



# Fixed Income Investor Presentation

Third Quarter 2012



# Table of Contents



	<u>Page</u>
<b>Forward-Looking Statements and Safe Harbor Disclosure</b>	<b>2</b>
<b>Conventions and Disclaimer</b>	<b>3</b>
<b>Non-GAAP Financial Measures and Performance Indicators</b>	<b>4</b>
<b>Corporate Overview</b>	<b>5</b>
<b>Assured Guaranty Municipal Corp. Financial Guaranty Portfolio Review</b>	<b>52</b>
<b>Assured Guaranty Corp. Financial Guaranty Portfolio Review</b>	<b>68</b>
<b>Assured Guaranty Municipal Corp. Financial Information</b>	<b>85</b>
<b>Assured Guaranty Corp. Financial Information</b>	<b>89</b>
<b>Assured Guaranty Ltd. Financial Information</b>	<b>93</b>
<b>Appendix</b>	<b>98</b>

# Forward-Looking Statements and Safe Harbor Disclosure



- This presentation 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”). These statements can be identified by the fact that they do not relate strictly to historical or current facts and relate to future operating or financial performance. Any forward-looking statements made in this presentation 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, all of which have occurred in the past and may take place again in the future; (2) developments in the world's financial and capital markets that adversely affect issuers' payment rates, Assured Guaranty's loss experience, 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 ratings 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) the possibility that Assured Guaranty will not realize insurance loss recoveries or damages expected from originators, sellers, sponsors, underwriters or servicers of residential mortgage-backed securities transactions; (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) Assured Guaranty's dependence on customers; (18) loss of key personnel; (19) adverse technological developments; (20) the effects of mergers, acquisitions and divestitures; (21) natural or man-made catastrophes; (22) other risks and uncertainties that have not been identified at this time; (23) management's response to these factors; and (24) 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.
- The foregoing review of important factors should not be construed as exhaustive, and should be read in conjunction with the other cautionary statements that are included in the Company's Form 10-K and 10-Q filings. The Company undertakes no obligation to update publicly or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law. Investors are advised, however, to consult any further disclosures the Company makes on related subjects in the Company's periodic reports filed with the Securities and Exchange Commission. If one or more of these or other risks or uncertainties materialize, or if the Company's underlying assumptions prove to be incorrect, actual results may vary materially from what the Company projected.
- For these statements, the Company claims the protection of the safe harbor for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

- Unless otherwise noted, the following conventions are used in this presentation:
  - Ratings on our insured portfolio and on bonds purchased pursuant to loss mitigation or risk management strategies are Assured Guaranty's internal ratings. Although the Company's ratings scale is similar to that used by the nationally recognized statistical rating organizations, the ratings 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 Assured Guaranty in instances where its AAA-rated exposure has additional credit enhancement due to either (1) the existence of another security rated AAA that is subordinated to Assured Guaranty's exposure or (2) Assured Guaranty's exposure benefitting from a different form of credit enhancement that would pay any claims first in the event that any of the exposures incurs a loss, and such credit enhancement, in management's opinion, causes Assured Guaranty's attachment point to be materially above the AAA attachment point.
  - Exposures rated below investment grade are designated "BIG". For RMBS transactions collateralized under R&W settlement agreements, a portion of the BIG exposure has been reclassified as investment grade.
  - Ratings on the investment portfolios are the lower of the ratings from Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's Ratings Services ("S&P").
  - Percentages and totals in tables or graphs may not add due to rounding.
- The materials in this presentation do not constitute advice with respect to any municipal financial products, or the issuance of any municipal securities, including with respect to the structuring, timing or terms of any such financial products or issuances. You should not rely on such material to make any decision with respect to these topics. Neither we nor any of our affiliates is acting as your advisor in connection with any municipal financial product or any issuance of municipal securities. We encourage you to consult your own financial and legal advisors and to make your own independent investigation regarding any municipal financial product and the structure, timing and terms of any issuance of municipal securities. Municipal financial product includes any municipal derivative, guaranteed investment contract, plan or program for the investment of the proceeds of municipal securities, or the recommendation and brokerage of municipal escrow investments.

