>	<b>\$ 10,952.0</b>	<b>\$ 12,109.7</b>
<b>Liabilities and shareholder's equity</b>		
<b>Liabilities</b>		
Unearned premium reserves	\$ 6,698.9	\$ 7,286.4
Loss and loss adjustment expense reserve	3.3	-
Note payable to related party	155.8	164.4
Credit derivative liabilities	925.7	920.0
Reinsurance balances payable, net	238.7	249.6
Financial guaranty variable interest entity liabilities	851.4	1,878.6
Other liabilities	326.5	328.1
<b>Total liabilities</b>	<b>9,200.3</b>	<b>10,827.1</b>
<b>Shareholder's equity</b>		
Preferred stock	-	-
Common stock	15.0	15.0
Additional paid-in capital	1,241.8	1,266.8
Retained earnings	379.9	-
Accumulated other comprehensive income (loss)	119.5	-
<b>Total shareholders' equity attributable to Assured Guaranty Municipal</b>	<b>1,756.2</b>	<b>1,281.8</b>
Noncontrolling interest of variable interest entities	(4.5)	0.8
<b>Total shareholder's equity</b>	<b>1,751.7</b>	<b>1,282.6</b>
<b>Total liabilities and shareholder's equity</b>	<b>\$ 10,952.0</b>	<b>\$ 12,109.7</b>

1. The Company adopted ASC 944-20, "Financial Services--Insurance" (FAS No. 163, "Accounting for Financial Guarantee Insurance Contracts") effective January 1, 2009.

# AGM Reconciliations of PVP<sup>1</sup> to Gross Written Premiums and Operating Income<sup>1</sup> to Net Income (Loss)<sup>1</sup>



(\$ in millions)

