Response to Moody's March 20, 2012 Announcement Concerning Assured Guaranty's Ratings

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Moody's Investors Service (Moody's) recently published two sets of reports on Assured Guaranty. In the first report, dated March 20, 2012, Moody's placed the Insurance Financial Strength ratings of Assured Guaranty Municipal Corp. (AGM) and Assured Guaranty Corp. (AGC) on review for possible downgrade, citing lower origination volume, a difficult economy and the potential for lower margins in the future. On the second occasion, March 26, 2012, Moody's published separate updated Credit Opinions for AGM and AGC showing that, using Moody's own Financial Strength Rating Scorecard, both AGM and AGC have earned strong Aa ratings.

While a great deal has occurred since 2009, when Assured Guaranty was last reviewed by Moody's, we do not believe that a potential downgrade based primarily on concerns about origination volume and future margins (neither of which are relevant to a financial guarantor's financial strength rating) appropriately reflects Assured Guaranty's fundamental claims-paying ability, or would be in the best interest of insured bondholders ─ or the financial markets in general.

Over the last three years, Assured Guaranty developed specific strategies to meet the challenges of the recent recession and to lay a firm foundation for our business going forward. Notably we:

- pursued strategies to reduce losses (*e.g.,* by causing mortgage originators and sponsors of securitization transactions to repurchase defective loans and by purchasing insured securities at a discount);
- maintained credit and pricing discipline on new originations;
- prudently managed our capital position, resulting in significantly improved leverage ratios;
- developed additional sources of capital; and
- set a high standard of transparency to further strengthen investor confidence in both the fixed income and equity markets.

To evaluate the success of these strategies, we have measured Assured Guaranty's economic performance relative to each metric described in *Moody's Rating Methodology for the Financial Guaranty Insurance Industry.*[1] In the following pages, we describe the improvements we have made since 2009 relative to each of the analytical components of Moody's criteria. Using these published guidelines and consistent with the Credit Opinions Moody's published for AGM and AGC on March 26, we believe the Assured Guaranty companies continue to meet Moody's Aa rating requirements.

[1] *Moody's Rating Methodology for the Financial Guaranty Insurance Industry* – September 2006.

Franchise & Strategy

Based on our recent conversations with Moody's and other market participants, it is clear that Moody's incorrectly places an inordinate emphasis on building and maintaining market share when rating the credit strength of a financial guarantor. As a company whose primary business is insuring long-term obligations of municipalities, Assured Guaranty's greatest management challenge is to balance the twin objectives of (i) increasing revenues while upholding our strict credit discipline and (ii) achieving the highest possible ratings and capital adequacy. Faced with the current stressful economic environment and declining interest rates, it would be imprudent to cut prices and sacrifice returns or credit quality in an effort to maintain market share and bolster revenues. In fact, a single-minded pursuit of ever higher revenues and market share in the past led our former competitors to venture into markets that were vastly more volatile than originally assumed. It is counterintuitive for Moody's to demand market share growth in the current economic environment — this metric clearly should not influence financial strength ratings. In addition, in an industry that receives its revenue in advance, there is little need to rely on current production to maintain earnings or financial strength. The Assured Guaranty companies have recorded approximately $6 billion of deferred revenue, which insulates us from any financial disruption caused by a temporary lack of current production. We are therefore well positioned to address current market opportunities prudently and are not pressured to insure risks outside our strict requirements.

Consider the following facts. Moody's frequently refers in glowing terms to the period from 2002-2006 when bond insurance covered 50% or more of all municipal bonds sold in the U.S. During this time, Moody's rated seven guarantors Aaa. In an effort to grow in such a crowded field, some of these Aaa-rated companies reduced premiums in the municipal market, while others expanded rapidly into volatile new corners of the asset-backed security (ABS) market by insuring such exotic securities as ABS CDOs and a structure referred to as CDO squared (CDO^2). Reflecting this competitive environment, in 2006 AGM (then known as FSA) insured 11.9% of the par amount of new U.S. municipal bonds at an average premium rate of 36.9 bps on total debt service. In 2011, AGM insured (at comparable credit quality) 5.3% of U.S municipal bonds sold but at an average premium of 65 bps on total debt service. Economically, the observed decline in market share has been offset by higher premium levels, and has also resulted in lower insured leverage against capital (see table on page 4). We are surprised that Moody's fails to recognize the advantage of this strategy in the current economic environment. More importantly, in Moody's recent publications, they cited concern over falling profit margins. This is clearly not the case and is factually incorrect. In Appendix A, we analyze historical market penetration statistics to further demonstrate the ongoing market demand for financial guaranty insurance.

We believe that building and maintaining significant claims-paying resources is our first priority, and with that comes the need to maintain stringent underwriting standards and to charge adequate premiums to justify deploying our capital. To Assured Guaranty's credit, aggressively building market share is not a strategy we pursued during the industry's "prime," and it does not reflect our business philosophy and approach to the current market. Market share is a poor indicator of the strength of a financial institution and does not justify writing high risk and inappropriately priced business. As proof, we need look no further than the other market share leaders from 2006 (MBIA, AMBAC, FGIC), each of which has ceased writing new business or defaulted on their insured obligations.