# Non-GAAP Financial Measures and Performance Indicators



- This presentation references financial measures that are not in accordance with U.S. generally accepted accounting principles (“GAAP”), which management uses in order to assist analysts and investors in evaluating Assured Guaranty’s financial results. These financial measures not in accordance with GAAP (“non-GAAP financial measures”) are defined in the appendix. In each case, the most directly comparable GAAP financial measure, if available, is presented, and a reconciliation of the non-GAAP financial measure and GAAP financial measure is provided. This presentation is consistent with how Assured Guaranty’s management, analysts and investors evaluate Assured Guaranty’s financial results and is comparable to estimates published by analysts in their research reports on Assured Guaranty.
- The performance information described below is obtained from sources such as Intex, Bloomberg and/or provided by the trustee and may be subject to restatement or correction. The following performance measures are used in this presentation:
  - *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.

# Corporate Overview



- **Assured Guaranty Ltd. (“AGL” and together with its subsidiaries “Assured Guaranty” or “the Company”) is the leading financial guaranty franchise**
  - We are the only long-standing financial guaranty company writing new business today
  - We maintain strong financial strength ratings from Moody’s and S&P
- **Assured Guaranty’s sole focus is financial guaranty**
  - Publicly traded holding company (NYSE: AGO) with extensive quarterly financial disclosures providing transparency to all investors
  - A quarter-century of experience in financial guaranty market
  - Two principal financial guaranty direct subsidiaries and one financial guaranty reinsurance subsidiary
- **Strong capital base**
  - Consolidated investment portfolio<sup>2</sup> of \$11.1 billion as of September 30, 2012
  - Consolidated claims-paying resources of \$12.5 billion as of September 30, 2012
- **In July 2009, Assured Guaranty acquired Financial Security Assurance Holdings Ltd. (“FSAH”), the parent company of the only other active legacy financial guarantor. FSAH was subsequently renamed Assured Guaranty Municipal Holdings Inc. (“AGMH”)**

(\$ in billions)	Assured Guaranty Ltd. (9/30/12)
Net par outstanding <sup>1</sup>	\$516.1
Total investment portfolio <sup>2</sup>	\$11.1
Claims-paying resources <sup>3</sup>	\$12.5

1. Statutory basis.

2. Includes \$205 million of other invested assets not available for sale and excludes \$133 million of cash and \$78 of investments in repurchased insured securities whose issuers were subsequently consolidated as variable interest entities (“VIEs”). See pages 43 and 44 for a breakdown of the available-for-sale portfolio.

3. Based on statutory measures. See page 19 for components of claims-paying resources.

# Operating Principles and Investor and Issuer Benefits



- **Underwriting principles and a strong risk management culture designed to protect our franchise**
- **Experienced and disciplined management**
- **Commitment to disclosure and transparency**
- **Our guaranty benefits investors and issuers because we provide credit selection, underwriting, surveillance and remediation in addition to timely payment of scheduled principal and interest if underlying transaction defaults**
  - Bond insurance helps homogenize the market's view of insured credits, which typically increases market liquidity
  - Credit enhancement provides protection in an uncertain credit environment

