

ASSURED
GUARANTY®



Financial Supplement

Assured Guaranty Corp.

December 31, 2012



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Financial Supplement

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This financial supplement should be read in conjunction with documents filed by Assured Guaranty Ltd. ("AGL" and, together with its subsidiaries, "Assured Guaranty") with the Securities and Exchange Commission ("SEC"), including Assured Guaranty's Annual Report on Form 10-K for the year ended December 31, 2012. For the purposes of this financial supplement, all references to the "Company" shall mean Assured Guaranty Corp ("AGC") and its consolidated entities.

Some amounts in this financial supplement may not add due to rounding.

Cautionary Statement Regarding Forward Looking Statements:

Any forward looking statements made in this supplement reflect the current views of Assured Guaranty with respect to future events and financial performance and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements involve risks and uncertainties that may cause actual results to differ materially from those set forth in these statements. Assured Guaranty's forward looking statements could be affected by many events. These events include (1) rating agency action, including a ratings downgrade, a change in outlook, the placement of ratings on watch for downgrade, or a change in rating criteria, at any time, of Assured Guaranty or any of its subsidiaries and/or of transactions that Assured Guaranty's subsidiaries have insured; (2) developments in the world's financial and capital markets that adversely affect the demand for the Company's insurance, issuers' payment rates, Assured Guaranty's loss experience, its exposure to refinancing risk in transactions (which could result in substantial liquidity claims on its guarantees), its access to capital, its unrealized (losses) gains on derivative financial instruments or its investment returns; (3) changes in the world's credit markets, segments thereof or general economic conditions; (4) the impact of rating agency action with respect to sovereign debt and the resulting effect on the value of securities in the Company's investment portfolio and collateral posted by and to the Company; (5) more severe or frequent losses impacting the adequacy of Assured Guaranty's expected loss estimates; (6) the impact of market volatility on the mark-to-market of Assured Guaranty's contracts written in credit default swap form; (7) reduction in the amount of insurance opportunities available to Assured Guaranty; (8) deterioration in the financial condition of Assured Guaranty's reinsurers, the amount and timing of reinsurance recoverables actually received and the risk that reinsurers may dispute amounts owed to Assured Guaranty under its reinsurance agreements; (9) failure of Assured Guaranty to realize insurance loss recoveries or damages expected from originators, sellers, sponsors, underwriters or servicers of residential mortgage-backed securities transactions through loan putbacks, settlement negotiations or litigation; (10) the possibility that budget shortfalls or other factors will result in credit losses or impairments on obligations of state and local governments that the Company insures or reinsures; (11) increased competition, including from new entrants into the financial guaranty industry; (12) changes in applicable accounting policies or practices; (13) changes in applicable laws or regulations, including insurance and tax laws; (14) other governmental actions; (15) difficulties with the execution of Assured Guaranty's business strategy; (16) contract cancellations; (17) loss of key personnel; (18) adverse technological developments; (19) the effects of mergers, acquisitions and divestitures; (20) natural or man-made catastrophes; (21) other risks and uncertainties that have not been identified at this time; (22) management's response to these factors; and (23) other risk factors identified in Assured Guaranty's filings with the SEC. Readers are cautioned not to place undue reliance on these forward looking statements, which speak only as of the dates on which they are made. 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.

Assured Guaranty Corp.
Selected Financial Highlights
(dollars in millions)

	Three Months Ended December 31,		Year Ended December 31,	
	2012	2011 ⁽¹⁾	2012	2011 ⁽¹⁾
Operating income reconciliation:				
Operating income	\$ 22	\$ 61	\$ 83	\$ 138
Plus after-tax adjustments:				
Realized gains (losses) on investments	(2)	1	(4)	2
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(49)	(183)	(341)	175
Fair value gains (losses) on committed capital securities	(2)	13	(7)	13
Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and loss adjustment expense ("LAE") reserves	1	0	(1)	0
Effect of consolidating financial guaranty variable interest entities ("FG VIEs")	(4)	(6)	55	(46)
Net income (loss)	\$ (34)	\$ (114)	\$ (215)	\$ 282
Return on equity ("ROE") calculations ⁽²⁾:				
ROE, excluding unrealized gain (loss) on investment portfolio	(13.6)%	(34.5)%	(19.1)%	24.9%
Operating ROE	5.7 %	16.4 %	5.4 %	9.4%
New Business:				
Gross par written	\$ 400	\$ 612	\$ 2,434	\$ 1,668
Present value of new business production ("PVP") ⁽³⁾	\$ 32	\$ 29	\$ 56	\$ 37
	As of:			
	December 31, 2012	December 31, 2011 ⁽¹⁾		
Reconciliation of shareholder's equity to adjusted book value:				
Shareholder's equity	\$ 1,107	\$ 1,340		
Less after-tax adjustments:				
Effect of consolidating FG VIEs	(26)	(80)		
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(563)	(209)		
Fair value gains (losses) on committed capital securities	14	20		
Unrealized gain (loss) on investment portfolio excluding foreign exchange effect	116	81		
Operating shareholder's equity	1,566	1,528		
After-tax adjustments:				
Less: Deferred acquisition costs	(19)	(13)		
Plus: Net present value of estimated net future credit derivative revenue	109	147		
Plus: Net unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed	487	532		
Adjusted book value	\$ 2,181	\$ 2,220		
Other information				
Net debt service outstanding	\$ 139,181	\$ 154,314		
Net par outstanding	95,006	105,033		
Claims-paying resources ⁽⁴⁾	3,762	3,924		

1) Effective January 1, 2012, the Company adopted, and applied retroactively, new guidance on acquisition costs. The effect of adoption was de minimis for the three months ended December 31, 2011 and an increase in net income of \$2 million for the three year ended December 31, 2011, and a decrease to shareholder's equity and operating shareholder's equity of \$48 million as of December 31, 2011.

2) Quarterly ROE calculations represent annualized returns.

3) Please refer to the explanation of Non-GAAP Financial Measures set forth at the end of this Financial Supplement.

4) See page 6 for additional detail on claims paying resources.

Assured Guaranty Corp.
Consolidated Statements of Operations (unaudited)
(dollars in millions)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2012	2011 ⁽¹⁾	2012	2011 ⁽¹⁾
Revenues:				
Net earned premiums	\$ 29	\$ 15	\$ 98	\$ 93
Net investment income	26	27	100	99
Net realized investment gains (losses)	(2)	2	(6)	1
Net change in fair value of credit derivatives:				
Realized gains (losses) and other settlements	(21)	(7)	(98)	(19)
Net unrealized gains (losses)	(68)	(232)	(400)	346
Net change in fair value of credit derivatives	(89)	(239)	(498)	327
Fair value gains (losses) on committed capital securities	(2)	19	(10)	20
Fair value gains (losses) on FG VIEs	(1)	3	95	(71)
Other income	—	—	(1)	11
Total revenues	(39)	(173)	(222)	480
Expenses:				
Loss and loss adjustment expenses	2	(13)	47	(17)
Amortization of deferred acquisition costs	0	1	3	4
Interest expense	4	4	15	15
Other operating expenses	14	16	69	70
Total expenses	20	8	134	72
Income (loss) before income taxes	(59)	(181)	(356)	408
Provision (benefit) for income taxes	(25)	(67)	(141)	126
Net income (loss)	\$ (34)	\$ (114)	\$ (215)	\$ 282
Less after-tax adjustments:				
Realized gains (losses) on investments	(2)	1	(4)	2
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(49)	(183)	(341)	175
Fair value gains (losses) on committed capital securities	(2)	13	(7)	13
Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves	1	0	(1)	0
Effect of consolidating FG VIEs	(4)	(6)	55	(46)
Operating income	\$ 22	\$ 61	\$ 83	\$ 138
Effect of refundings and accelerations, net				
Net earned premiums from refundings and accelerations	\$ 15	\$ 0	\$ 32	\$ 15
Operating income effect	10	0	20	9

1) Effective January 1, 2012, the Company adopted, and applied retroactively, new guidance on acquisition costs. The effect of adoption was de minimis for the three months ended December 31, 2011 and an increase in net income of \$2 million for the year ended December 31, 2011.

Note: Please refer to the explanation of Non-GAAP Financial Measures set forth at the end of this Financial Supplement.

Assured Guaranty Corp.
Net Income (Loss) Reconciliation to Operating Income (1 of 2)
(dollars in millions)

	Three Months Ended December 31, 2012			Three Months Ended December 31, 2011		
	GAAP Income As Reported	Less: Operating Income Adjustments	Non-GAAP Operating Income Results	GAAP Income As Reported ⁽¹⁾	Less: Operating Income Adjustments	Non-GAAP Operating Income Results ⁽¹⁾
Revenues:						
Net earned premiums	\$ 29	\$ 0 (2)	\$ 29	\$ 15	\$ 0 (2)	\$ 15
Net investment income	26	(1) (2)	27	27	— (2)	27
Net realized investment gains (losses)	(2)	(2) (3)	—	2	2 (3)	—
Net change in fair value of credit derivatives:						
Realized gains (losses) and other settlements	(21)	(21)	—	(7)	(7)	—
Net unrealized gains (losses)	(68)	(68)	—	(232)	(232)	—
Credit derivative revenues	—	(14)	14	—	(16)	16
Net change in fair value of credit derivatives	(89)	(103) (4)	14	(239)	(255) (4)	16
Fair value gains (losses) on committed capital securities	(2)	(2) (5)	—	19	19 (5)	—
Fair value gains (losses) on FG VIEs	(1)	(1) (2)	—	3	3 (2)	—
Other income	—	— (6)	—	—	— (6)	—
Total revenues	(39)	(109)	70	(173)	(231)	58
Expenses:						
Loss and loss adjustment expenses						
Financial guaranty insurance	2	4 (2)	(2)	(13)	12 (2)	(25)
Credit derivatives	—	(27) (4)	27	—	27 (4)	(27)
Amortization of deferred acquisition costs	0	—	—	1	—	1
Interest expense	4	—	4	4	—	4
Other operating expenses	14	—	14	16	—	16
Total expenses	20	(23)	43	8	39	(31)
Income (loss) before income taxes	(59)	(86)	27	(181)	(270)	89
Provision (benefit) for income taxes	(25)	(30) (7)	5	(67)	(95) (7)	28
Net income (loss)	<u>(34)</u>	<u>(56)</u>	<u>22</u>	<u>(114)</u>	<u>(175)</u>	<u>61</u>

1) Effective January 1, 2012, the Company adopted, and applied retroactively, new guidance on acquisition costs. This had a de minimis effect on net and operating income for the three months ended December 31, 2011.

2) Adjustments primarily related to elimination of the effects of consolidating FG VIEs.

3) Adjustments to eliminate realized gains (losses) on available-for-sale investments.

4) Adjustments to eliminate non-economic fair value gains (losses) on credit derivatives and reclassification to revenues and loss expense.

5) Adjustments to eliminate fair value gain (loss) on committed capital securities.

6) Adjustments primarily related to elimination of foreign exchange gains (losses) on revaluation of net premiums receivable.

7) Tax effect of the above adjustments.

Note: Please refer to the explanation of Non-GAAP Financial Measures set forth at the end of this Financial Supplement.