As previously noted, Assured Guaranty does not depend on current production to significantly enhance its financial strength. This stands in stark contrast to other financial services businesses, including banks and property and casualty insurers, who must renew and expand their customer base each year to build adequate reserves. With approximately $6 billion of unearned premium reserve, Assured Guaranty does not rely on new business to meet its obligations and can prudently limit its originations during periods of low market volume and compressed credit spreads. Furthermore, this $6 billion unearned premium reserve provides a base of stable revenues for at least the next five years, further reducing the volatility of future financial performance for Assured Guaranty versus that of other financial service institutions.

Origination Trends in 2011 and 2012

Despite Moody's concerns regarding Assured Guaranty's business opportunities, our company continues to play a significant role in the municipal market. During 2011, Assured Guaranty insured 1,228 individual transactions and $15.2 billion of par in the U.S. municipal market. This production represented more than 5.3% of all municipal par and over 12.0% of all municipal transactions brought to market in 2011. Our penetration rate thus far in 2012 is consistent with these percentages.

Looking at the single-A segment of the market (*i.e.,* uninsured transactions that were rated single-A and insured transactions of single-A underlying credit quality), AGM and AGC guaranteed 16% of all new issue par and 38% of all transactions in 2011. These statistics have increased to 17% of par and 39% of transactions thus far in 2012.

Premium rates have also improved since Standard & Poor's Ratings Services (S&P) assigned stable AA- ratings to our financial guaranty operating companies in November 2011, after months of uncertainty about the components of their new bond insurer rating criteria. Thus far in 2012, our average premium rate is 71 bps (on total debt service) versus 65 bps in 2011 and double the rate earned in 2006.

Our origination activity since Moody's announced its review on March 20 provides further evidence of the continued demand for our insurance. At the time of Moody's announcement, 127 transactions with more than $1.4 billion of par had been sold with our insurance but had not yet closed. Every one of those transactions has closed or is scheduled to close as planned. Since March 20, another 65 new issues, with a total insured par of $766 million, have sold with our insurance, generally saving issuers 10-25 basis points compared with their interest cost for uninsured bonds. In total, since March 20, we have been asked to bid on 256 issues representing $7.9 billion of par (most of which have not yet come to market), clearly reflecting demand for the Assured Guaranty product. In addition, since Moody's announcement we have insured an additional $73 million of bonds in the secondary market. These results clearly reinforce that there is ongoing issuer need and investor demand for our guaranty.

Capital Adequacy

Much to our frustration, Assured Guaranty has not yet received any specific information regarding the preliminary output of Moody's capital adequacy model. Several conference calls with Moody's residential mortgage-backed securities (RMBS) analysts have led us to suspect, however, that the analytical model used by Moody's to estimate base and stress case losses for our portfolio is flawed. In assessing similarly structured transactions, Moody's RMBS cash flow models have produced inconsistent results that differ significantly from models (such as Intex)

widely used by expert participants in the market. Certain of these differences may result from certain simplifying assumptions that Moody's model requires but, more importantly, we do not believe that Moody's cash flow models accurately represent the cash flow waterfalls specified in the transaction documents. Given this degree of uncertainty, under these conditions and without performing a capital assessment, Moody's decision to place Assured Guaranty's ratings on review for possible downgrade cannot be supported. It also appears to be inconsistent with the new SEC requirements for transparency and is disconcerting in light of the ongoing concern with rating accuracy.

Beyond the capital adequacy model, the following table illustrates the impressive resilience Assured Guaranty has shown since the onset of the current economic cycle.

Assured Guaranty Consolidated

(*dollars in millions*)

	2007[2]	2008[2]	2009	2010	2011
Claims-Paying Resources					
Policyholders' Surplus	$3,106	$2,309	$2,962	$2,627	$3,116
Contingency Reserves	1,676	1,993	1,879	2,288	2,572
Statutory Capital	4,782	4,302	4,841	4,915	5,688
Statutory Unearned Premium Reserve	3,206	3,810	4,127	4,220	4,036
Loss and Loss Adjustment Expense Reserve	128	1,740	1,441	1,112	902
Policyholders' Surplus and Reserves	8,116	9,852	10,409	10,247	10,626
PV of Future Installment Premiums	2,033	1,873	1,744	1,485	1,178
Third Party Capital Support [3]	1,030	950	898	898	1,035
Claims-Paying Resources	**$11,179**	**$12,675**	**$13,051**	**$12,630**	**$12,839**
Claim Experience					
Annual Claim Payments[4]	**48**	**837**	**1,053**	**932**	**1,028**
Cumulative Claim Payments	**48**	**885**	**1,938**	**2,870**	**3,898**
Leverage					
Net Statutory par outstanding to Statutory capital	**131:1**	**150:1**	**129:1**	**122:1**	**95:1**
Net Statutory par outstanding to claims-paying resources	**56:1**	**51:1**	**48:1**	**47:1**	**42:1**

Two important conclusions can be drawn from the table above. First, since the onset of the real estate collapse in the U.S. (12/31/07), despite Assured Guaranty having paid nearly $4 billion of insured claims, our claims-paying resources have actually grown from $11.2 billion (including