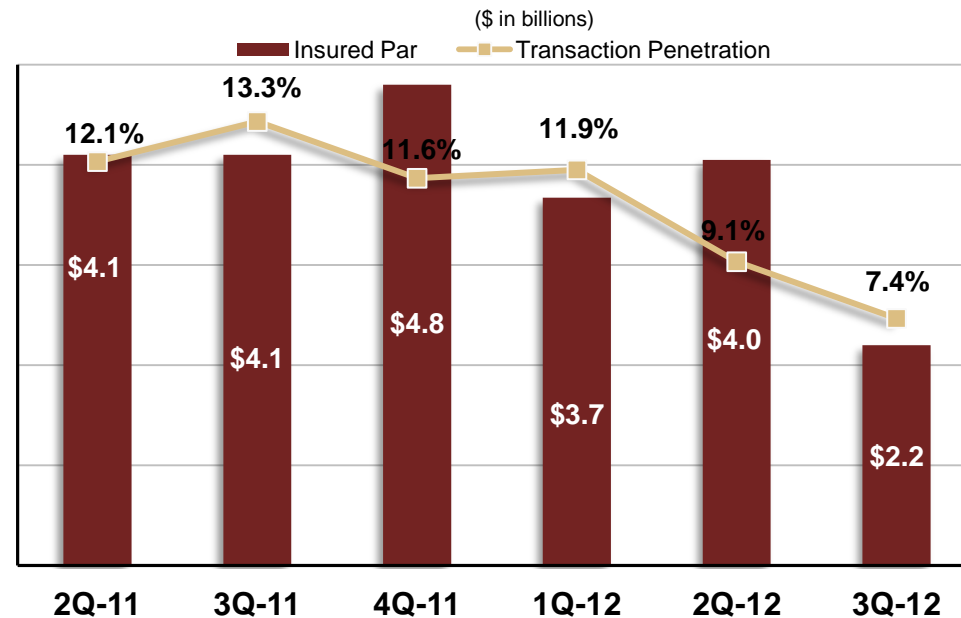
- **Utilize capital efficiently**
- **Exercise underwriting and pricing discipline**
- **Increase penetration in the U.S. public finance market**
- **Increase new business activity in our U.S. structured and international segments**
- **Maintain high financial strength ratings**
- **Pursue loss mitigation strategies**
- **Enhance market opportunities through reinsurance platform**

# New Business Production Penetration in the U.S. Public Finance Market



- **We are focused on building demand for our guaranties, both in the primary and the secondary markets**
  - Secondary market transactions totaled 239 in 3Q-12
- **The low interest rate environment and ratings uncertainty has put some pressure on our market penetration**
  - Accounted for 26.1% of A rated transactions in 3Q-12, down from 44.2% in 3Q-11
  - Par penetration for all transactions with underlying A ratings decreased to 9.6% in 3Q-12, down from 18.6% in 3Q-11
- **Our penetration for smaller deals remains strong at 8.1% of all transactions under \$25 million**

**U.S. New Issue Public Finance Par and Transaction Penetration<sup>1</sup>**



Total Par Issued	\$68.1	\$72.5	\$98.7	\$78.2	\$113.3	\$83.6
Total Transactions Issued	2,796	2,553	2,967	2,953	3,827	2,673