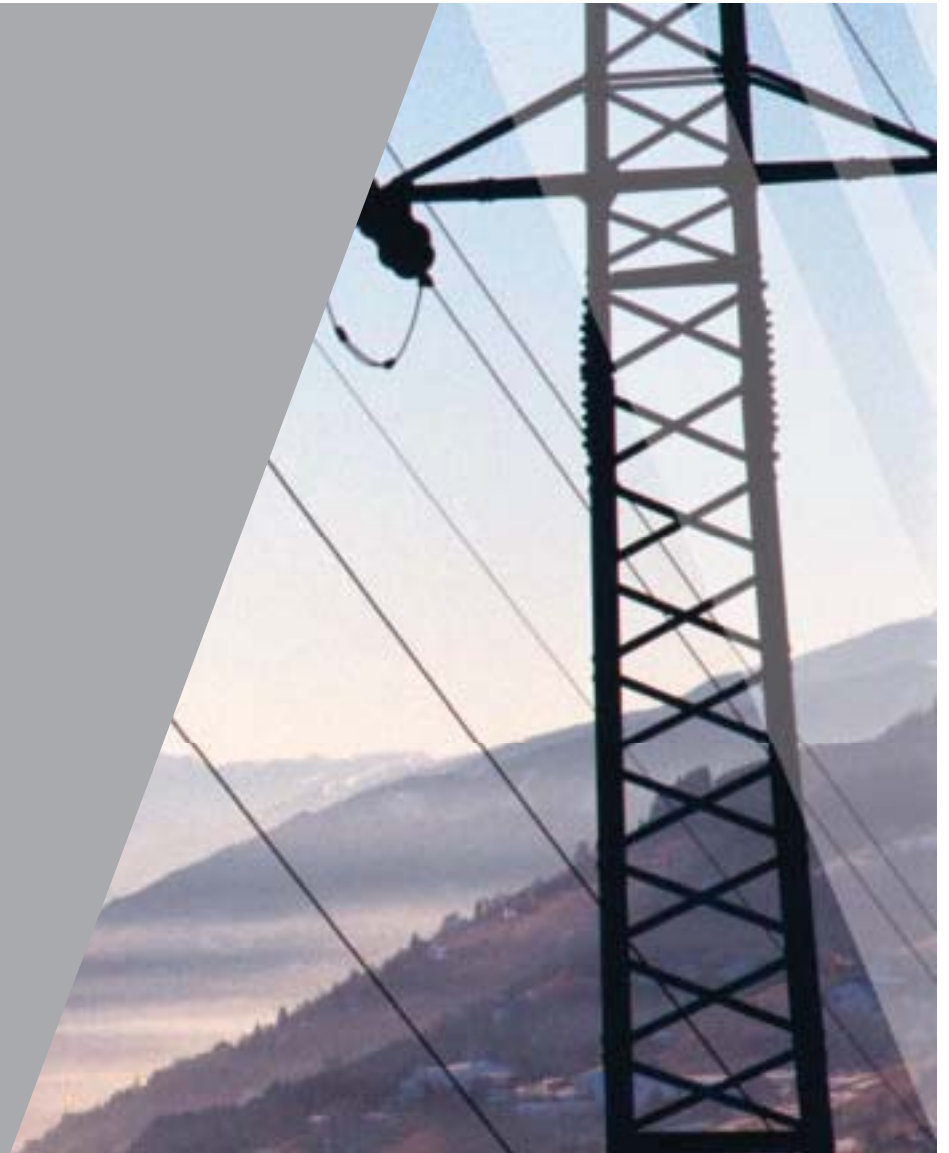
	<b>Quarter Ended</b>
	<b>September 30, 2009</b>
<b>Reconciliation of PVP to Gross Written Premium (GWP) under GAAP:</b>	
Present value of new business production ("PVP")	
Public finance - U.S.	\$ 13.0
Public finance - non-U.S.	-
Structured finance - U.S. <sup>2</sup>	0.4
Structured finance - non-U.S. <sup>2</sup>	0.9
Total PVP <sup>1</sup>	14.3
Less: PVP <sup>1</sup> of credit derivatives	-
PVP <sup>1</sup> of financial guaranty insurance	14.3
Less: Financial guaranty installment premium PVP <sup>1</sup>	4.4
Total: Financial guaranty upfront GWP	9.9
Plus: Upfront premium due to commutation	-
Plus: Financial guaranty installment GWP	-
Plus: Financial guaranty installment PVP adjustment <sup>3</sup>	(9.2)
Total financial guaranty GWP	0.7
<b>Total GWP</b>	<b>\$ 0.7</b>
 <b>Operating income reconciliation:</b>	
<b>Operating income<sup>1</sup></b>	<b>\$ 230.7</b>
Plus: Realized gains (losses) on investments, after tax	0.3
Plus: Non-credit impairment unrealized gains (losses) on credit derivatives, after tax	(50.0)
Plus: Unrealized gains (losses) on committed capital securities, after tax	(33.7)
Plus: Goodwill and settlement of intercompany relationship, net	232.6
<b>Net income (loss) attributable to Assured Guaranty Municipal</b>	<b>\$ 379.9</b>

1. For definitions of the non-GAAP financial measures PVP and operating income, please refer to the appendix page 90.

2. These policies represent existing policies that have additional premium and have no par outstanding.

3. Amounts represent the difference in the discount rate applied to future installments as well as the estimated term for future installments compared to the discount rate used for ASC 944-20.