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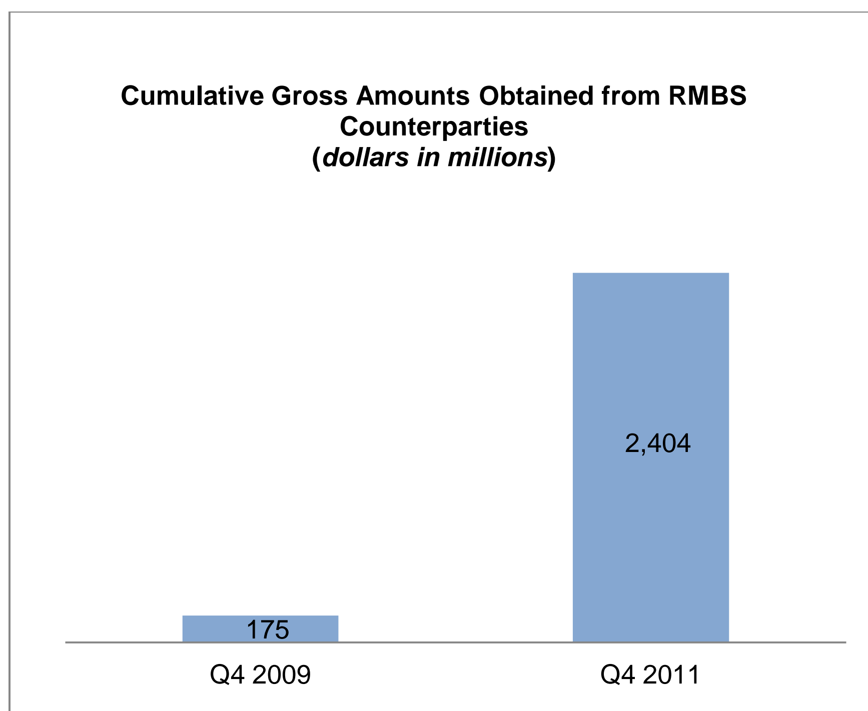
[2] Pro forma, including AGM prior to its acquisition by Assured Guaranty.

[3] Includes $435 million excess-of-loss reinsurance facility for the benefit of AGM and AGC, which became effective January 1, 2012 and replaced a $298 million non-recourse credit facility terminated by AGM on December 23, 2011.

[4] Represents gross claims less reinsurance after the benefit that flowed through transaction waterfalls from repurchases of mortgage loans for breaches of R&W.

AGM before its acquisition) to over $12.8 billion today. Second, during this same period of time, Assured Guaranty's leverage, whether measured against statutory capital or claims-paying resources, has declined significantly. Both should be important facts when considering Assured Guaranty's ratings rather than the heavy emphasis Moody's places on new business production.

These impressive results reflect the successful implementation of strategies both to increase capital and to reduce losses. Of particular importance during this time has been Assured Guaranty's success in pursuing recoveries for breaches of representations and warranties (R&W) by mortgage originators and securitization sponsors. At the time of our last review by Moody's in November 2009, Assured Guaranty had already obtained $175 million in R&W recoveries and carried an asset of approximately $1 billion representing future projected R&W recoveries. At that time, Moody's told us that they would apply some or all of the $1 billion to offset stress-case losses in determining our 2009 capital adequacy. As shown in the graph below, from that time through year-end 2011, Assured Guaranty has actually obtained $2.2 billion of additional receipts and commitments for recoveries in respect of R&W breaches, including those from the agreement with Bank of America announced in April 2011. This cumulative year-end 2011 total of $2.4 billion of receipts and commitments is more than twice the amount Moody's previously estimated and proves the value of this source of recovery and our ability to mitigate future losses from our RMBS exposures.



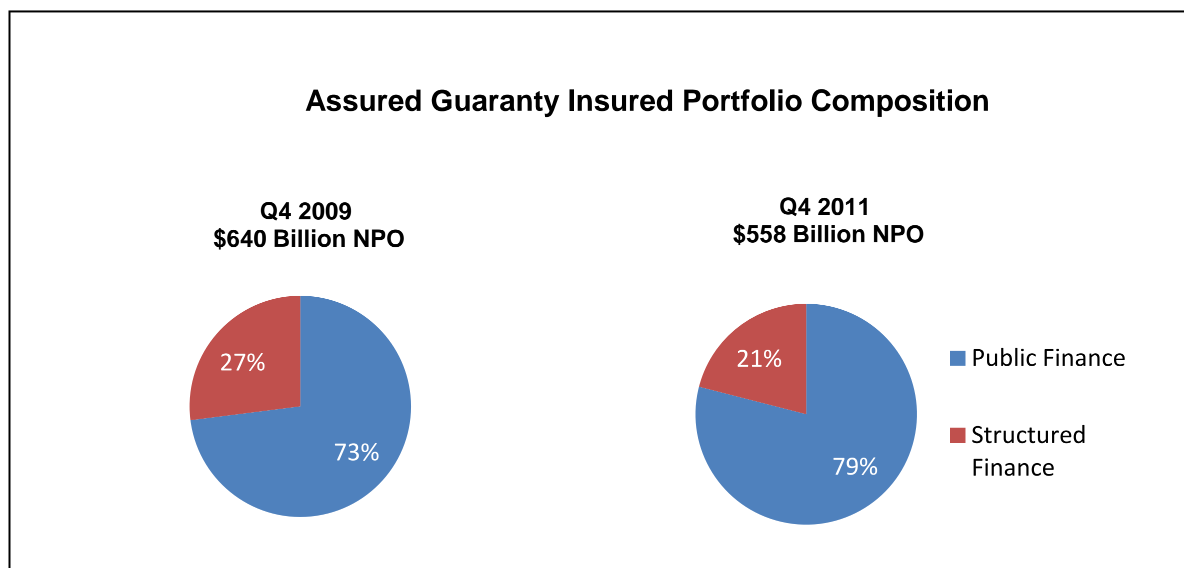
In addition to our success in pursuing R&W claims, Assured Guaranty has also taken aggressive action to improve the servicing of our insured transactions. To date we have transferred servicing and/or implemented incentive-based special servicing contracts with respect to 23 transactions representing $3.6 billion of RMBS. As a result of these actions, we have experienced a significant decline in delinquencies, noted improvements in loss severities and have lower losses in the affected transactions. We plan to expand this program in 2012 and are, in addition, considering legal action against certain negligent servicers to further increase