Assured Guaranty Corp.
Net Income (Loss) Reconciliation to Operating Income (2 of 2)
(dollars in millions)

	Year Ended December 31, 2012			Year Ended December 31, 2011		
	GAAP Income As Reported	Less: Operating Income Adjustments	Non-GAAP Operating Income Results	GAAP Income As Reported ⁽¹⁾	Less: Operating Income Adjustments	Non-GAAP Operating Income Results ⁽¹⁾
Revenues:						
Net earned premiums	\$ 98	\$ (2) (2)	\$ 100	\$ 93	\$ (1) (2)	\$ 94
Net investment income	100	(2) (2)	102	99	(2) (2)	101
Net realized investment gains (losses)	(6)	(6) (3)	—	1	2 (3)	(1)
Net change in fair value of credit derivatives:						
Realized gains (losses) and other settlements	(98)	(98)	—	(19)	(19)	—
Net unrealized gains (losses)	(400)	(400)	—	346	346	—
Credit derivative revenues	—	(60)	60	—	(75)	75
Net change in fair value of credit derivatives	(498)	(558) (4)	60	327	252 (4)	75
Fair value gains (losses) on committed capital securities	(10)	(10) (5)	—	20	20 (5)	—
Fair value gains (losses) on FG VIEs	95	95 (2)	—	(71)	(71) (2)	—
Other income	(1)	(2) (6)	1	11	18 (6)	(7)
Total revenues	(222)	(485)	263	480	218	262
Expenses:						
Loss and loss adjustment expenses						
Financial guaranty insurance	47	6 (2)	41	(17)	(4) (2)	(13)
Credit derivatives	—	(33) (4)	33	—	1 (4)	(1)
Amortization of deferred acquisition	3	—	3	4	—	4
Interest expense	15	—	15	15	—	15
Other operating expenses	69	—	69	70	—	70
Total expenses	134	(27)	161	72	(3)	75
Income (loss) before income taxes	(356)	(458)	102	408	221	187
Provision (benefit) for income taxes	(141)	(160) (7)	19	126	77 (7)	49
Net income (loss)	\$ (215)	\$ (298)	\$ 83	\$ 282	\$ 144	\$ 138

- 1) Effective January 1, 2012, the Company adopted, and applied retroactively, new guidance on acquisition costs. The effect of adoption was an increase in net income and operating income of \$2 million for the year ended December 21, 2011.
- 2) Adjustments primarily related to elimination of the effects of consolidating FG VIEs.
- 3) Adjustments to eliminate realized gains (losses) on available-for-sale investments.
- 4) Adjustments to eliminate non-economic fair value gains (losses) on credit derivatives and reclassification to revenues and loss expense.
- 5) Adjustments to eliminate fair value gain (loss) on committed capital securities.
- 6) Adjustments primarily related to elimination of foreign exchange gains (losses) on revaluation of net premiums receivable and reclassification of termination fees on credit derivative contracts.
- 7) Tax effect of the above adjustments.

Note: Please refer to the explanation of Non-GAAP Financial Measures set forth at the end of this Financial Supplement.

Assured Guaranty Corp.
Consolidated Balance Sheets (unaudited)
(dollars in millions)

	As of:	
	December 31, 2012	December 31, 2011 ⁽¹⁾
Assets:		
Investment portfolio:		
Fixed maturity securities, available-for-sale, at fair value	\$ 2,723	\$ 2,749
Short-term investments, at fair value	130	152
Other invested assets	63	12
Total investment portfolio	2,916	2,913
Cash	17	31
Premiums receivable, net of ceding commissions payable	250	232
Ceded unearned premium reserve	362	364
Reinsurance recoverable on unpaid losses	147	132
Salvage and subrogation recoverable	67	50
Credit derivative assets(2)	388	274
Deferred tax asset, net	371	209
FG VIE assets, at fair value	818	763
Other assets	174	105
Total assets	\$ 5,510	\$ 5,073
Liabilities and shareholder's equity:		
Liabilities:		
Unearned premium reserve	\$ 1,125	\$ 1,190
Loss and loss adjustment expense reserve	308	296
Reinsurance balances payable, net	95	93
Note payable	300	300
Credit derivative liabilities(2)	1,512	895
Current income tax payable	36	1
FG VIE liabilities with recourse, at fair value	484	471
FG VIE liabilities without recourse, at fair value	374	358
Other liabilities	169	129
Total liabilities	4,403	3,733
Shareholder's equity:		
Preferred stock	—	—
Common stock	15	15
Additional paid-in capital	1,037	1,037
Retained earnings (deficit)	(56)	214
Accumulated other comprehensive income	111	74
Total shareholder's equity	1,107	1,340
Total liabilities and shareholder's equity	\$ 5,510	\$ 5,073

1) Effective January 1, 2012, the Company adopted, and applied retroactively, new guidance on acquisition costs. The effect of this adoption was a decrease to deferred acquisition costs of \$73 million and a decrease to shareholder's equity of \$48 million as of December 31, 2011.

2) Credit derivative assets and liabilities presented on the consolidated balance sheet at December 31, 2011 have been revised to reflect the correction of a \$32 million misclassification between credit derivative assets and credit derivative liabilities. The correction, recorded in the fourth quarter 2012, reduced the credit derivative asset and liability balances and had no effect on the statement of operations.

Assured Guaranty Corp.
Claims Paying Resources
(dollars in millions)

As of:

	December 31, 2012	December 31, 2011
Claims paying resources		
Policyholders' surplus	\$ 905	\$ 1,021
Contingency reserve	825	691
Qualified statutory capital	1,730	1,712
Unearned premium reserve	753	826
Loss and loss adjustment expense reserves ⁽¹⁾⁽²⁾	313	345
Total policyholders' surplus and reserves	2,796	2,883
Present value of installment premium ⁽²⁾	331	406
Standby line of credit/stop loss	200	200
Excess of loss reinsurance facility ⁽³⁾	435	435
Total claims paying resources	\$ 3,762	\$ 3,924
Net par outstanding ⁽⁴⁾	\$ 94,194	\$ 104,977
Net debt service outstanding ⁽⁴⁾	138,286	154,252
Ratios:		
Net par outstanding to qualified statutory capital	54:1	61:1
Capital ratio ⁽⁵⁾	80:1	90:1
Financial resources ratio ⁽⁶⁾	37:1	39:1

- 1) Reserves as of December 31, 2012 and December 31, 2011 are reduced by approximately \$0.3 billion and \$0.3 billion, respectively, for benefit related to representation and warranty recoverables.
- 2) Includes financial guaranty insurance and credit derivatives.
- 3) Effective as of January 1, 2012, the Company entered into a new \$435 million excess of loss reinsurance facility for the benefit of AGM and AGC, and has been included in total claims paying resources as of December 31, 2011.
- 4) Net par outstanding and net debt service outstanding are presented on a statutory basis. Under statutory accounting, such amounts would be reduced both when an outstanding issue is legally defeased (i.e., an issuer has legally discharged its obligations with respect to a municipal security by satisfying conditions set forth in defeasance provisions contained in transaction documents and is no longer responsible for the payment of debt service with respect to such obligations) and when such issue is economically defeased (i.e., transaction documents for a municipal security do not contain defeasance provisions but the issuer establishes an escrow account with U.S. government securities in amounts sufficient to pay the refunded bonds when due; the refunded bonds are not considered paid and continue to be outstanding under the transaction documents and the issuer remains responsible to pay debt service when due to the extent monies on deposit in the escrow account are insufficient for such purpose).
- 5) The capital ratio is calculated by dividing net debt service outstanding by qualified statutory capital.
- 6) The financial resources ratio is calculated by dividing net debt service outstanding by total claims paying resources.

Assured Guaranty Corp.

New Business Production

(dollars in millions)

	Three Months Ended December 31,		Year Ended December 31,	
	2012	2011	2012	2011
Consolidated new business production analysis:				
PVP				
Public finance - U.S.:				
Assumed from Radian	\$ —	\$ —	\$ 22	\$ —
Primary markets	—	—	—	2
Secondary markets	—	1	1	2
Public finance - non-U.S.:				
Primary markets	—	—	—	—
Secondary markets	—	—	—	—
Structured finance - U.S.	32	28	33	33
Structured finance - non-U.S.	—	—	—	—
Total PVP	\$ 32	\$ 29	\$ 56	\$ 37
Total PVP	\$ 32	\$ 29	\$ 56	\$ 37
Less: PVP of credit derivatives	—	—	—	—
PVP of financial guaranty insurance	32	29	56	37
Less: financial guaranty installment premium PVP	32	28	33	32
Total: financial guaranty upfront gross written premiums	—	1	23	5
Plus: financial guaranty installment gross written premiums ⁽¹⁾	40	37	48	(4)
Total gross written premiums	\$ 40	\$ 38	\$ 71	\$ 1
Consolidated financial guaranty gross par written:				
Public finance - U.S.:				
Assumed from Radian	\$ —	\$ —	\$ 1,797	\$ —
Primary markets	—	19	15	306
Secondary markets	—	11	41	55
Public finance - non-U.S.:				
Primary markets	—	—	—	—
Secondary markets	—	—	—	—
Structured finance - U.S.	400	582	581	1,307
Structured finance - non-U.S.	—	—	—	—
Total	\$ 400	\$ 612	\$ 2,434	\$ 1,668

1) Represents present value of new business on installment policies plus GWP adjustment on existing installment deals due to changes in assumptions and any cancellations of assumed reinsurance contracts.

Note: Please refer to the explanation of Non-GAAP Financial Measures set forth at the end of this Financial Supplement.

Assured Guaranty Corp.
Financial Guaranty Gross Par Written
(dollars in millions)

Financial Guaranty Gross Par Written by Asset Type

Sector	Three Months Ended December 31, 2012		Year Ended December 31, 2012	
	Gross Par Written	Avg. Internal Rating	Gross Par Written	Avg. Internal Rating
U.S. public finance				
General obligation	\$ —	—	\$ 1,453	BBB
Municipal utilities	—	—	114	BBB+
Healthcare	—	—	109	A
Higher education	—	—	68	A-
Tax backed	—	—	65	BBB
Transportation	—	—	31	BBB+
Other public finance	—	—	13	A
Total U.S. public finance	—	—	1,853	BBB
Non-U.S. public finance:				
Total non-U.S. public finance	—	—	—	—
Total public finance	\$ —	—	\$ 1,853	BBB
U.S. structured finance:				
Total U.S. structured finance	\$ 400	AA	\$ 581	AA
Non-U.S. structured finance:				
Total non-U.S. structured finance	—	—	—	—
Total structured finance	\$ 400	AA	\$ 581	AA
Total gross par written	\$ 400	AA	\$ 2,434	A-

Note: Please refer to the Glossary for a description of internal ratings and sectors.