**Assured Guaranty Ltd.  
Financial Information**



# Assured Guaranty Ltd. Consolidated Income Statements



(\$ in millions)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
<b>Revenues</b>				
Net earned premiums <sup>1</sup>	\$ 330.0	\$ 85.5	\$ 557.1	\$ 184.0
Net investment income	84.7	43.4	171.6	120.2
Realized gains on credit derivatives <sup>2</sup>	57.3	30.0	114.8	89.0
Incurred losses on credit derivatives	(142.2)	(10.1)	(178.5)	(18.5)
Other income	58.7	0.3	60.1	0.4
<b>Total revenues</b>	<b>388.5</b>	<b>149.1</b>	<b>725.1</b>	<b>375.1</b>
<b>Expenses</b>				
Loss and loss adjustment expenses <sup>1</sup>	133.3	82.5	251.1	175.8
Profit commission expense	0.2	(1.4)	2.5	0.8
Amortization of deferred acquisition costs <sup>1</sup>	1.3	19.3	41.3	43.0
Other operating expenses	66.2	21.6	116.5	69.9
FSAH acquisition-related expenses	51.3	-	80.2	-
Interest and related expenses	27.7	7.3	43.3	21.4
<b>Total expenses</b>	<b>280.0</b>	<b>129.3</b>	<b>534.9</b>	<b>310.9</b>
Operating income before provision (benefit) for income taxes	108.5	19.8	190.2	64.2
Total provision (benefit) for income taxes	38.4	(6.2)	29.3	(6.8)
<b>Operating income <sup>3</sup></b>	<b>70.1</b>	<b>26.0</b>	<b>160.9</b>	<b>71.0</b>
Plus: Realized gains (losses) on investments, after tax	(6.0)	(17.1)	(30.2)	(15.9)
Plus: Non-credit impairments unrealized gains (losses) on credit derivatives, after tax	(41.3)	(76.7)	(165.8)	241.8
Plus: Unrealized gains (losses) on committed capital securities, after tax	(34.5)	4.5	(61.1)	15.8
Plus: Goodwill and settlement of intercompany relationship, net	(23.3)	-	(23.3)	-
<b>Net income (loss) attributable to Assured Guaranty Ltd.</b>	<b>\$ (35.0)</b>	<b>\$ (63.3)</b>	<b>\$ (119.5)</b>	<b>\$ 312.7</b>

1. The Company adopted ASC 944-20, "Financial Services - Insurance" (FAS No. 163, "Accounting for Financial Guarantee Insurance Contracts") effective January 1, 2009.

2. Includes revenue earned on credit derivatives.

3. For the definition of operating income, which is a non-GAAP financial measure, please refer to the appendix, page 90.

# Assured Guaranty Ltd. Consolidated Balance Sheets



(\$ in millions)

	As of:	
	September 30, 2009	December 31, 2008
<b>Assets</b>		
Investment portfolio, available-for-sale:		
Fixed maturity securities, at fair value	\$ 8,448.1	\$ 3,154.1
Short-term investments	1,492.9	477.2
<b>Total investment portfolio</b>	<b>9,941.0</b>	<b>3,631.3</b>
Assets acquired in refinancing transactions	159.2	-
Cash	260.5	12.3
Premiums receivable, net <sup>1</sup>	1,504.0	15.7
Ceded unearned premium reserve <sup>1</sup>	1,163.1	18.9
Deferred acquisition costs <sup>1</sup>	243.6	288.6
Reinsurance recoverable on paid and unpaid losses <sup>1</sup>	5.8	6.5
Credit derivative assets	462.3	147.0
Committed capital securities, at fair value	38.5	51.1
Deferred tax asset, net <sup>1</sup>	1,093.6	129.1
Goodwill	-	85.4
Salvage recoverable <sup>1</sup>	184.4	80.2
Financial guaranty variable interest entities' assets	846.9	-
Other assets	299.7	89.6
<b>Total assets</b>	<b>\$ 16,202.6</b>	<b>\$ 4,555.7</b>
<b>Liabilities and shareholders' equity</b>		
<b>Liabilities</b>		
Unearned premium reserves <sup>1</sup>	\$ 8,632.7	\$ 1,233.7
Loss and loss adjustment expense reserve <sup>1</sup>	218.7	196.8
Long-term debt	915.2	347.2
Note payable to related party	155.8	-
Credit derivative liabilities	2,100.5	733.8
Funds held under reinsurance contracts	30.2	30.7
Reinsurance balances payable, net <sup>1</sup>	179.3	18.0
Financial guaranty variable interest entities' liabilities	851.4	-
Other liabilities	321.7	69.4
<b>Total liabilities</b>	<b>13,405.5</b>	<b>2,629.5</b>
<b>Shareholders' equity</b>		
Common stock	1.6	0.9
Additional paid-in capital	2,010.8	1,284.4
Retained earnings <sup>1,2</sup>	580.2	638.1
Accumulated other comprehensive income (loss) <sup>2</sup>	209.0	2.9
<b>Total shareholders' equity attributable to Assured Guaranty Ltd.</b>	<b>2,801.6</b>	<b>1,926.2</b>
Noncontrolling interest in consolidated VIEs	(4.5)	-
<b>Total shareholders' equity</b>	<b>2,797.1</b>	<b>1,926.2</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 16,202.6</b>	<b>\$ 4,555.7</b>