RMBS recoveries. Recently, one legacy servicer agreed in principle to transfer eight HELOC transactions, representing an additional $2.4 billion of RMBS, to a special servicer under an incentive-based servicing agreement.

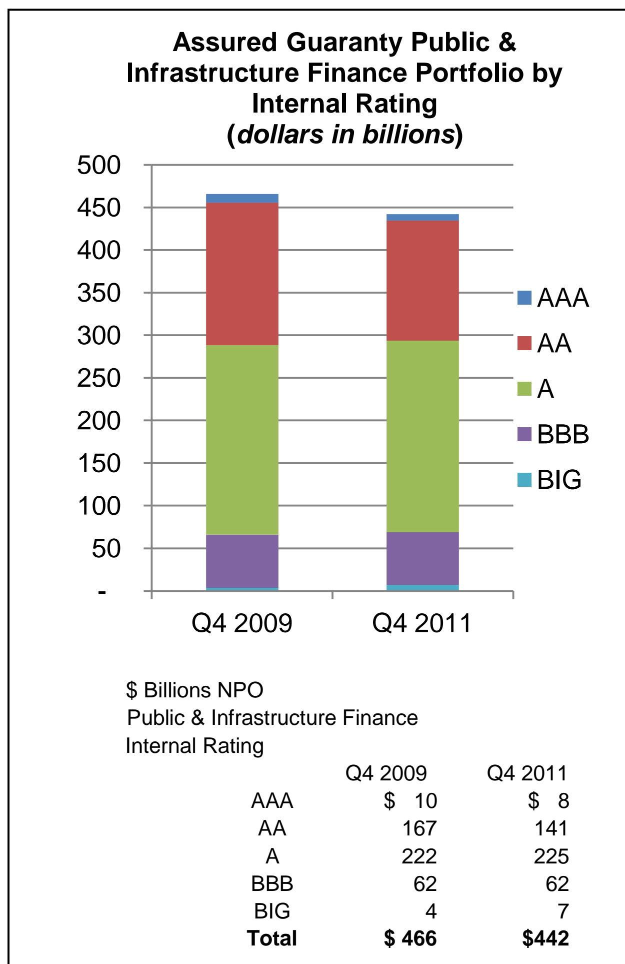
This demonstrated success in R&W putbacks and servicing transfers provides further evidence that our guaranteed transactions will perform significantly better in an adverse market than transactions that are not insured and that do not benefit from Assured Guaranty's active loss mitigation efforts. We do not believe such a material difference in approach and results has been fully reflected in Moody's analysis of our RMBS exposures. In addition, Moody's typically recognizes some portion of Assured Guaranty's base case R&W recoverable asset as an offset to Moody's *stress case* RMBS losses. This treatment fails to adjust for the obvious fact that R&W claims arise from defaulted loans and would be significantly higher if Moody's stress case mortgage losses actually occurred. As a result, Moody's RMBS loss analysis significantly understates the value of Assured Guaranty's R&W claims as a mitigant to future losses.

Portfolio Characteristics

Since 2009, the most obvious change in Assured Guaranty's insured portfolio has been the 34% decline in structured finance insured net par outstanding (NPO). This runoff is approximately 10% faster than we estimated for Moody's back in 2009.