Assured Guaranty Corp.
Available-for-Sale Investment Portfolio and Cash
As of December 31, 2012
(dollars in millions)

	<u>Amortized Cost</u>	<u>Pre-Tax Book Yield</u>	<u>After-Tax Book Yield</u>	<u>Fair Value</u>	<u>Annualized Investment Income ⁽¹⁾</u>
Investment portfolio, available-for-sale:					
Fixed maturity securities:					
U.S. Treasury securities and obligations of U.S. government agencies	\$ 273	2.18 %	1.41 %	\$ 285	\$ 6
Agency obligations	131	3.03 %	1.97 %	141	4
Obligations of states and political subdivisions	1,391	3.97 %	3.72 %	1,519	55
Insured obligations of state and political subdivisions ⁽²⁾⁽⁴⁾	322	5.05 %	4.76 %	341	16
Corporate securities	123	4.31 %	2.80 %	136	5
Mortgage-backed securities ("MBS"):					
Residential MBS ("RMBS") ⁽³⁾⁽⁴⁾	132	8.23 %	5.35 %	114	11
Commercial MBS ("CMBS")	74	4.93 %	3.20 %	82	4
Asset-backed securities ⁽⁴⁾⁽⁵⁾	28	10.49 %	6.82 %	26	3
Foreign government securities	83	3.51 %	2.28 %	92	3
Total fixed maturity securities	<u>2,557</u>	<u>4.18 %</u>	<u>3.53 %</u>	<u>2,736</u>	<u>107</u>
Short-term investments	130	0.05 %	0.03 %	130	0
Cash ⁽⁶⁾	13	— %	— %	13	—
Total	\$ 2,700	3.99%	3.36%	\$ 2,879	\$ 107
Less: FG VIEs	10	14.78 %	9.61 %	9	2
Total	\$ 2,690	3.93%	3.33%	\$ 2,870	\$ 105

Ratings ⁽⁷⁾:	<u>Fair Value</u>	<u>% of Portfolio</u>
U.S. Treasury securities and obligations of U.S. government agencies	\$ 285	10.4 %
Agency obligations	141	5.2 %
AAA/Aaa	415	15.2 %
AA/Aa	1,460	53.4 %
A/A	338	12.3 %
BBB	1	0.0 %
Below investment grade ("BIG") ⁽⁸⁾	96	3.5 %
Total fixed maturity securities, available-for-sale	<u>2,736</u>	<u>100.0 %</u>
Less: FG VIEs	13	
Total fixed maturity securities, available-for-sale	\$ 2,723	

Duration of fixed maturity securities and short-term investments (in years):

4.9

Average ratings of fixed maturity securities and short-term investments

AA

- 1) Represents annualized investment income based on amortized cost and pre-tax book yields.
- 2) Reflects obligations of state and local political subdivisions that have been insured by other financial guarantors. The underlying ratings of these bonds, after giving effect to the lower of the rating assigned by Standard & Poor's Ratings Services ("S&P") or Moody's Investors Service, Inc. ("Moody's"), average A+.
- 3) Includes fair value of \$11 million in U.S. subprime RMBS, which has an average rating of BIG.
- 4) Includes investments purchased for loss mitigation purposes.
- 5) Contains no collateralized debt obligations ("CDOs") of asset-backed securities ("ABS").
- 6) Represents operating cash and is not included in yield calculations.
- 7) Ratings are represented by the lower of the Moody's and S&P classifications except for bonds purchased for loss mitigation or risk management strategies which use internal ratings classifications.
- 8) Included in the investment portfolio are securities purchased or obtained as part of loss mitigation or other risk management strategies of \$331 million in par with carrying value of \$96 million.

Assured Guaranty Corp.
Estimated Net Exposure Amortization⁽¹⁾ and Estimated Future Net Premium
and Credit Derivative Revenues
(dollars in millions)

	Estimated Net Debt Service Amortization	Estimated Ending Net Debt Service Outstanding	Financial Guaranty Insurance ⁽²⁾			Future Credit Derivative Revenues ⁽⁴⁾	Total
			Expected PV Net Earned Premiums ⁽³⁾	Accretion of Discount	Future Net Premiums Earned		
2012 (as of December 31)		\$ 139,181					
2013 Q1	\$ 2,342	136,839	\$ 16	\$ 1	\$ 17	\$ 10	\$ 27
2013 Q2	2,319	134,520	16	1	17	9	26
2013 Q3	2,509	132,011	16	1	17	9	26
2013 Q4	2,774	129,237	15	1	16	8	24
2014	13,491	115,746	60	3	63	26	89
2015	12,152	103,594	55	3	58	19	77
2016	8,946	94,648	51	3	54	14	68
2017	7,340	87,308	47	2	49	12	61
2013-2017	51,873	87,308	276	15	291	107	398
2018-2022	27,960	59,348	195	9	204	44	248
2023-2027	21,701	37,647	134	6	140	27	167
2028-2032	16,105	21,542	85	4	89	22	111
After 2032	21,542	—	73	1	74	18	92
Total	\$ 139,181		\$ 763	\$ 35	\$ 798	\$ 218	\$ 1,016

1) Represents the future expected amortization of current debt service outstanding (principal and interest), assuming no advance refundings, as of December 31, 2012. Actual amortization differs from expected maturities because borrowers may have the right to call or prepay guaranteed obligations and because of management's assumptions on structured finance amortization.

2) See page 11 for "Present Value of Financial Guaranty Insurance Net Expected Loss to be Expensed."

3) GAAP basis. Excludes \$11 million in expected present value of net earned premiums related to FG VIEs.

4) Excludes contracts with credit impairment.

Assured Guaranty Corp.

Present Value ("PV") of Financial Guaranty Insurance Net Expected Loss to be Expensed
As of December 31, 2012
(dollars in millions)

	Net Expected Loss to be Expensed ⁽¹⁾	
	Operating ⁽²⁾	GAAP ⁽²⁾
2013 Q1	\$ 1	\$ 1
2013 Q2	1	1
2013 Q3	0	0
2013 Q4	0	0
2014	2	1
2015	1	1
2016	1	1
2017	1	1
2013-2017	7	6
2018-2022	6	4
2023-2027	5	4
2028-2032	4	3
After 2032	3	2
Total expected PV of net expected loss to be expensed	25	19
Discount	(7)	4
Total future value	\$ 18	\$ 23

1) The expected present value of net loss to be expensed is discounted by weighted-average risk free rates ranging from 0% to 3.28% for U.S. dollar denominated obligations.

2) Operating income includes net expected loss to be expensed on consolidated FG VIEs. Losses on consolidated FG VIEs are eliminated for GAAP.

Assured Guaranty Corp.
Financial Guaranty Profile (1 of 4)
(dollars in millions)

Net Par Outstanding and Average Rating by Asset Type

	December 31, 2012		December 31, 2011	
	Net Par Outstanding	Avg. Internal Rating	Net Par Outstanding	Avg. Internal Rating
U.S. public finance:				
General obligation	\$ 23,384	A	\$ 24,118	A
Tax backed	10,518	A	11,055	A
Municipal utilities	8,170	A	8,722	A-
Transportation	5,719	A-	6,342	A
Healthcare	4,119	A	4,688	A
Higher education	3,285	A	3,340	A
Infrastructure finance	972	BBB	981	BBB
Investor-owned utilities	462	A-	491	A-
Housing	85	BBB+	184	A+
Other public finance	1,540	A	1,717	A
Total U.S. public finance	58,254	A	61,638	A
Non-U.S. public finance:				
Pooled infrastructure	1,661	AA	1,632	AA
Infrastructure finance	1,174	BBB	1,207	BBB
Regulated utilities	823	BBB+	996	A-
Other public finance	79	A+	77	A+
Total non-U.S. public finance	3,737	A	3,912	A
Total public finance	\$ 61,991	A	\$ 65,550	A
U.S. structured finance:				
Pooled corporate obligations	\$ 12,959	AA	\$ 16,392	AA
RMBS	7,279	BBB-	8,491	BBB-
CMBS and other commercial real estate related exposures	3,227	AAA	3,607	AAA
Consumer receivables	1,215	A-	2,116	AA
Commercial receivables	483	A-	529	BBB+
Insurance securitization	468	AA-	318	A+
Structured credit	168	B-	213	B-
Other structured finance	274	A-	291	A-
Total U.S. structured finance	26,073	A+	31,957	A+
Non-U.S. structured finance:				
Pooled corporate obligations	5,639	AAA	5,781	AAA
Commercial receivables	731	A-	913	BBB+
Insurance securitization	279	CCC-	278	AAA
Structured credit	144	BBB	270	CCC-
CMBS and other commercial real estate related exposures	75	AAA	135	BBB
RMBS	72	AAA	147	AAA
Other structured finance	2	A	2	A
Total non-U.S. structured finance	6,942	AA	7,526	AA
Total structured finance	\$ 33,015	AA-	\$ 39,483	AA-
Total net par outstanding	\$ 95,006	A	\$ 105,033	A

Note: Please refer to the Glossary for an explanation of net par outstanding, internal ratings and sectors.

Assured Guaranty Corp.
Financial Guaranty Profile (2 of 4)
As of December 31, 2012
(dollars in millions)

Distribution by Ratings of Financial Guaranty Portfolio

Ratings:	Public Finance - U.S.		Public Finance - Non-U.S.		Structured Finance - U.S.		Structured Finance - Non-U.S.		Consolidated	
	Net Par Outstanding	%	Net Par Outstanding	%	Net Par Outstanding(1)	%	Net Par Outstanding	%	Net Par Outstanding	%
Super senior	\$ —	—%	\$ 741	19.8%	\$ 3,937	15.1%	\$ 1,949	28.1%	\$ 6,627	7.0%
AAA	137	0.2%	—	—%	10,077	38.7%	2,968	42.7%	13,182	13.9%
AA	8,680	14.9%	277	7.4%	1,975	7.6%	143	2.1%	11,075	11.6%
A	37,367	64.2%	1,209	32.4%	1,485	5.7%	346	5.0%	40,407	42.5%
BBB	10,976	18.8%	1,326	35.5%	2,175	8.3%	987	14.2%	15,464	16.3%
BIG	1,094	1.9%	184	4.9%	6,424	24.6%	549	7.9%	8,251	8.7%
Total net par outstanding	\$ 58,254	100.0%	\$ 3,737	100.0%	\$ 26,073	100.0%	\$ 6,942	100.0%	\$ 95,006	100.0%

Ceded Par Outstanding by Reinsurer and Insurer Financial Strength Rating

Reinsurer	Moody's Rating	S&P Rating	Ceded Par Outstanding	% of Total
Affiliated companies ⁽²⁾			\$ 35,745	93.6%
Non-affiliated companies:				
American Overseas reinsurance Company Limited ⁽³⁾	WR(3)	WR	2,141	5.6%
Radian Asset Assurance Inc.	Ba1	B+	193	0.5%
Ambac Assurance Corporation	WR	WR	85	0.2%
Other	Various	Various	11	0.1%
Total non-affiliated companies			2,430	6.4%
Total			\$ 38,175	100.0%

1) Beginning in the first quarter 2012, the Company decided to classify those portions of risks benefiting from reimbursement obligations collateralized by eligible assets held in trust in acceptable reimbursement structures as the higher of 'AA' or their current internal rating. As of the fourth quarter 2012, the Company applied this policy to the Bank of America Agreement and the Deutsche Bank Agreement.

2) The affiliates of AGC are Assured Guaranty Re Ltd. and its subsidiaries rated Baa2 by Moody's and AA- by S&P and Assured Guaranty Municipal Corp. and its subsidiaries rated A2 by Moody's and AA- by S&P.

3) Formerly RAM Reinsurance Company Ltd.

Note: Please refer to the Glossary for an explanation of net par outstanding, internal ratings and sectors.