1. The Company adopted ASC 944-20 effective January 1, 2009.

2. The Company adopted ASC 320-10-65-1, "Investments—Debt and Equity Securities" (FSP No. FAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments") effective April 1, 2009. The adoption of this accounting rule increased retained earnings and decreased accumulated other comprehensive income (loss) by \$57.7 million.

# Assured Guaranty Ltd.

## Reconciliations of PVP<sup>1</sup> to Gross Written Premiums and Operating Income<sup>1</sup> to Net Income (Loss)



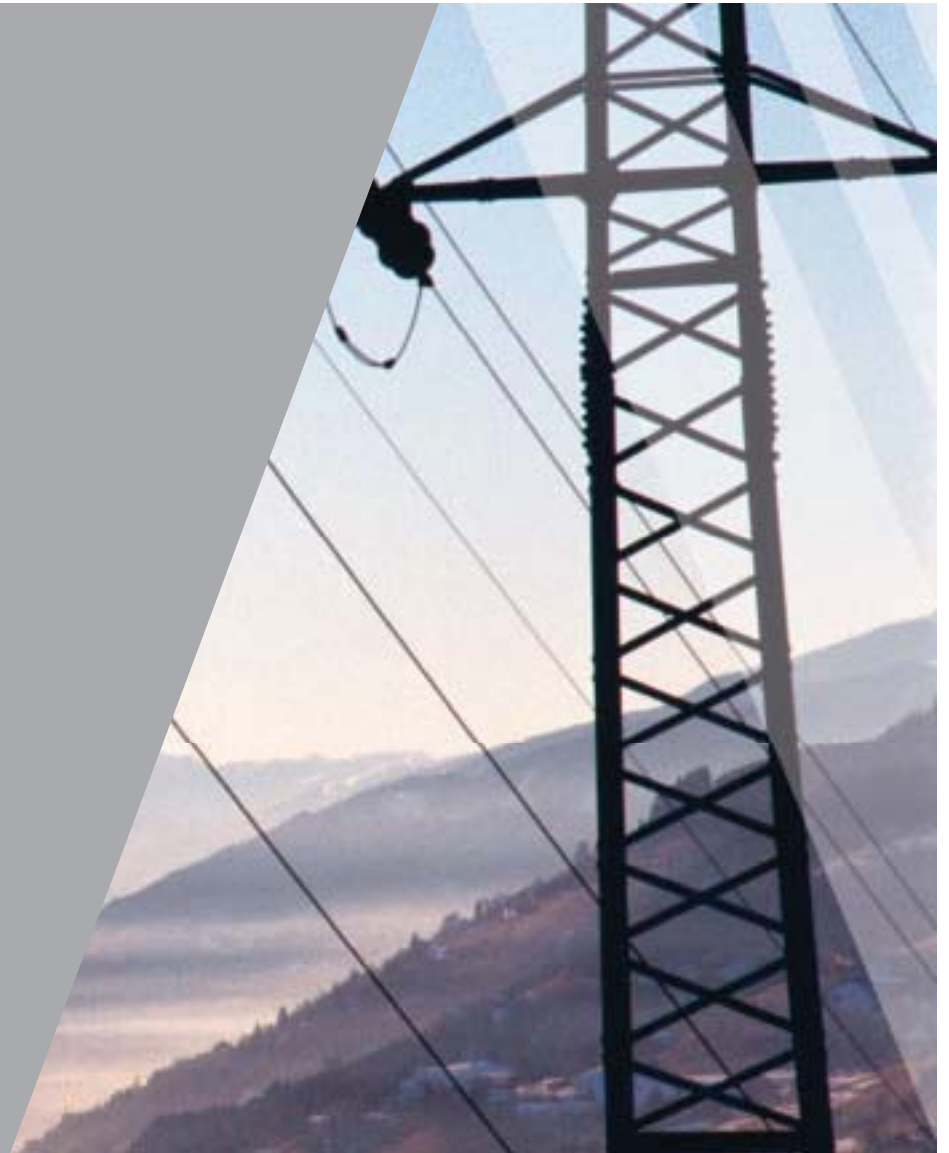
(\$ in millions)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
<b>Consolidated new business analysis:</b>				
Present value of new business production ("PVP") <sup>1</sup>				
Public finance - U.S.	\$ 154.9	\$ 107.2	\$ 500.2	\$ 460.4
Public finance - non-U.S.	-	17.7	1.8	31.3
Structured finance - U.S.	2.3	14.5	16.9	144.9
Structured finance - non-U.S.	0.9	-	0.9	58.3
Total PVP <sup>1</sup>	158.1	139.4	519.8	694.9
Less: PVP <sup>1</sup> of credit derivatives	-	1.1	2.4	146.9
PVP <sup>1</sup> of financial guaranty insurance	158.1	138.3	517.4	548.0
Less: Financial guaranty installment premium PVP <sup>1</sup>	4.2	37.8	28.3	85.9
Total: Financial guaranty upfront GWP	153.9	100.5	489.1	462.1
Plus: Upfront premium due to commutation	-	(20.8)	-	(20.8)