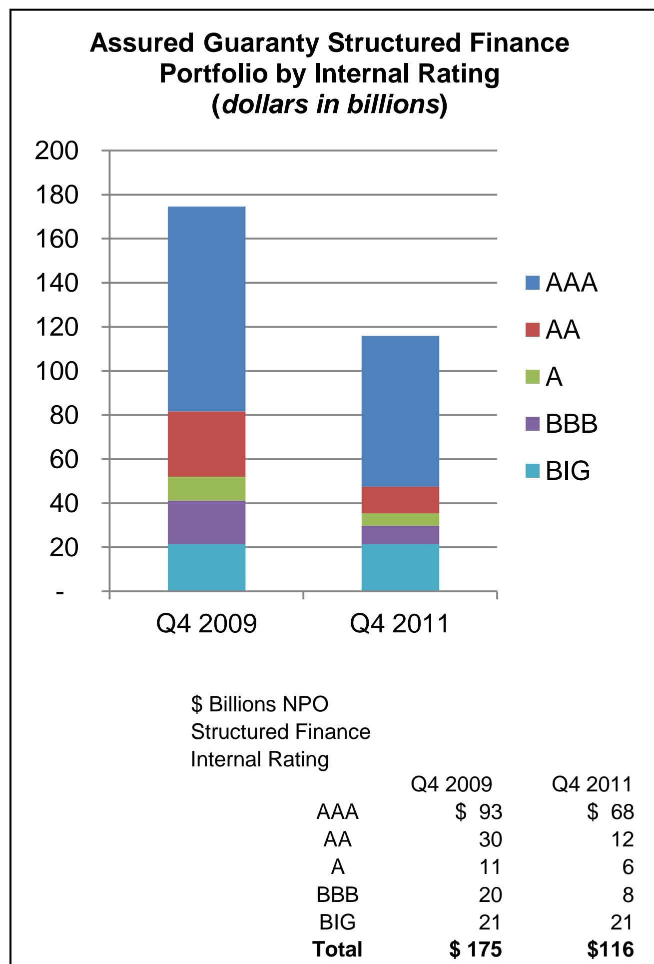


A second important trend is the remarkable stability in the underlying credit quality of Assured Guaranty's portfolio during this period relative to claims-paying resources. The graphs on page 7 show Assured Guaranty's underlying ratings for its public finance and structured finance portfolios.



$ Billions NPO
Public & Infrastructure Finance
Internal Rating

	Q4 2009	Q4 2011
AAA	$ 10	$ 8
AA	167	141
A	222	225
BBB	62	62
BIG	4	7
Total	**$ 466**	**$442**

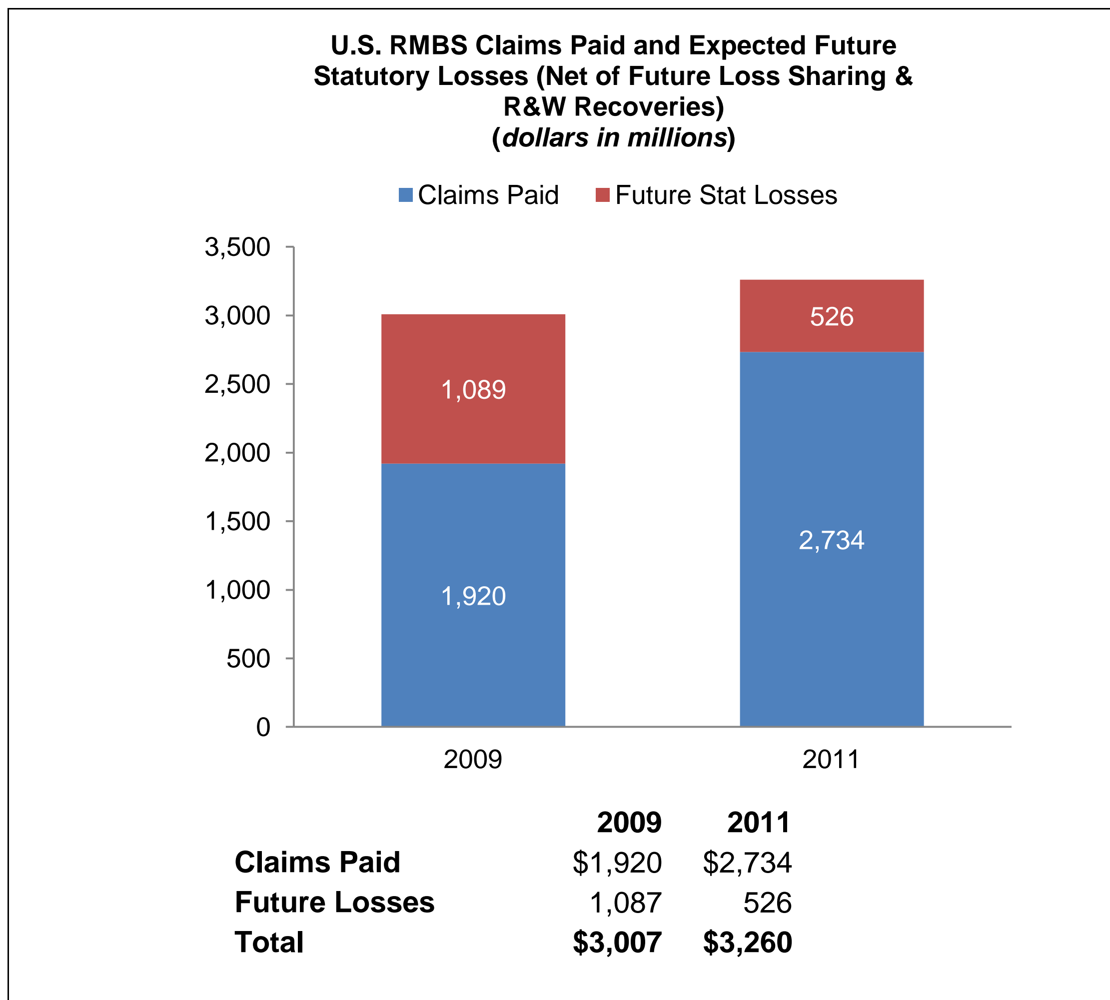


$ Billions NPO
Structured Finance
Internal Rating

	Q4 2009	Q4 2011
AAA	$ 93	$ 68
AA	30	12
A	11	6
BBB	20	8
BIG	21	21
Total	**$ 175**	**$116**

Of particular note in the tables above is the minimal increase in below investment grade (BIG) exposure between 2009 and 2011. Furthermore, almost $2 billion of Assured Guaranty's current RMBS portfolio is characterized as BIG despite being covered by third-party loss-sharing agreements. Adjusting for these agreements, Assured Guaranty's BIG exposure is approximately the same as it was in 2009 when Moody's last revised our rating. This stability contrasts markedly with Moody's stated concern that Assured Guaranty's portfolio suffers from an "elevated portion" of BIG risks, especially when compared with our increased claims-paying ability over the same period.