Assured Guaranty Corp.
Financial Guaranty Profile (3 of 4)
As of December 31, 2012
(dollars in millions)

Geographic Distribution of Financial Guaranty Portfolio

	Net Par Outstanding	% of Total
U.S.:		
Public finance		
California	\$ 7,064	7.4%
Texas	7,003	7.4%
New York	4,338	4.6%
Pennsylvania	4,178	4.4%
Florida	4,166	4.4%
Illinois	3,153	3.3%
New Jersey	2,285	2.4%
Alabama	1,776	1.9%
Puerto Rico	1,616	1.7%
Louisiana	1,587	1.7%
Other states	21,088	22.2%
Total U.S. public finance	<u>58,254</u>	<u>61.4%</u>
Structured finance (multiple states)	26,073	27.4%
Total U.S.	<u>84,327</u>	<u>88.8%</u>
Non-U.S.:		
United Kingdom	3,871	4.1%
France	958	1.0%
Australia	948	1.0%
Germany	946	1.0%
Cayman Islands	614	0.6%
Other	3,342	3.5%
Total non-U.S.	<u>10,679</u>	<u>11.2%</u>
Total net par outstanding	<u>\$ 95,006</u>	<u>100.0%</u>

Assured Guaranty Corp.
Financial Guaranty Profile (4 of 4)
As of December 31, 2012
(dollars in millions)

Net Economic Exposure to Selected European Countries

	<u>Greece</u>	<u>Hungary</u>	<u>Ireland</u>	<u>Italy</u>	<u>Portugal</u>	<u>Spain</u>	<u>Total</u>
Sovereign and sub-sovereign exposure:							
Public finance	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 0	\$ 0
Infrastructure finance	—	28	18	52	64	21	183
Total sovereign and sub-sovereign exposure	—	28	18	52	64	21	183
Non-sovereign exposure:							
RMBS	—	3	—	—	—	—	3
Commercial receivables	—	1	10	43	12	2	68
Pooled corporate obligations	17	—	84	122	1	310	534
Total non-sovereign exposure	17	4	94	165	13	312	605
Total	\$ 17	\$ 32	\$ 112	\$ 217	\$ 77	\$ 333	\$ 788
Total BIG	\$ —	\$ 3	\$ —	\$ 2	\$ 1	\$ 9	\$ 15

Note: While the Company's exposures are shown in U.S. dollars, the obligations the Company insures are in various currencies, including U.S. dollars, Euros and British pounds sterling.

Assured Guaranty Corp.
Direct Pooled Corporate Obligations Profile
As of December 31, 2012
(dollars in millions)

Distribution of Direct Pooled Corporate Obligations by Ratings

	<u>Net Par Outstanding</u>	<u>% of Total</u>	<u>Avg. Initial Credit Enhancement</u>	<u>Avg. Current Credit Enhancement</u>
Ratings:				
Super Senior	\$ 3,373	18.4%	38.9%	39.3%
AAA	10,830	59.2%	35.7%	34.6%
AA	378	2.1%	50.2%	50.3%
A	368	2.0%	50.9%	51.1%
BBB	1,071	5.9%	43.8%	35.1%
BIG	2,267	12.4%	45.7%	26.3%
Total exposures	\$ 18,287	100.0%	38.6%	35.1%

Distribution of Direct Pooled Corporate Obligations by Asset Class

	<u>Net Par Outstanding</u>	<u>% of Total</u>	<u>Avg. Initial Credit Enhancement</u>	<u>Avg. Current Credit Enhancement</u>	<u>Avg. Rating</u>
Asset class:					
CBOs/CLOs	\$ 11,836	64.7%	35.7%	35.6%	AAA
Market value CDOs of corporates	1,791	9.8%	41.1%	35.1%	AAA
Trust preferred					
Banks and insurance	2,202	12.0%	46.2%	33.9%	BBB-
European mortgage and real estate investment trusts	511	2.8%	37.3%	34.3%	BBB-
U.S. mortgage and real estate investment trusts	1,517	8.3%	50.3%	35.5%	BB
Synthetic investment grade pooled corporate	430	2.4%	30.0%	29.1%	Super Senior
Total exposures	\$ 18,287	100.0%	38.6%	35.1%	AA+

Note: Please refer to the Glossary for an explanation of internal ratings, performance indicators and sectors.

Assured Guaranty Corp.
Consolidated U.S. RMBS Profile (1 of 3)
As of December 31, 2012
(dollars in millions)

Distribution of U.S. RMBS by Rating and Type of Exposure

Ratings:	Prime First Lien	Closed End Seconds	HELOC	Alt-A First Lien	Option ARMs	Subprime First Lien	Total Net Par Outstanding
AAA	\$ 1	\$ 0	\$ 5	\$ 158	\$ —	\$ 1,044	\$ 1,208
AA	30	66	3	243	71	499	913
A	1	0	—	8	75	626	709
BBB	4	—	3	222	23	352	604
BIG	374	76	328	2,019	467	583	3,845
Total exposures	\$ 410	\$ 142	\$ 339	\$ 2,649	\$ 635	\$ 3,104	\$ 7,279

Distribution of U.S. RMBS by Year Insured⁽¹⁾ and Type of Exposure

Year insured:	Prime First Lien	Closed End Seconds	HELOC	Alt-A First Lien	Option ARMs	Subprime First Lien	Total Net Par Outstanding
2004 and prior	\$ 23	\$ 0	\$ 14	\$ 30	\$ 27	\$ 193	\$ 288
2005	109	—	133	239	18	7	506
2006	—	—	—	—	27	2,236	2,262
2007	277	142	192	1,459	509	667	3,247
2008	—	—	—	921	55	—	976
Total exposures	\$ 410	\$ 142	\$ 339	\$ 2,649	\$ 635	\$ 3,104	\$ 7,279

Distribution of U.S. RMBS by Rating and Year Insured

Year insured:	AAA Rated	AA Rated	A Rated	BBB Rated	BIG Rated	Total
2004 and prior	\$ 68	\$ 40	\$ 30	\$ 105	\$ 44	\$ 288
2005	82	73	—	20	331	506
2006	977	459	613	128	86	2,262
2007	5	340	11	351	2,539	3,247
2008	75	—	55	—	845	976
Total exposures	\$ 1,208	\$ 913	\$ 709	\$ 604	\$ 3,845	\$ 7,279
% of Total	16.7%	12.5%	9.7%	8.3%	52.8%	100.0%

1) AGC has not insured any U.S. RMBS transactions since 2008.

Note: Please refer to the Glossary for a description of performance indicators and sectors.

Assured Guaranty Corp.
Consolidated U.S. RMBS Profile (2 of 3)
As of December 31, 2012
(dollars in millions)

Distribution of U.S. RMBS Insured January 1, 2005 or Later by Exposure Type, Average Pool Factor, Subordination, Cumulative Losses and 60+ Day Delinquencies

U.S. Prime First Lien

Year insured	Net Par Outstanding	Pool Factor	Subordination	Cumulative Losses	60+ Day Delinquencies	Number of Transactions
2005	\$ 109	29.9 %	4.6 %	2.0 %	10.9 %	6
2006	—	— %	— %	— %	— %	—
2007	277	42.3 %	5.2 %	5.7 %	18.7 %	1
2008	—	— %	— %	— %	— %	—
Total	\$ 387	38.8 %	5.0 %	4.7 %	16.5 %	7

U.S. Closed End Seconds

Year insured	Net Par Outstanding	Pool Factor	Subordination	Cumulative Losses	60+ Day Delinquencies	Number of Transactions
2005	\$ —	— %	— %	— %	— %	—
2006	—	— %	— %	— %	— %	—
2007	142	18.3 %	— %	67.8 %	5.8 %	5
2008	—	— %	— %	— %	— %	—
Total	\$ 142	18.3 %	— %	67.8 %	5.8 %	5

U.S. HELOC

Year insured	Net Par Outstanding	Pool Factor	Subordination	Cumulative Losses	60+ Day Delinquencies	Number of Transactions
2005	\$ 133	14.3 %	0.0 %	23.1 %	14.4 %	2
2006	—	— %	— %	— %	— %	—
2007	192	25.6 %	0.0 %	46.2 %	5.5 %	2
2008	—	— %	— %	— %	— %	—
Total	\$ 325	21.0 %	0.0 %	36.7 %	9.1 %	4

U.S. Alt-A First Lien

Year insured	Net Par Outstanding	Pool Factor	Subordination	Cumulative Losses	60+ Day Delinquencies	Number of Transactions
2005	\$ 239	29.7 %	11.5 %	4.7 %	15.3 %	13
2006	—	— %	— %	— %	— %	—
2007	1,459	42.5 %	2.1 %	14.1 %	29.6 %	8
2008	921	40.8 %	18.8 %	15.2 %	27.2 %	5
Total	\$ 2,619	40.7 %	8.8 %	13.6 %	27.5 %	26

Note: Please refer to the Glossary for a description of performance indicators and sectors.

Assured Guaranty Corp.
Consolidated U.S. RMBS Profile (3 of 3)
As of December 31, 2012
(dollars in millions)

Distribution of U.S. RMBS Insured January 1, 2005 or Later by Exposure Type, Average Pool Factor, Subordination, Cumulative Losses and 60+ Day Delinquencies

U.S. Option ARMs

Year insured	Net Par Outstanding	Pool Factor	Subordination	Cumulative Losses	60+ Day Delinquencies	Number of Transactions
2005	\$ 18	17.4 %	21.8 %	5.7 %	20.1 %	1
2006	27	28.5 %	0.0 %	11.6 %	25.4 %	1
2007	509	44.5 %	2.5 %	16.5 %	30.8 %	5
2008	55	44.6 %	48.1 %	15.5 %	33.1 %	1
Total	\$ 608	43.0%	7.1%	15.9%	30.5%	8

U.S. Subprime First Lien

Year insured	Net Par Outstanding	Pool Factor	Subordination	Cumulative Losses	60+ Day Delinquencies	Number of Transactions
2005	\$ 7	14.4 %	94.3 %	15.5 %	53.7 %	1
2006	2,236	19.1 %	62.3 %	18.7 %	35.3 %	2
2007	667	27.4 %	15.4 %	27.0 %	40.3 %	4
2008	—	—%	—%	—%	—%	—
Total	\$ 2,910	21.0%	51.6%	20.6%	36.5%	7

Note: Please refer to the Glossary for a description of performance indicators and sectors.

Assured Guaranty Corp.
Consolidated U.S. Commercial Real Estate Profile
As of December 31, 2012
(dollars in millions)

Distribution of U.S. CMBS Insured January 1, 2005 or Later by Exposure Type, Internal Rating, Average Pool Factor, Subordination, Cumulative Losses and 60+ Day Delinquencies

U.S. CMBS

Rating:	Net Par Outstanding	Pool Factor	Subordination	Cumulative Losses	60+ Day Delinquencies	Number of Transactions
Super senior	\$ 2,513	71.3 %	40.0 %	2.5 %	9.1 %	142
AAA	203	68.9 %	30.3 %	3.3 %	12.2 %	17
AA	—	— %	— %	— %	— %	—
A	57	21.3 %	31.9 %	2.7 %	7.1 %	1
BBB	—	— %	— %	— %	— %	—
BIG	—	— %	— %	— %	— %	—
Total exposures	\$ 2,774	70.1 %	39.1 %	2.5 %	9.3 %	160

CDOs of U.S. Commercial Real Estate and CMBS⁽¹⁾

	Net Par Outstanding	% of Total	Avg. Initial Credit Enhancement	Avg. Current Credit Enhancement
CDOs of commercial real estate	\$ 430	98.6 %	50.6 %	54.9 %
CDOs of CMBS ⁽²⁾	6	1.4 %	35.0 %	88.3 %
Total exposures	\$ 436	100.0 %	50.4 %	55.3 %

1) Represents other U.S. Commercial Real Estate not included in the table above.

2) Relates to vintages 2003 and prior.

Note: Please refer to the Glossary for a description of performance indicators and sectors.

Assured Guaranty Corp.
Direct U.S. Consumer Receivables Profile
As of December 31, 2012
(dollars in millions)

Distribution of U.S. Consumer Receivables by Rating

Rating:	Credit Cards	Student Loans	Auto	Total Net Par Outstanding
Super senior	\$ —	\$ —	\$ —	\$ —
AAA	0	333	100	433
AA	—	—	—	—
A	—	—	—	—
BBB	—	696	—	696
BIG	—	—	—	—
Total exposures	\$ 0	\$ 1,029	\$ 100	\$ 1,129

Average rating	Super Senior	A-	AAA	A
Average initial credit enhancement	NA	7.1%	19.3%	8.2%
Average current credit enhancement	NA	11.6%	33.1%	13.5%

Note: Please refer to the Glossary for an explanation of net par outstanding, internal ratings and sectors.