Plus: Financial guaranty installment GWP	4.4	32.9	4.4	88.9
Plus: Financial guaranty installment PVP <sup>1</sup> adjustment <sup>2</sup>	(34.3)	-	7.4	-
Total financial guaranty GWP	124.0	112.6	500.9	530.2
Plus: Mortgage guaranty segment GWP	0.2	0.2	0.2	0.7
Plus: Other segment GWP	-	-	(1.1)	3.5
<b>Total GWP</b>	<b>\$ 124.2</b>	<b>\$ 112.8</b>	<b>\$ 500.0</b>	<b>\$ 534.4</b>
<b>Operating income reconciliation:</b>				
<b>Operating income<sup>1</sup></b>	<b>\$ 70.1</b>	<b>\$ 26.0</b>	<b>\$ 160.9</b>	<b>\$ 71.0</b>
Plus: Realized gains (losses) on investments, after tax	(6.0)	(17.1)	(30.2)	(15.9)
Plus: Non-credit impairment unrealized gains (losses) on credit derivatives, after tax	(41.3)	(76.7)	(165.8)	241.8
Plus: Unrealized gains (losses) on committed capital securities, after tax	(34.5)	4.5	(61.1)	15.8
Plus: Goodwill and settlement of intercompany relationship, net	(23.3)	-	(23.3)	-
<b>Net income (loss) attributable to Assured Guaranty Ltd.</b>	<b>\$ (35.0)</b>	<b>\$ (63.3)</b>	<b>\$ (119.5)</b>	<b>\$ 312.7</b>

1. For definitions of the non-GAAP financial measures PVP and operating income, please refer to the appendix page 90.

2. 2009 amounts represent the difference in management estimates for the discount rate applied to future installments as well as the estimated term for future installments compared to the discount rate used for ASC 944-20.