Two other important trends relating to Assured Guaranty's RMBS portfolio are shown in the graph on page 8, which compares expected lifetime RMBS claims paid and estimated through 2009 to those paid and estimated as of December 2011. This graph shows both the modest increase (8.3%) in lifetime losses over this period and, importantly, the reduced contribution of future losses to the total. This should be expected, as the period of greatest losses has passed and our ultimate loss estimates have become more certain as the portfolio seasons.



	2009	2011
Claims Paid	$1,920	$2,734
Future Losses	1,087	526
Total	**$3,007**	**$3,260**

Profitability

From 2009-2011, Assured Guaranty recorded approximately $1.6 billion of operating income with an average operating return on equity of 12.3%. These returns are consistent with Aaa ratings under Moody's published methodology. The reality of these strong earnings at a time when most financial institutions required government assistance or recorded operating losses cannot be ignored by the Moody's rating process. Reality must matter.

Throughout the financial crisis, Assured Guaranty has focused heavily on loss mitigation, adding approximately 30 staff in this area since 2008. Despite this incremental expense, Assured Guaranty's expense ratio remains in the Aa range, averaging under 40% for the period. While loss mitigation does not generate premiums, this effort enabled Assured Guaranty to cause R&W providers to pay or agree to pay $2.4 billion for including ineligible mortgage loans in RMBS transactions.

Financial Flexibility

Beginning with its IPO in 2004, Assured Guaranty has continuously demonstrated its ability to access the capital markets. Assured Guaranty also benefits from the $430 million of 100-year debt that AGM's holding company (AGMH) issued in 2001-2003 and $800 million invested by Dexia in AGM in 2008. During 2009, to finance a portion of the acquisition of AGM and to add operating capital, Assured Guaranty raised $172.5 million of convertible debt and over $1 billion of common equity. In 2012, we successfully accessed a new reinsurance market, entering into a $435 million excess-of-loss transaction covering Assured Guaranty's public finance book with a syndicate of five strong property and casualty reinsurers that had not reinsured our business in the past.

In addition, many of Assured Guaranty's loss mitigation strategies have had the effect of creating capital without the need to access the capital markets directly. Primary among these strategies have been the cancellation of $12.8 billion in net par of credit default swaps and insurance policies during 2011, the purchase of insured bonds at a discount and the reassumption of reinsurance (and the associated premium) from certain lower rated reinsurers for which we were given little or no credit in Moody's capital model.

Resilience Through the Financial Crisis

During the financial crisis, the federal government provided TARP money to over 700 financial institutions, including all of the top 15 bank holding companies (other than those affiliated with non-U.S. banks or one insurance company). Assured Guaranty was able to meet its financial obligations, maintain high financial strength ratings and even increase its claims-paying resources during the crisis, all without government assistance of any kind.

We managed successfully through this difficult period because of the strength of the basic financial guarantor business model in times of financial stress. While several financial guarantors ran into difficulties after straying from their fundamental underwriting principles by guaranteeing highly leveraged assets like ABS CDOs or CDO^2, Assured Guaranty's experience demonstrates the efficacy of the financial guarantor model when properly executed. In the financial crisis, other financial institutions, such as banks, were shown to be highly vulnerable to a variety of risks not found at Assured Guaranty, including complex asset/liability exposures, potential losses from proprietary trading strategies, direct commercial real estate risks and claims arising from government/regulatory litigation. In contrast, Assured Guaranty has limited its activity to markets it understands and has maintained a strong credit profile throughout the recent economic turmoil.

In their announcement, Moody's expressed a concern that distressed municipal issuers may choose to strategically default on insured debt obligations. They provided no data to support such a broad claim, and we have seen no evidence supporting such a trend in our portfolio or across the industry. Moreover, Moody's made this statement two weeks after it stated in its *Special Comment on U.S. Bond Defaults and Recoveries, 1970-2011* that municipal defaults will remain "infrequent and isolated events, rather than systemic events, despite unprecedented credit pressure." Further, it is important to note that insurance does not change an issuer's legal obligation to pay its debt obligations and, when a payment default does occur, a guarantor is often better positioned to obtain higher recoveries than uninsured bondholders.

Estimate of Assured Guaranty Rating Profile

Using the Moody's rating methodology for the financial guaranty industry, we have performed an internal review of all relevant metrics in each of the five rating factor categories as of year-end 2011. Moody's has informed us that they have not yet estimated Assured Guaranty's base and stress case losses for our RMBS portfolio. For purposes of the following analysis, we have used the assumed RMBS losses from the recently completed S&P analysis of Assured Guaranty's portfolio. For simplicity of presentation, our analysis combines the results for AGM and AGC into a single score. In Appendix B, we show the results for AGM and AGC separately, as published by Moody's on March 26, 2012. Our results are summarized below.

Strategy and Franchise Value metrics scored in the Aaa or Aa range for the five metrics we were able to test (a test for "% of reinsurance industry gross par written" is not meaningful at this time). Our Aa result for "% of primary industry gross par written" is based on 2011 market penetration of bond insurance, although the criteria contemplated using each company's share of the insured market (which was 100% for Assured Guaranty in 2011). Our Aa and Aaa assessment of "client concentration" and "management quality," respectively, are subjective, of course.