Assured Guaranty Corp.
Credit Derivative Net Par Outstanding Profile
As of December 31, 2012
(dollars in millions)

Distribution of Credit Derivative Net Par Outstanding by Rating

Rating	Net Par Outstanding	% of Total
Super senior	\$ 6,627	23.3%
AAA	11,363	40.0%
AA	1,392	4.9%
A	2,108	7.4%
BBB	2,176	7.7%
BIG	4,743	16.7%
Total credit derivative net par outstanding	\$ 28,409	100.0%

Distribution of Credit Derivative Net Par Outstanding by Sector and Average Rating

	Net Par Outstanding	Average Internal Rating
Public finance		
U.S. public finance	\$ 2	AA-
Non-U.S. public finance	2,575	A+
Total public finance	\$ 2,577	A+
U.S. structured finance:		
Pooled corporate obligations	\$ 10,653	AA
RMBS	5,578	BBB
CMBS	3,163	AAA
Consumer receivables	462	AA
Commercial receivables	185	BBB
Structured credit	114	CCC
Insurance securitizations	75	BBB
Other structured finance	96	AA-
Total U.S. structured finance	\$ 20,326	AA-
Non-U.S. structured finance:		
Pooled corporate obligations	\$ 5,057	AAA
Commercial receivables	272	A-
CMBS	75	AAA
RMBS	70	AAA
Insurance securitizations	30	CCC
Structured credit	2	BBB
Total non-U.S. structured finance	\$ 5,506	AAA
Total structured finance	\$ 25,832	AA
Total credit derivative net par outstanding	\$ 28,409	AA

Note: Please refer to the Glossary for an explanation of net par outstanding, internal ratings and sectors.

Assured Guaranty Corp.
Below Investment Grade Exposures (1 of 3)
(dollars in millions)

BIG Exposures by Asset Exposure Type

	BIG Net Par Outstanding	
	December 31, 2012	December 31, 2011⁽¹⁾
U.S. public finance:		
Infrastructure finance	\$ 275	\$ 26
Transportation	245	246
Municipal utilities	223	272
General obligation	199	143
Tax backed	117	128
Higher education	11	11
Healthcare	8	9
Housing	2	0
Other public finance	14	38
Total U.S. public finance	1,094	873
Non-U.S. public finance:		
Infrastructure finance	184	193
Regulated utilities	—	9
Total non-U.S. public finance	184	202
Total public finance	\$ 1,278	\$ 1,075
U.S. structured finance:		
RMBS	\$ 3,845	\$ 4,526
Pooled corporate obligations	2,268	2,734
Structured credit	168	213
Consumer receivables	74	91
Commercial receivables	52	58
Other structured finance	17	18
Total U.S. structured finance	6,424	7,640
Non-U.S. structured finance:		
Insurance securitizations	279	279
Pooled corporate obligations	267	270
RMBS	3	—
Total non-U.S. structured finance	549	549
Total structured finance	\$ 6,973	\$ 8,189
Total BIG net par outstanding	\$ 8,251	\$ 9,264

1) Beginning in the first quarter 2012, the Company decided to classify those portions of risks benefiting from reimbursement obligations collateralized by eligible assets held in trust in acceptable reimbursement structures as the higher of 'AA' or their current internal rating. As of the fourth quarter 2012, the Company applied this policy to the Bank of America Agreement and the Deutsche Bank Agreement. The Bank of America Agreement was entered into in April 2011 and the reclassification in the first quarter 2012 resulted in a decrease in BIG net par outstanding as of December 31, 2011 of \$377 million from that previously reported.

Note: Please refer to the Glossary for an explanation of net par outstanding, internal ratings and sectors.

Assured Guaranty Corp.
Below Investment Grade Exposures (2 of 3)
(dollars in millions)

Net Par Outstanding by BIG Category⁽¹⁾

	Financial Guaranty Insurance and Credit Derivatives Surveillance Categories	
	December 31, 2012	December 31, 2011⁽²⁾
Category 1		
U.S. public finance	\$ 588	\$ 619
Non-U.S. public finance	184	202
U.S. structured finance	1,852	3,634
Non-U.S. structured finance	229	228
Total Category 1	2,853	4,683
Category 2		
U.S. public finance	261	35
Non-U.S. public finance	—	—
U.S. structured finance	2,301	1,644
Non-U.S. structured finance	41	42
Total Category 2	2,603	1,721
Category 3		
U.S. public finance	245	219
Non-U.S. public finance	—	—
U.S. structured finance	2,271	2,362
Non-U.S. structured finance	279	279
Total Category 3	2,795	2,860
BIG Total	\$ 8,251	\$ 9,264

- 1) Assured Guaranty's surveillance department is responsible for monitoring our portfolio of credits and maintains a list of BIG credits. BIG Category 1: Below investment grade transactions showing sufficient deterioration to make lifetime losses possible, but for which none are currently expected. Transactions on which claims have been paid but are expected to be fully reimbursed (other than investment grade transactions on which only liquidity claims have been paid) are in this category. BIG Category 2: Below investment grade transactions for which lifetime losses are expected but for which no claims (other than liquidity claims) have yet been paid. BIG Category 3: Below investment grade transactions for which lifetime losses are expected and on which claims (other than liquidity claims) have been paid. Transactions remain in this category when claims have been paid and only a recoverable remains.
- 2) Beginning in the first quarter 2012, the Company decided to classify those portions of risks benefiting from reimbursement obligations collateralized by eligible assets held in trust in acceptable reimbursement structures as the higher of 'AA' or their current internal rating. As of the fourth quarter 2012, the Company applied this policy to the Bank of America Agreement and the Deutsche Bank Agreement. The Bank of America Agreement was entered into in April 2011 and the reclassification in the first quarter 2012 resulted in a decrease in BIG net par outstanding as of December 31, 2011 of \$377 million from that previously reported.

Assured Guaranty Corp.
Below Investment Grade Exposures (3 of 3)
As of December 31, 2012
(dollars in millions)

BIG Exposures Greater Than \$50 Million

Name or description	Net Par Outstanding	Internal Rating	Current Credit Enhancement
U.S. public finance:			
Louisville Arena Authority Inc.	\$ 249	BB	N/A
San Joaquin Hills California Transportation	245	BB-	N/A
Jefferson County Alabama Sewer	183	D	N/A
Detroit (City of) Michigan	74	BB+	N/A
Orlando Tourist Development Tax - Florida	57	B+	N/A
Woonsocket (City of), Rhode Island	54	BB	N/A
Total	\$ 862		
Non-U.S. public finance:			
Reliance Rail Finance Pty. Limited	\$ 119	BB	N/A
Total	\$ 119		
U.S. RMBS structured finance			
U.S. RMBS:			
Deutsche Alt-A Securities Mortgage Loan 2007-2	\$ 419	CCC	0.0%
Private Residential Mortgage Transaction	278	CCC	4.7%
MortgageIT Securities Corp. Mortgage Loan 2007-2	277	B	5.2%
Deutsche Alt-A Securities Mortgage Loan 2007-3	274	B	1.5%
Private Residential Mortgage Transaction	270	B	12.8%
Private Residential Mortgage Transaction	258	B	13.2%
Private Residential Mortgage Transaction	255	CCC	0.3%
AAA Trust 2007-2	237	CCC	13.2%
Private Residential Mortgage Transaction	199	B	12.4%
Countrywide Home Equity Loan Trust 2007-D	184	CCC	0.0%
Private Residential Mortgage Transaction	119	BB	27.0%
Countrywide Home Equity Loan Trust 2005-J	115	CCC	0.0%
Taylor Bean & Whitaker 2007-2	72	CCC	0.0%
Lehman Excess Trust 2007-16N	65	CCC	0.0%
MASTR Asset-Backed Securities Trust 2005-NC2	60	CCC	—
	\$ 3,082		
Other:			
Taberna Preferred Funding IV, LTD	\$ 219	CCC	20.3%
Taberna Preferred Funding III, LTD	216	CCC	14.8%
Alesco Preferred Funding XVI, LTD.	201	B+	12.1%
Taberna Preferred Funding II, LTD.	167	CCC	20.9%
Alesco Preferred Funding XVII, LTD.	161	B+	16.5%
Trapeza CDO XI	133	BB-	36.9%
Attentus CDO I Limited	128	BB	39.8%
Preferred Term Securities XIX, LTD.	117	BB+	32.7%
Weinstein Film Securitization	114	CCC	N/A
Taberna Preferred Funding VI, LTD	114	CCC	20.7%
US Capital Funding IV, LTD	106	B-	9.2%
Alesco Preferred Funding VI	101	BB+	32.0%
Alesco Preferred Funding VII	97	BB+	33.0%
Preferred Term Securities XVI, LTD.	94	B	30.1%
Taberna Preferred Funding VIII, LTD	94	BB	47.7%
Trapeza CDO X, LTD.	93	BB-	40.1%
Taberna Preferred Funding VIII, LTD	92	BB	47.7%
CAPCO - Excess SIPC Excess of Loss Reinsurance	54	BB	N/A
Total other	\$ 2,301		
Total	\$ 6,364		
Non-U.S. structured finance:			
Orkney Re II, Plc	\$ 149	CCC	N/A
Ballantyne Re Plc	130	CC	N/A
Augusta Funding Limited 07 Perpetual Note Issue	80	BB	N/A
Augusta Funding Limited 05 Perpetual Note Issue	80	BB	N/A
Total	\$ 439		
Total	\$ 6,803		

Note: Please refer to the Glossary for an explanation of net par outstanding, internal ratings and sectors.

Assured Guaranty Corp.
Largest Exposures by Sector (1 of 4)
As of December 31, 2012
(dollars in millions)

50 Largest U.S. Public Finance Exposures

Credit Name	Net Par Outstanding	Internal Rating
California (State of)	\$ 956	BBB+
North Texas Tollway Authority	795	A
Miami-Dade County Florida Aviation Authority - Miami International Airport	679	A
Philadelphia (City of) Pennsylvania	659	BBB
Miami-Dade County Florida School Board	642	A-
Puerto Rico (Commonwealth of)	594	BBB-
Georgia Board of Regents	581	A
Pennsylvania Turnpike Commission	567	A-
New Jersey (State of)	507	A+
Puerto Rico Highway and Transportation Authority	476	BBB-
Houston Texas Water and Sewer Authority	465	AA-
New York (City of) New York	447	AA-
Dade County, Florida General Obligation	402	A+
Michigan (State of)	369	A+
Chicago-O'Hare International Airport	342	A
Metro Wash Airports Authority Dulles Toll Road	316	BBB+
Denver (City and County of) Colorado Airport Revenue Bonds	314	A+
Dormitory Authority of the State of New York School District	305	A+
The Indianapolis Local Public Improvement Bond Bank, Indiana	304	A+
Puerto Rico Aqueduct & Sewer Authority	288	BBB-
New York (State of)	281	A+
Chicago Illinois Public Schools	274	A+
American Municipal Power, Inc.	269	A
San Francisco Airports Commission	261	A+
Kentucky (Commonwealth of)	260	A+
North Carolina Eastern Municipal Power Agency	254	BBB+
Louisville Arena Authority Inc.	249	BB
San Joaquin Hills California Transportation	245	BB-
Dallas (City of) Texas Civic Center Convention Complex	240	A
Chicago Transit Authority Capital Grant Receipts	240	A
Virtua Health - New Jersey	221	A+
Long Island Power Authority	219	A-
Port Authority of New York and New Jersey	216	AA-
New Jersey Higher Education Student Assistance 2008-A	216	A
Orange County Schools, Florida	215	A+
Yankee Stadium LLC (New York City Industrial Development Authority)	214	BBB-
Piedmont Municipal Power Authority - South Carolina	212	A-
Oakland (City of) California General Obligation	210	A-
North Carolina Turnpike Authority - Triangle Expressway	210	BBB-
Nassau County, New York	207	A
District of Columbia Water and Sewer Authority Public Utility Bonds	198	A+
New York MTA Transportation Authority	193	A
Florida (State of) Department of Environmental Protection	191	A+
Louisiana (State of)	187	AA
Iowa Health System	187	A+
Orlando Tourist Development Tax - Florida	186	BBB-
Jefferson County Alabama Sewer	183	D
Matanuska-Sustina Borough, AK	171	BBB+
Indianapolis Gas Utility Revenue Stream	165	A
CHRISTUS Health	160	A+
Total top 50 U.S. public finance exposures	<u>\$ 16,542</u>	

Note: Please refer to the Glossary for an explanation of net par outstanding, internal ratings and sectors.