**Appendix**



# Appendix

## Explanation of Assured Guaranty Non-GAAP Financial Measures



**PVP, or present value of new business production:** PVP is a non-GAAP financial measure defined as gross upfront and installment premiums received and the present value of gross estimated future installment premiums, on insurance and credit derivative contracts written in the current period, discounted at 6% for September 30, 2009 and 6% for December 31, 2008. Management believes that PVP is a useful measure for management, investors and analysts because it permits the evaluation of the value of new business production for Assured Guaranty by taking into account the value of estimated future installment premiums on all new contracts underwritten in a reporting period, whether in insurance or credit derivative contract form, which GAAP gross premiums written and net credit derivative premiums received and receivable portion of net realized gains and other settlement on credit derivatives ("Credit Derivative Revenues") do not adequately measure. For purposes of the PVP calculation, management discounts estimated future installment premiums on insurance contracts at the approximate taxable equivalent yield per year on the Company's general investment portfolio, while under ASC 944-20, "Financial Services – Insurance," these amounts are discounted at a risk free rate. Additionally, under ASC 944-20 management records future installment premiums on financial guaranty insurance contracts covering non-homogeneous pools of assets based on the contractual term of the transaction, whereas for PVP purposes, management records an estimate of the future installment premiums the Company expects to receive, which may be a shorter period of time than the contractual term of the transaction. Actual future net earned or written premiums and Credit Derivative Revenues may differ from PVP due to factors including, but not limited to, prepayments, amortizations, refundings, contract terminations or defaults that may or may not result from changes in market interest rates, foreign exchange rates, refinancing or refundings, prepayment speeds, policy changes or terminations, credit defaults or other factors that management cannot control or predict. PVP should not be viewed as a substitute for gross written premiums determined in accordance with GAAP.

**Operating income:** Operating income is a non-GAAP financial measure defined as net income (loss) attributable to Assured Guaranty Ltd., AGC or AGM, as applicable (which excludes noncontrolling interest in consolidated variable interest entities), adjusted for the following:

- 1) Elimination of the after-tax realized gains (losses) on investments;
- 2) Elimination of the after-tax non-credit impairment unrealized gains (losses) on credit derivatives, which are unrealized gains (losses) other than the Company's net estimate of after-tax incurred economic credit losses for credit derivatives;
- 3) Elimination of the after-tax unrealized gains (losses) on the Company's committed capital securities; and
- 4) Elimination of goodwill and settlement of pre-existing relationships.

Management believes that operating income is a useful measure for management, investors and analysts because the presentation of operating income enhances the understanding of the Company's results of operations by highlighting the underlying profitability of its business. Realized gains (losses) on investments, non-credit impairment unrealized gains (losses) on credit derivatives, and unrealized gains (losses) on the Company's committed capital securities are excluded because these gains (losses) are heavily influenced by, and fluctuate, in part, according to changes in market interest rates, credit spreads and other factors that management cannot control or predict. This measure should not be viewed as a substitute for net income (loss) determined in accordance with GAAP.

**Operating shareholders' equity:** Operating shareholders' equity is a non-GAAP financial measure calculated as shareholders' equity attributable to Assured Guaranty Ltd., AGC or AGM, as applicable (which excludes noncontrolling interest in consolidated variable interest entities), reported under GAAP, adjusted for the following fair value adjustments deemed to be unrelated to credit impairment. The specific adjustments are:

- 1) Elimination of the after-tax non-credit impairment unrealized gains (losses) on credit derivatives which are unrealized gains (losses) other than the present value of estimated economic credit losses;
- 2) Elimination of the after-tax unrealized gains (losses) on the Company's committed capital securities; and
- 3) Elimination of the after-tax unrealized gains (losses) on investment portfolios, recorded as a component of accumulated comprehensive income, excluding foreign exchange revaluation.

Management believes that operating shareholders' equity is a useful measure for management, investors and analysts because the presentation of operating ROE enhances the understanding of the Company's shareholders' equity excluding unrealized gains (losses) on investments, non-credit impairment unrealized gains (losses) on credit derivatives, and unrealized gains (losses) on the Company's committed capital securities, which are heavily influenced by, and fluctuate, in part, according to changes in market interest rates, credit spreads and other factors that management cannot control or predict. This measure should not be viewed as a substitute for shareholders' equity attributable to Assured Guaranty Ltd., AGC or AGM determined in accordance with GAAP.