Strategy and Franchise Value (25%)	Result	AAA	AA	A
% of industry net par outstanding	31.8%	10% - 20%		
% of primary industry gross par written	5.3%		5% - 10%	
% of reinsurance industry gross par written	nm			
Moody's ABV / BV	1.88	1.3x-1.5x		
Client Concentration	strong		strong	
Management quality, oversight	fully developed	very strong		

Portfolio Characteristics metrics also scored in the Aaa or Aa range for the four metrics in this category. Our Aaa result for "credit risk ratio" is based on Assured Guaranty loss reserves including credit for R&W. Our Aa result for "tail risk ratio" is calculated using the latest S&P losses and Assured Guaranty's current R&W asset.

Portfolio Characteristics (20%)	Result	AAA	AA	A
Credit risk ratio	0.51%	30 - 60 bps		
Tail risk ratio	2.05%		150 - 250 bps	
% of BIG exposure	5.1%		3% - 6%	
Worst-case loss relative to capital	19.0%	0% - 50%		

Capital Adequacy metrics scored in the Aaa or Aa range, as well, for the three metrics in this category. Losses used for the “hard capital ratio” and “total capital ratio” are calculated using latest S&P stress case losses and Assured Guaranty’s current R&W asset. Par reinsured includes only amounts ceded outside the Assured Guaranty group.

Capital Adequacy (30%)	Result	Aaa	Aa	A
Hard capital ratio	Aa		x	
Total capital ratio	Aa		x	
Par reinsured (%)	9.2%	0% - 10%		

Profitability metrics produced one score in each of the Aaa, Aa and A ranges for the three metrics in this category. Our Aaa result for return on equity (ROE) is measured at the AGL operating level and is a simple average of the prior three years (AGM results for 2009 include only third and fourth quarter due to the purchase transaction). Our A result for “loss ratio” and our Aa result for “expense ratio” are both based on weighted three-year statutory results for AGM and AGC.

Profitability (15%)	Result	Aaa	Aa	A
Return on equity - 3-year average	12.3%	12% - 16%		
Loss ratio - Statutory 3-year average	49.1%			30% - 50%
Expense ratio - Statutory 3-year average	37.2%		20% - 40%	

Financial Flexibility metrics scored in the Aaa or Aa range for the four metrics in this category. Our Aa result for “double leverage” is based on operating equity and includes the impact of Assured Guaranty US Holdings Inc. (AGUS) and AGMH debt. Our Aaa assessment of “ease of access to capital” is based on four transactions in the last 33 months. In 2009, Assured Guaranty raised capital three times: equity of $487 million and debt of $172.5 million in June and equity of $574 million in December. In January 2012, Assured Guaranty executed a $435 million excess-of-loss reinsurance facility.

Financial Flexibility (10%)	Result	AAA	AA	A
Earnings coverage	9.1		7x - 10x	
Cash flow coverage	4.02		4.0x - 6.0x	
Double leverage	1.30		1.2x - 1.3x	
Ease of access to capital	consistent market access	very strong		

Based on our 2011 estimated internal results of Moody’s scorecard, we believe that the ratings of AGM and AGC should fall safely in the Aa range (weighted score is closest to Aa1).

Conclusion

We believe that the long-term value of the Assured Guaranty franchise rests on two essential pillars. The first is to provide spread savings and improved market access for creditworthy issuers. The second is to maintain the highest possible ratings and actively protect the interests of bondholders and shareholders. Despite the significant challenges we have faced since the onset of the Great Recession, Assured Guaranty has implemented effective strategies to provide value to issuers and to honor our commitments to bondholders. During this period we have:

- maintained the high quality of our insured portfolio;
- mitigated over $2.4 billion of losses on RMBS securities;
- significantly reduced aggregate leverage;
- produced over $1.6 billion of operating income; and
- insured $77 billion of municipal bonds in the last three years.

As we look forward, it is apparent that the U.S. economy has regained its footing. Gross domestic product is growing, unemployment is falling and the U.S. banking system is able to provide capital to the businesses and consumers that produce economic growth. Having taken steps to address the challenges of the recession, we believe Assured Guaranty's financial strength is firmly in the Aa category under Moody's published methodology and we are in a unique position to take advantage of future growth opportunities.

Cautionary Statement Regarding Forward-Looking Statements:

This document contains information that includes or is based upon forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements give the expectations or forecasts of future events of Assured Guaranty Ltd. ("AGL" and, together with its subsidiaries, "Assured Guaranty" or the "Company"). For these statements, Assured Guaranty claims the protection of the safe harbor for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Assured Guaranty's forward-looking statements are based on current expectations and the current economic environment and may turn out to be incorrect. Assured Guaranty's actual results may vary materially due to risks and uncertainties, including those factors identified in Assured Guaranty's filings with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements, which are made as of April 13, 2012. Assured Guaranty undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Appendix A

Historical Market Penetration Statistics

Total New Issue U.S. Public Finance for 2006

($ in millions)	Total Volume by Underlying Rating	% of Total Volume by Underlying Rating	Total FG Industry Insured Par within Rating Category	Total FG Industry Penetration within Rating Category	Assured Guaranty Insured Par within Rating Category	Assured Guaranty Penetration within Rating Category
AAA	$60,117.5	16%	$3.0	0.0%	$0.0	0.0%
AA	$142,874.2	37%	$70,792.5	49.5%	$20,663.7	14.5%
A	$88,031.9	23%	$65,455.5	74.4%	$15,091.5	17.1%
BBB	$22,929.3	6%	$10,431.1	45.5%	$2,257.5	9.8%
BIG	$620.8	0%	$306.5	49.4%	$0.0	0.0%
NR	$69,864.5	18%	$45,234.6	64.7%	$9,328.2	13.4%
	$384,438.2	100%	$192,223.2	50.0%	$47,340.9	12.3%