Assured Guaranty Corp.
Largest Exposures by Sector (2 of 4)
As of December 31, 2012
(dollars in millions)

50 Largest U.S. Structured Finance Exposures

Credit Name	Net Par Outstanding	Internal Rating	Credit Enhancement
ARES Enhanced Credit Opportunities Fund	\$ 495	AAA	34.4%
Deutsche Alt-A Securities Mortgage Loan 2007-2	419	CCC	0.0%
SLM Private Credit Student Trust 2007-A	375	BBB-	15.5%
KKR Financial CLO 2007-1	341	AAA	51.9%
SLM Private Credit Student Loan Trust 2007-6	333	AAA	4.0%
Symphony Credit Opportunities Fund	309	AAA	25.9%
ARES Enhanced Credit Opportunities Fund	308	AAA	34.4%
Private Residential Mortgage Transaction	278	CCC	4.7%
MortgageIT Securities Corp. Mortgage Loan 2007-2	277	B	5.2%
Deutsche Alt-A Securities Mortgage Loan 2007-3	274	B	1.5%
Private Residential Mortgage Transaction	270	B	12.8%
SLM Private Credit Student Loan Trust 2006-C	267	BBB-	14.3%
Private Residential Mortgage Transaction	257	B	13.2%
Private Residential Mortgage Transaction	255	CCC	0.3%
Fortress Credit Funding III	249	AAA	57.6%
AAA Trust 2007-2	237	CCC	13.2%
Alesco Preferred Funding XIV	234	BBB-	32.7%
Newstar Credit Opportunities Funding II LTD	231	AAA	30.0%
CWALT Alternative Loan Trust 2007-HY9	228	AA/CCC	0.0%
Synthetic Investment Grade Pooled Corporate CDO	225	Super Senior	29.1%
Kingsland IV	224	AAA	22.6%
RAIT Preferred Funding II, LTD.	223	AA	49.7%
Taberna Preferred Funding IV, LTD	219	CCC	20.3%
Kingsland V	219	AAA	26.5%
Foothill CLO I, LTD.	217	AAA	29.1%
Taberna Preferred Funding III, LTD	215	CCC	14.8%
Goldentree Credit Opportunities Second Financing	208	AAA	44.4%
HSAM LONG/SHORT 2007-3	206	AAA	29.8%
Synthetic Investment Grade Pooled Corporate CDO	205	Super Senior	29.2%
Southfork CLO LTD. Series 2005-A1	202	AAA	36.0%
Alesco Preferred Funding XVI, LTD.	201	B+	12.1%
CRATOS CLO I	200	AAA	33.1%
Private Residential Mortgage Transaction	199	B	12.4%
MAC Capital, LTD	191	AAA	38.9%
Kodiak CDO II	185	AA	53.6%
Countrywide Home Equity Loan Trust 2007-D	184	CCC	0.0%
Comstock Funding LTD	181	AAA	32.2%
ARES NF CLO XIV (FKA Navigare Funding II, CLO LTD.)	172	AAA	24.2%
Mountain View Funding CLO 2006-1, LTD	170	AAA	22.8%
ARES Enhanced Credit Opportunities Fund	169	AAA	34.4%
Baker Street Funding CLO 2005-1	168	AAA	22.9%
Mountain View CLO II	167	AAA	23.9%
Taberna Preferred Funding II, LTD.	167	CCC	20.9%
US CLO	165	Super Senior	38.9%
Alesco Preferred Funding XVII, LTD.	161	B+	16.5%
CENT CDO XI Limited	157	AAA	26.8%
GOLUB Capital Funding CLO-8 LTD.	155	AAA	29.2%
Kingsland II LTD	153	AAA	24.4%
Greenwich Capital Commercial Funding 2005-GG3	150	Super Senior	35.5%
Banc of America Commercial Mortgage 2004-5	150	Super Senior	50.0%
Total top 50 U.S. structured finance exposures	\$ 11,445		

Note: Please refer to the Glossary for an explanation of net par outstanding, internal ratings and sectors.

Assured Guaranty Corp.
Largest Exposures by Sector (3 of 4)
As of December 31, 2012
(dollars in millions)

25 Largest Non-U.S. Exposures

Credit Name	Net Par Outstanding	Internal Rating
Fortress Credit Investments I	\$ 614	AAA
Essential Public Infrastructure Capital II	526	Super Senior
Windmill CLO I PLC	390	Super Senior
Broadcast Australia Finance	351	BBB
Global Senior Loan Index Fund 1 B.V.	333	Super Senior
Harvest CLO III	320	AAA
International Infrastructure Pool	307	A-
International Infrastructure Pool	307	A-
International Infrastructure Pool	307	A-
RMF Euro CDO V PLC	290	AAA
Halcyon Structured Management Europe CLO 2007-I	258	Super Senior
Wood Street CLO V B.V.	257	Super Senior
Neptuno CLO I B.V.	251	AAA
Taberna Europe CDO I PLC	244	BBB-
North Westerly CLO III B.V.	222	AAA
Alpstar CLO 2 PLC	221	Super Senior
Stichting Profile Securitisation I	214	Super Senior
Taberna Europe CDO II PLC	212	BBB-
Highlander Euro CDO	205	Super Senior
Airspeed Limited Series 2007-1 Class G-2	200	BBB+
Dalradian European CLO IV B.V.	183	AAA
CONTEGO CLO I B.V.	178	AAA
RMF Euro CDO IV PLC	178	AAA
HARBOURMASTER CLO 10 B.V.	175	AAA
Babcock & Brown Air Funding I Ltd. Series 2007-1 G-1	153	A-
Total top 25 non-U.S. exposures	\$ 6,896	

Note: Please refer to the Glossary for an explanation of net par outstanding, internal ratings and sectors.

Assured Guaranty Corp.
Largest Exposures by Sector (4 of 4)
As of December 31, 2012
(dollars in millions)

10 Largest U.S. Residential Mortgage Servicer Exposures

Servicer:	Net Par Outstanding
Bank of America, N.A. ⁽¹⁾	\$ 1,952
Wells Fargo Bank N.A.	1,265
Ocwen Financial Corporation ⁽²⁾	1,255
Ally Financial, Inc. ⁽³⁾	879
JPMorgan Chase Bank	778
Carrington Mortgage Services, LLC	256
Select Portfolio Servicing, Inc.	185
Specialized Loan Servicing LLC	140
OneWest Bank Group LLC	133
Capital One Financial Corporation	71
Total top 10 U.S. residential mortgage servicer exposures	<u>\$ 6,914</u>

10 Largest U.S. Healthcare Exposures

Credit Name:	Net Par Outstanding	Internal Rating	State
Virtua Health - New Jersey	\$ 221	A+	NJ
Iowa Health System	187	A+	IA
CHRISTUS Health	160	A+	TX
Fairview Health Services	157	A	MN
Methodist Healthcare, TN	135	A	TN
LifeBridge Health, Inc.	129	A	MD
Spartanburg Regional Medical Center	123	A	SC
Wake Medical Center - North Carolina	121	A+	NC
Essentia Health	116	A-	MN
Bon Secours Health System Obligated Group	110	A-	MD
Total top 10 U.S. healthcare exposures	<u>\$ 1,459</u>		

1) Includes Countrywide Home Loans Servicing LP.

2) Includes Homeward Residential Inc.

3) Includes GMAC Mortgage LLC, Residential Funding Corp and Homecomings Financial Network, Inc.

Note: Please refer to the Glossary for an explanation of net par outstanding, internal ratings and sectors.

Assured Guaranty Corp.
Rollforward of Net Expected Loss and LAE to be Paid
(dollars in millions)

Rollforward of Net Expected Loss and LAE to be Paid for the Three Months Ended December 31, 2012

Financial Guaranty Insurance Contracts and Credit Derivatives	Net Expected Loss to be Paid as of September 30, 2012	Economic Loss Development During 4Q-12 ⁽¹⁾	(Paid) Recovered Losses During 4Q-12	Net Expected Loss to be Paid as of December 31, 2012
U.S. RMBS				
First lien:				
Prime first lien	\$ 4	\$ 1	\$ —	\$ 5
Alt-A first lien	131	23	(17)	137
Option ARMs	22	3	(18)	7
Subprime first lien	64	5	(5)	64
Total first lien	<u>221</u>	<u>32</u>	<u>(40)</u>	<u>213</u>
Second lien:				
Closed end seconds	10	(3)	(1)	6
HELOC	5	5	(8)	2
Total second lien	<u>15</u>	<u>2</u>	<u>(9)</u>	<u>8</u>
Total U.S. RMBS	236	34	(49)	221
Trust preferred securities ("TruPS")	40	(19)	(1)	20
Other structured finance	106	7	—	113
U.S. public finance	37	(8)	(7)	22
Non-U.S. public finance	4	—	—	4
Total	<u>\$ 423</u>	<u>\$ 14</u>	<u>\$ (57)</u>	<u>\$ 380</u>

Rollforward of Net Expected Loss and LAE to be Paid for the Year Ended December 31, 2012

Financial Guaranty Insurance Contracts and Credit Derivatives	Net Expected Loss to be Paid as of December 31, 2011	Economic Loss Development During 2012 ⁽¹⁾	(Paid) Recovered Losses During 2012	Net Expected Loss to be Paid as of December 31, 2012
U.S. RMBS				
First lien:				
Prime first lien	\$ 1	\$ 4	\$ —	\$ 5
Alt-A first lien	159	26	(48)	137
Option ARMs	63	20	(76)	7
Subprime first lien	68	8	(12)	64
Total first lien	<u>291</u>	<u>58</u>	<u>(136)</u>	<u>213</u>
Second lien:				
Closed end seconds	(48)	(2)	56	6
HELOC	20	7	(25)	2
Total second lien	<u>(28)</u>	<u>5</u>	<u>31</u>	<u>8</u>
Total U.S. RMBS	263	63	(105)	221
TruPS	48	(24)	(4)	20
Other structured finance	111	5	(3)	113
U.S. public finance	21	16	(15)	22
Non-U.S. public finance	3	1	—	4
Total	<u>\$ 446</u>	<u>\$ 61</u>	<u>\$ (127)</u>	<u>\$ 380</u>

1) Includes the effect of changes in the Company's estimate of future recovery on representations and warranties ("R&W").

Assured Guaranty Corp.