# Appendix

## Explanation of Assured Guaranty Non-GAAP Financial Measures (cont'd)



**Operating return on equity ("Operating ROE"):** Operating ROE represents operating income for the specified period divided by the average of operating shareholders' equity at the beginning and the end of the specified period. Management believes that Operating ROE is a useful measure for management, investors and analysts because the presentation of Operating ROE enhances the understanding of the Company's return on shareholders' equity by highlighting the underlying profitability relative to shareholders' equity excluding the effect of unrealized gains and losses on the Company's investment portfolio, credit derivatives and committed capital securities for both net income and shareholders' equity. Realized gains (losses) on investments, non-credit impairment unrealized gains (losses) on credit derivatives, and unrealized gains (losses) on the Company's committed capital securities are excluded because these gains (losses) are heavily influenced by, and fluctuate, in part, according to changes in market interest rates, credit spreads and other factors that management cannot control or predict. This measure should not be viewed as a substitute for ROE determined in accordance with GAAP.

**Adjusted book value:** Subsequent to the adoption of ASC 944-20 on January 1, 2009 and the acquisition of Financial Security Assurance Holdings ("FSAH") on July 1, 2009, adjusted book value, which is a non-GAAP financial measure, is calculated as shareholders' equity attributable to Assured Guaranty Ltd., AGC or AGM, as applicable (which excludes noncontrolling interest in consolidated subsidiaries), less after-tax fair value adjustments deemed to be non-economic, plus after-tax unearned premium reserves net of prepaid reinsurance and deferred acquisition costs, plus the after-tax present value of estimated future revenues on contracts written in credit derivative contract form. The specific adjustments to shareholders' equity attributable to Assured Guaranty Ltd. (or AGC or AGM, as applicable) are:

- 1) Elimination of the after-tax non-credit impairment unrealized gains (losses) on credit derivatives other than the present value of estimated economic credit losses;
- 2) Elimination of the after-tax unrealized gains (losses) on the Company's committed capital securities;
- 3) Elimination of the after-tax unrealized gains (losses) on investment portfolios, recorded as a component of accumulated comprehensive income, excluding foreign exchange revaluation,
- 4) Elimination of after-tax deferred acquisition costs
- 5) Addition of the after-tax net present value of estimated future revenue on credit derivatives in force, less future ceding commissions and premium taxes, discounted at 6% for September 30, 2009 and 6% for December 31, 2008;
- 6) Addition of the after-tax value of the unearned premium reserve on financial guaranty contracts in excess of expected loss, net of prepaid reinsurance premiums; and
- 7) Addition of the after-tax value of unearned premium reserve on credit derivatives net of prepaid reinsurance.

Management believes that adjusted book value is a useful measure for management, equity analysts and investors because the calculation of adjusted book value permits an evaluation of the net present value of the Company's in force premiums and shareholders' equity. The premiums described above will be earned in future periods, but may differ materially from the estimated amounts used in determining current adjusted book value due to changes in market interest rates, foreign exchange rates, refinancing or refunding activity, prepayment speeds, policy changes or terminations, credit defaults and other factors that management cannot control or predict. This measure should not be viewed as a substitute for shareholders' equity attributable to Assured Guaranty Ltd. (or AGC or AGM, as applicable) determined in accordance with GAAP.

**Net present value of estimated future revenue on credit derivatives in force:** Net present value of estimated installment premiums on credit derivatives in force is a non-GAAP financial measure defined as the present value of estimated future revenue from our credit derivative in-force books of business, net of reinsurance and discounted at 6% for September 30, 2009 and 6% for December 31, 2008. Management believes that net present value of estimated future revenue in force is a useful measure for management, investors and analysts because it permits an evaluation of the value of future estimated credit derivative revenue. Estimated future premiums may change from period to period due to changes in par outstanding, maturity, or other factors that management cannot control or predict that result from market interest rates, foreign exchange rates, refinancing or refunding activity, prepayment speeds, policy changes or terminations, credit defaults, or other factors. There is no comparable GAAP financial measure.

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## Fixed Income Investor Presentation Third Quarter 2009