Total New Issue U.S. Public Finance for 2011

	Total Volume by Underlying Rating	% of Total Volume by Underlying Rating	Assured Guaranty Insured Par within Rating Category	Assured Guaranty Penetration within Rating Category
AAA	$52,448.1	19%	$0.0	0.0%
AA	$132,637.3	48%	$1,881.5	1.4%
A	$72,721.3	26%	$11,476.4	15.8%
BBB	$16,466.0	6%	$1,746.7	10.6%
BIG	$830.7	0%	$0.0	0.0%
NR	$2,432.8	1%	$79.7	3.3%
	$277,536.2	100%	$15,184.3	5.5%

Source: Thomson Reuters (SDC)

Several important conclusions can be drawn from the table above:

1. Assured Guaranty's penetration of its current target market (issuers with underlying ratings of A and BBB) has not changed materially since 2006.

2. Since 2006, the rating agencies have upgraded a significant portion of the municipal bond market to better reflect the low level of historical losses in this sector. Reflecting these upgrades, the percentage of municipal bond volume rated AA or higher, and therefore unlikely to use insurance, increased from 53% in 2006 to 67% in 2011 — therefore significantly affecting the insured penetration that Moody's continually refers to.

3. In 2006, Moody's rated seven primary financial guaranty companies Aaa. With Aaa ratings, 84% of the municipal bond market could potentially benefit from bond insurance (issuers with underlying ratings between Aa and Baa). With Assured Guaranty's current rating of Aa3, only 33% of the municipal market was available for bond insurance in 2011. It should not be surprising that Assured Guaranty's penetration of the aggregate market declined during this period. As noted above, however, Assured Guaranty's penetration of its current target market has remained unchanged over this period, proving the ongoing demand for bond insurance.

Appendix B

From Moody's Credit Opinion March 26, 2012: Assured Guaranty Municipal Corp.

Financial Strength Rating Scorecard	Aaa	Aa	A	Baa		Score	Adjusted Score
Factor 1: Strategy & Franchise Value (25%)						Aaa	A
% of Industry Net Par Outstanding	25.1%						
% of Industry Gross Par Written	85.3%						
Moody's Adjusted Book Value/Book Value [1]	x						
Client Concentration	x						
Management, Governance & Risk Management Oversight		x					
Factor 2: Portfolio Characteristics (20%)						Aa	Aa
Credit Risk Ratio		x					
Tail Risk Ratio		x					
% Below Investment Grade [2]		3.6%					
S (WCL > 10% of HC) / HC	x						
Factor 3: Capital Adequacy (30%)						A	Aa
Hard Capital Ratio		x					
Total Capital Ratio		x					
Par Reinsured [2]			27.0%				
Factor 4: Profitability (15%)						Aa	Aa
Return on Equity - 3 year average [1]		12.0%					
Loss Ratio (SAP) - 3-year average [2]	32.2%						
Expense Ratio (SAP) - 3-year average [2]			40.3%				
Factor 5: Financial Flexibility (10%)						Aa	Aa
Earnings Coverage [1]		9.4x					
Cash Flow Coverage [1]		5.2x					
Double Leverage [1]	114.3%						
Ease of Access to Capital			x				
Aggregate profile						Aa2	Aa3

[1] At the Assured Guaranty Ltd. Level

[2] As of September 30, 2011

Note: Certain footnote references have been amended for accuracy.

From Moody’s Credit Opinion March 26, 2012:
Assured Guaranty Corp.

Financial Strength Rating Scorecard	**Aaa**	**Aa**	**A**	**Baa**		**Score**	**Adjusted Score**
Factor 1: Strategy & Franchise Value (25%)						Aa	A
% of Industry Net Par Outstanding		8.5%					
% of Industry Gross Par Written	10.2%						
Moody's Adjusted Book Value/Book Value [1]	x						
Client Concentration			x				
Management, Governance & Risk Management Oversight		x					
Factor 2: Portfolio Characteristics (20%)						Aa	Aa
Credit Risk Ratio		x					
Tail Risk Ratio			x				
% Below Investment Grade [2]			8.9%				
S (WCL > 10% of HC) / HC	x						
Factor 3: Capital Adequacy (30%)						A	Aa
Hard Capital Ratio		x					
Total Capital Ratio		x					
Par Reinsured [2]			28.3%				
Factor 4: Profitability (15%)						A	Aa
Return on Equity - 3 year average [1]		12.0%					
Loss Ratio (SAP) - 3-year average					121.8%		
Expense Ratio (SAP) - 3-year average			53.9%				
Factor 5: Financial Flexibility (10%)						Aa	Aa
Earnings Coverage [1]		9.4x					
Cash Flow Coverage [1]		5.2x					
Double Leverage [1]	114.3%						
Ease of Access to Capital			x				
Aggregate profile						Aa3	Aa3

[1] At the Assured Guaranty Ltd. level

[2] As of September 30, 2011

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