Financial Guaranty Insurance and Credit Derivatives U.S. RMBS R&W Benefit Development (dollars in millions)

Financial Guaranty Insurance and Credit Derivatives U.S. RMBS Benefit Development for the Three Months Ended December 31, 2012

	Future Net R&W Benefit at September 30, 2012	R&W Economic Loss Development During 4Q-12	R&W Recovered During 4Q-12	Future Net R&W Benefit at December 31, 2012
Financial guaranty insurance:				
Prime first lien	\$ 2	\$ —	\$ —	\$ 2
Alt-A first lien	20	—	—	20
Option ARMs	86	2	(4)	84
Closed end seconds	20	1	(2)	19
HELOC	18	—	—	18
Subtotal	146	3	(6)	143
Credit derivatives:				
Alt-A first lien	172	(5)	—	167
Option ARMs	14	—	—	14
Subtotal	186	(5)	—	181
Total	\$ 332	\$ (2)	\$ (6)	\$ 324

Financial Guaranty Insurance and Credit Derivatives U.S. RMBS R&W Benefit Development for the Year Ended December 31, 2012

	Future Net R&W Benefit at December 31, 2011	R&W Economic Loss Development During 4Q-12	R&W Recovered During 4Q-12	Future Net R&W Benefit at December 31, 2012
Financial guaranty insurance:				
Prime first lien	\$ 2	\$ —	\$ —	\$ 2
Alt-A first lien	16	4	—	20
Option ARMs	75	13	(4)	84
Closed end seconds	89	1	(71)	19
HELOC	26	1	(9)	18
Subtotal	208	19	(84)	143
Credit derivatives:				
Alt-A first lien	156	11	—	167
Option ARMs	9	5	—	14
Subtotal	165	16	—	181
Total	\$ 373	\$ 35	\$ (84)	\$ 324

Financial Guaranty Insurance and Credit Derivatives U.S. RMBS Policies with R&W Benefit

	Number of Risks as of		Debt Service as of	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Financial guaranty insurance:				
Prime first lien	1	1	\$ 18	\$ 21
Alt-A first lien	9	11	281	374
Option ARMs	2	2	133	182
Closed end seconds	2	2	64	120
HELOC	1	3	18	480
Subtotal	15	19	514	1,177
Credit derivatives:				
Alt-A first lien	7	7	1,990	2,155
Option ARMs	1	1	284	322
Subtotal	8	8	2,274	2,477
Total	23	27	\$ 2,788	\$ 3,654

Assured Guaranty Corp.

Losses Incurred

As of December 31, 2012

(dollars in millions)

Financial Guaranty Insurance Contracts and Credit Derivatives	Total Net Par Outstanding for BIG Transactions	4Q-12 Losses Incurred	2012 Losses Incurred	Net Reserve and Credit Impairment	Net Salvage and Subrogation Assets	Net Expected Loss to be Expensed
U.S. RMBS						
First lien:						
Prime first lien	\$ 373	\$ —	\$ 1	\$ 2	\$ —	\$ 1
Alt-A first lien	2,019	29	27	119	—	1
Option ARMs	467	4	33	34	—	0
Subprime first lien	582	6	13	61	—	0
Total first lien	3,441	39	74	216	—	2
Second lien:						
Closed end seconds	76	(4)	(4)	2	—	5
HELOC	328	5	(13)	19	18	1
Total second lien	404	1	(17)	21	18	6
Total U.S. RMBS	3,845	40	57	237	18	8
TruPS	2,267	(7)	(14)	12	—	1
Other structured finance	861	(1)	20	112	5	5
U.S. public finance	1,094	(9)	11	46	36	11
Non-U.S. public finance	184	2	—	4	—	0
Subtotal	8,251	25	74	411	59	25
Effect of consolidating FG VIEs	—	4	6	(11)	—	(6)
Total	\$ 8,251	\$ 29	\$ 80	\$ 400	\$ 59	\$ 19

	Insurance Reserves	Credit Impairment on Credit Derivative Contracts ⁽¹⁾	Reserve and Credit Impairment	Salvage and Subrogation Recoverable	Net
Gross	\$ 308	\$ 286	\$ 594	\$ 67	\$ 527
Ceded	147	47	194	8	(2) 186
Net	\$ 161	\$ 239	\$ 400	\$ 59	\$ 341

1) Credit derivative assets and liabilities recorded on the balance sheet incorporate estimates of expected losses.

2) Recorded in "reinsurance balances payable, net" on the consolidated balance sheets.

Assured Guaranty Corp.
Summary of Statutory Financial and Statistical Data
(dollars in millions)

	Year Ended December 31,				
	2012	2011	2010	2009	2008
Statutory Data					
Net income (loss)	\$ 31	\$ 230	\$ (182)	\$ (243)	\$ 28
Policyholders' surplus	905	1,021	854	1,224	378
Contingency reserve	825	691	703	556	712
Qualified statutory capital	1,730	1,712	1,557	1,780	1,090
Unearned premium reserve	753	826	877	887	570
Loss and LAE reserves	313	345	448	280	15
Total policyholders' surplus and reserves	2,796	2,883	2,882	2,947	1,675
Present value of installment premium	331	406	539	612	566
Standby line of credit/stop loss	200	200	200	200	200
Excess of loss reinsurance facility	435	435	—	—	—
Total claims-paying resources	<u>\$ 3,762</u>	<u>\$ 3,924</u>	<u>\$ 3,621</u>	<u>\$ 3,759</u>	<u>\$ 2,441</u>
Financial Ratios Calculated Using Statutory Information					
Loss and LAE ratio ⁽¹⁾	46.2%	(60.1)%	181.8%	243.9%	90.3%
Expense ratio ⁽²⁾	73.1%	92.4 %	66.0%	15.4%	11.5%
Combined ratio	<u>119.3%</u>	<u>32.3 %</u>	<u>247.8%</u>	<u>259.3%</u>	<u>101.8%</u>
Other Financial Information (Statutory Basis)					
Net debt service outstanding (end of period)	\$ 138,286	\$ 154,252	\$ 171,037	\$ 186,606	\$ 164,283
Gross debt service outstanding (end of period)	194,569	216,695	238,455	259,867	225,152
Net par outstanding (end of period)	94,194	104,977	118,898	130,468	111,025
Gross par outstanding (end of period)	131,945	146,555	165,227	180,765	152,801
Ceded par to all Assured Guaranty companies	35,322	38,901	42,989	46,411	37,372
Ratios:					
Par insured to statutory capital	54:1	61:1	76:1	73:1	102:1
Capital ratio ⁽³⁾	80:1	90:1	110:1	105:1	151:1
Financial resources ratio ⁽⁴⁾	37:1	39:1	47:1	50:1	67:1
Gross debt service written:					
Public finance - U.S.	\$ 2,821	\$ 536	\$ 5,876	\$ 78,012	\$ 56,864
Public finance - non-U.S.	—	—	51	522	771
Structured finance - U.S.	585	1,322	2,962	2,480	13,228
Structured finance - non-U.S.	—	—	—	—	5,265
Total gross debt service written	<u>\$ 3,406</u>	<u>\$ 1,858</u>	<u>\$ 8,889</u>	<u>\$ 81,014</u>	<u>\$ 76,128</u>

- 1) The loss and LAE ratio is calculated by dividing statutory loss and LAE by statutory earned premiums.
- 2) The expense ratio is calculated by dividing statutory underwriting expenses by statutory written premiums. The expense ratio above excludes miscellaneous income which is included in the numerator in the NAIC Annual Statement.
- 3) The capital ratio is calculated by dividing net debt service outstanding by qualified statutory capital.
- 4) The financial resources ratio is calculated by dividing net debt service outstanding by total claims paying resources.

Note: Please refer to the explanation of Non-GAAP Financial Measures set forth at the end of this Financial Supplement.

Glossary

Net Par Outstanding and Internal Ratings

Internal Rating for the Company's ratings scale is similar to that used by the nationally recognized statistical rating organizations; however, the ratings in the tables may not be the same as ratings assigned by any such rating agency. 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 on its internal rating scale has additional credit enhancement due to either (a) the existence of another security rated AAA that is subordinated to Assured Guaranty's exposure or (b) Assured Guaranty's exposure benefiting 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.

Net par outstanding is insured par exposure net of reinsurance cessions.

Performance Indicators

The performance information described below is obtained from third parties and/or provided by the trustee and may be subject to restatement or correction:

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 divided by current collateral balance.

Average Credit Enhancement is intended to provide a measure of the amount of equity and/or subordinated 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 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.

Cumulative Losses are defined as net charge-offs on the underlying loan collateral divided by the original collateral balance.

Pool Factor is the percentage of the current collateral balance divided by the original collateral balance of the transactions at inception.

Subordination represents the sum of subordinate tranches and overcollateralization, expressed as a percentage of total transaction size, and does not include any benefit from excess spread collections that may be used to absorb losses. Many of the closed-end second lien RMBS transactions insured by the Company have unique structures whereby the collateral may be written down for losses without a corresponding write-down of the obligations insured by the Company. Many of these transactions are currently undercollateralized, with the principal amount of collateral being less than the principal amount of the obligation insured by the Company. The Company is not required to pay principal shortfalls until legal maturity (rather than making timely principal payments), and takes the undercollateralization into account when estimating expected losses for these transactions.

Sectors

Below are brief descriptions of selected types of public and structured finance obligations that the Company insures and reinsures. For a more complete description, please refer to Assured Guaranty Ltd.'s Annual Report on Form 10-K for December 31, 2012.

Public Finance:

General Obligation Bonds are full faith and credit bonds that are issued by states, their political subdivisions and other municipal issuers, and are supported by the general obligation of the issuer to pay from available funds and by a pledge of the issuer to levy ad valorem taxes in an amount sufficient to provide for the full payment of the bonds.

Tax-Backed Bonds are obligations that are supported by the issuer from specific and discrete sources of taxation. They include tax-backed revenue bonds, general fund obligations and lease revenue bonds. Tax-backed obligations may be secured by a lien on specific pledged tax revenues, such as a gasoline or excise tax, or incrementally from growth in property tax revenue associated with growth in property values. These obligations also include obligations secured by special assessments levied against property owners and often benefit from issuer covenants to enforce collections of such assessments and to foreclose on delinquent properties. Lease revenue bonds typically are general fund obligations of a municipality or other governmental authority that are subject to annual appropriation or abatement; projects financed and subject to such lease payments ordinarily include real estate or equipment serving an essential public purpose. Bonds in this category also include moral obligations of municipalities or governmental authorities.

Municipal Utility Bonds are obligations of all forms of municipal utilities, including electric, water and sewer utilities and resource recovery revenue bonds. These utilities may be organized in various forms, including municipal enterprise systems, authorities or joint action agencies.

Transportation Bonds include a wide variety of revenue-supported bonds, such as bonds for airports, ports, tunnels, municipal parking facilities, toll roads and toll bridges.

Healthcare Bonds are obligations of healthcare facilities, including community-based hospitals and systems, as well as of health maintenance organizations and long-term care facilities.

Glossary (continued)

Sectors (continued)

Higher Education Bonds are obligations secured by revenue collected by either public or private secondary schools, colleges and universities. Such revenue can encompass all of an institution's revenue, including tuition and fees, or in other cases, can be specifically restricted to certain auxiliary sources of revenue.

Infrastructure Bonds include obligations issued by a variety of entities engaged in the financing of infrastructure projects, such as roads, airports, ports, social infrastructure and other physical assets delivering essential services supported by long-term concession arrangements with a public sector entity.

Investor-Owned Utility Bonds are obligations primarily backed by investor-owned utilities, first mortgage bond obligations of for-profit electric or water utilities providing retail, industrial and commercial service, and also include sale-leaseback obligation bonds supported by such entities.

Housing Revenue Bonds are obligations relating to both single and multi-family housing, issued by states and localities, supported by cash flow and, in some cases, insurance from entities such as the Federal Housing Administration.

Regulated Utilities Obligations are issued by government-regulated providers of essential services and commodities, including electric, water and gas utilities. The majority of the Company's international regulated utility business is conducted in the United Kingdom.

Pooled Infrastructure Obligations are synthetic asset-backed obligations that take the form of CDS obligations or credit-linked notes that reference either infrastructure finance obligations or a pool of such obligations, with a defined deductible to cover credit risks associated with the referenced obligations.

Other Public Finance primarily includes government insured student loans, government-sponsored project finance and structured municipal transactions, which includes excess of loss reinsurance on portfolios of municipal credits.

Structured Finance:

Pooled Corporate Obligations are securities primarily backed by various types of corporate debt obligations, such as secured or unsecured bonds, bank loans or loan participations and trust preferred securities. These securities are often issued in "tranches," with subordinated tranches providing credit support to the more senior tranches. The Company's financial guaranty exposures generally are to the more senior tranches of these issues.

Residential Mortgage-Backed Securities ("RMBS") and Home Equity Securities are obligations backed by closed-end first mortgage loans and closed- and open-end second mortgage loans or home equity loans on one-to-four family residential properties, including condominiums and cooperative apartments. First mortgage loan products in these transactions include fixed rate, adjustable rate ("ARM") and option adjustable-rate ("Option ARM") mortgages. The credit quality of borrowers covers a broad range, including "prime", "subprime" and "Alt-A". A prime borrower is generally defined as one with strong risk characteristics as measured by factors such as payment history, credit score, and debt-to-income ratio. A subprime borrower is a borrower with higher risk characteristics, usually as determined by credit score and/or credit history. An Alt-A borrower is generally defined as a prime quality borrower that lacks certain ancillary characteristics, such as fully documented income.

Additional insured obligations within RMBS include Home Equity Lines of Credit ("HELOCs"), which refers to a type of residential mortgage-backed transaction backed by second-lien loan collateral consisting of home equity lines of credit. U.S. Prime First Lien is a type of residential mortgage-backed securities transaction backed primarily by prime first-lien loan collateral plus an insignificant amount of other miscellaneous RMBS transactions.

CBOs/CLOs (collateralized bond obligations and collateralized loan obligations) are asset-backed securities largely backed by non-investment grade/high yield collateral.

Commercial Mortgage-Backed Securities ("CMBS") are obligations backed by pools of commercial mortgages. The collateral supporting CMBS include office, multifamily, retail, hotel, industrial and other specialized or mixed-use properties.

Consumer Receivables Securities are obligations backed by non-mortgage consumer receivables, such as automobile loans and leases, credit card receivables and other consumer receivables.

Commercial Receivables Securities are obligations backed by equipment loans or leases, fleet auto financings, business loans and trade receivables. Credit support is derived from the cash flows generated by the underlying obligations, as well as property or equipment values as applicable.

Glossary (continued)

Sectors (continued)

Insurance Securitization Securities are obligations secured by the future earnings from pools of various types of insurance/reinsurance policies and income produced by invested assets.

Structured Credit Securities include program-wide credit enhancement for commercial paper conduits in the U.S., and securities issued in whole business securitizations and intellectual property securitizations. Program-wide credit enhancement generally involves insuring against the default of ABS in a bank-sponsored commercial paper conduit. Securities issued in whole business and intellectual property securitizations are backed by revenue-producing assets sold to a limited-purpose company by an operating company, including franchise agreements, lease agreements, intellectual property and real property.

Other Structured Finance Securities are obligations backed by assets not generally described in any of the other described categories. One such type of asset is a tax benefit to be realized by an investor in one of the Federal or state programs that permit such investor to receive a credit against taxes (such as Federal corporate income tax or state insurance premium tax) for making qualified investments in specified enterprises, typically located in designated low-income areas.

Non-GAAP Financial Measures

The Company references financial measures that are not in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Assured Guaranty’s management and board of directors utilize non-GAAP measures in evaluating the Company’s financial performance and as a basis for determining senior management incentive compensation. By providing these non-GAAP financial measures, investors, analysts and financial news reporters have access to the same information that management reviews internally. In addition, Assured Guaranty’s presentation of non-GAAP financial measures is consistent with how analysts calculate their estimates of Assured Guaranty’s financial results in their research reports on Assured Guaranty and with how investors, analysts and the financial news media evaluate Assured Guaranty’s financial results.

The following paragraphs define each non-GAAP financial measure and describe why it is useful. A reconciliation of the non-GAAP financial measure and the most directly comparable GAAP financial measure, if available, is presented within this financial supplement. Non-GAAP financial measures should not be viewed as substitutes for their most directly comparable GAAP measures.

Operating Income: Management believes that operating income is a useful measure because it clarifies the understanding of the underwriting results of the Company’s financial guaranty insurance business, and also includes financing costs and net investment income, and enables investors and analysts to evaluate the Company’s financial results as compared with the consensus analyst estimates distributed publicly by financial databases. Operating income is defined as net income (loss) attributable to Assured Guaranty Ltd., as reported under GAAP, adjusted for the following:

1) Elimination of the after-tax realized gains (losses) on the Company’s investments, except for gains and losses on securities classified as trading. The timing of realized gains and losses, which depends largely on market credit cycles, can vary considerably across periods. The timing of sales is largely subject to the Company’s discretion and influenced by market opportunities, as well as the Company’s tax and capital profile. Trends in the underlying profitability of the Company’s business can be more clearly identified without the fluctuating effects of these transactions.

2) Elimination of the after-tax non-credit-impairment unrealized fair value gains (losses) on credit derivatives, which is the amount in excess of the present value of the expected estimated economic credit losses and non-economic payments. Such fair value adjustments are heavily affected by, and in part fluctuate with, changes in market interest rates, credit spreads and other market factors and are not expected to result in an economic gain or loss. Additionally, such adjustments present all financial guaranty contracts on a more consistent basis of accounting, whether or not they are subject to derivative accounting rules.

3) Elimination of the after-tax fair value gains (losses) on the Company’s committed capital securities. Such amounts are heavily affected by, and in part fluctuate with, changes in market interest rates, credit spreads and other market factors and are not expected to result in an economic gain or loss.

4) Elimination of the after-tax foreign exchange gains (losses) on remeasurement of net premium receivables and loss and LAE reserves. Long-dated receivables constitute a significant portion of the net premium receivable balance and represent the present value of future contractual or expected collections. Therefore, the current period’s foreign exchange remeasurement gains (losses) are not necessarily indicative of the total foreign exchange gains (losses) that the Company will ultimately recognize.

5) Elimination of the effects of consolidating FG VIEs in order to present all financial guaranty contracts on a more consistent basis of accounting, whether or not GAAP requires consolidation. GAAP requires the Company to consolidate certain VIEs that have issued debt obligations insured by the Company even though the Company does not own such VIEs.

Operating Shareholders’ Equity: Management believes that operating shareholders’ equity is a useful measure because it presents the equity of Assured Guaranty Ltd. with all financial guaranty contracts accounted for on a more consistent basis and excludes fair value adjustments that are not expected to result in economic loss. Many investors, analysts and financial news reporters use operating shareholders’ equity as the principal financial measure for valuing Assured Guaranty Ltd.’s current share price or projected share price and also as the basis of their decision to recommend, buy or sell Assured Guaranty Ltd.’s common shares. Many of the Company’s fixed income investors also use operating shareholders’ equity to evaluate the Company’s capital adequacy. Operating shareholders’ equity is the basis of the calculation of adjusted book value (see below). Operating shareholders’ equity is defined as shareholders’ equity attributable to Assured Guaranty Ltd., as reported under GAAP, adjusted for the following:

1) Elimination of the effects of consolidating FG VIEs in order to present all financial guaranty contracts on a more consistent basis of accounting, whether or not GAAP requires consolidation. GAAP requires the Company to consolidate certain VIEs that have issued debt obligations insured by the Company even though the Company does not own such VIEs.

2) Elimination of the after-tax non-credit-impairment unrealized fair value gains (losses) on credit derivatives, which is the amount in excess of the present value of the expected estimated economic credit losses and non-economic payments. Such fair value adjustments are heavily affected by, and in part fluctuate with, changes in market interest rates, credit spreads and other market factors and are not expected to result in an economic gain or loss.

Non-GAAP Financial Measures (continued)

Operating Shareholders' Equity (continued):

3) Elimination of the after-tax fair value gains (losses) on the Company's committed capital securities. Such amounts are heavily affected by, and in part fluctuate with, changes in market interest rates, credit spreads and other market factors and are not expected to result in an economic gain or loss.

4) Elimination of the after-tax unrealized gains (losses) on the Company's investments, that are recorded as a component of accumulated other comprehensive income ("AOCI") (excluding foreign exchange remeasurement). The AOCI component of the fair value adjustment on the investment portfolio is not deemed economic because the Company generally holds these investments to maturity and therefore should not recognize an economic gain or loss.

Operating return on equity ("Operating ROE"): Operating ROE represents operating income for a specified period divided by the average of operating shareholders' equity at the beginning and the end of that period. Management believes that operating ROE is a useful measure to evaluate the Company's return on invested capital. Many investors, analysts and members of the financial news media use operating ROE to evaluate Assured Guaranty Ltd.'s share price and as the basis of their decision to recommend, buy or sell the Assured Guaranty Ltd. common shares. Quarterly and year-to-date operating ROE are calculated on an annualized basis.

Adjusted Book Value: Management believes that adjusted book value is a useful measure because it enables an evaluation of the net present value of the Company's in-force premiums and revenues in addition to operating shareholders' equity. The premiums and revenues included in adjusted book value will be earned in future periods, but actual earnings may differ materially from the estimated amounts used in determining current adjusted book value due to changes in foreign exchange rates, prepayment speeds, terminations, credit defaults and other factors. Many investors, analysts and financial news reporters use adjusted book value to evaluate Assured Guaranty Ltd.'s share price and as the basis of their decision to recommend, buy or sell the Assured Guaranty Ltd. common shares. Adjusted book value is operating shareholders' equity, as defined above, further adjusted for the following:

1) Elimination of after-tax deferred acquisition costs, net. These amounts represent net deferred expenses that have already been paid or accrued and will be expensed in future accounting periods.

2) Addition of the after-tax net present value of estimated net future credit derivative revenue. See below.

3) Addition of the after-tax value of the unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed, net of reinsurance. This amount represents the expected future net earned premiums, net of expected losses to be expensed. Net expected losses to be expensed are not reflected in GAAP equity.

Net present value of estimated net future credit derivative revenue: Management believes that this amount is a useful measure because it enables an evaluation of the value of future estimated credit derivative revenue. There is no corresponding GAAP financial measure. This amount represents the present value of estimated future revenue from the Company's credit derivative in-force book of business, net of reinsurance, ceding commissions and premium taxes for contracts without expected economic losses, and is discounted at 6%. Estimated net future credit derivative revenue may change from period to period due to changes in foreign exchange rates, prepayment speeds, terminations, credit defaults or other factors that affect par outstanding or the ultimate maturity of an obligation.

PVP or present value of new business production: Management believes that PVP is a useful measure because it enables 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 as well as premium supplements and additional installment premium on existing contracts as to which the issuer has the right to call the insured obligation but has not exercised such right, whether in insurance or credit derivative contract form, which GAAP gross premiums written and the 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. PVP in respect of financial guaranty contracts written in a specified period is defined as gross upfront and installment premiums received and the present value of gross estimated future installment premiums, in each case, discounted at 6%. For purposes of the PVP calculation, management discounts estimated future installment premiums on insurance contracts at 6%, while under GAAP, these amounts are discounted at a risk free rate. Additionally, under GAAP, 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 based upon 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, changes in foreign exchange rates, prepayment speeds, terminations, credit defaults, or other factors that affect par outstanding or the ultimate maturity of an obligation.



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