1. Source: SDC database, adjusted for underlying rating. As of September 30, 2012.

# The Fundamental Demand for Bond Insurance Has Continued in 2012

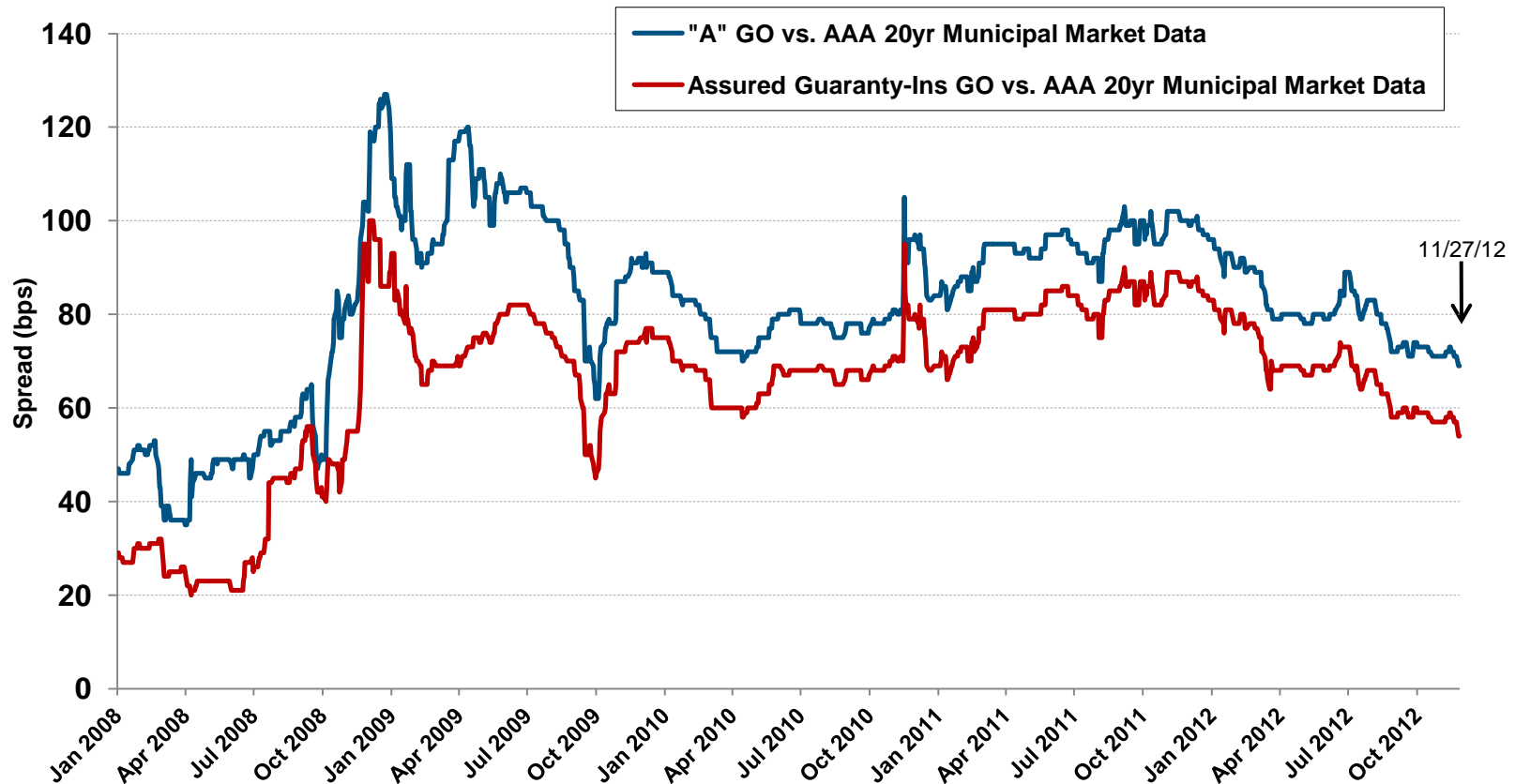


**Across a Range of Sectors, \$12.1 Billion of Insured Par on More Than 1,000 Transactions Was Sold With Our Insurance<sup>1</sup>, Including These Selected Issues**

<p><b>\$72,000,324</b></p> <p>General Obligation Bonds</p> <p><b>Centinela Valley Union High School District, California</b></p> <p>May 2012</p>	<p><b>\$71,720,000</b></p> <p>Water and Sewerage Revenue Refunding and Improvement Bonds</p> <p><b>City of Augusta, Georgia</b></p> <p>October 2012</p>	<p><b>\$90,000,000</b></p> <p>Airport System Revenue Bonds</p> <p><b>City of Cleveland, Ohio</b></p> <p>February 2012</p>	<p><b>\$55,900,000</b></p> <p>General Obligation Bonds</p> <p><b>City of Lancaster, Pennsylvania</b></p> <p>March 2012</p>	<p><b>\$46,865,000</b></p> <p>General Airport Revenue Refunding Bonds</p> <p><b>City of Manchester, New Hampshire</b></p> <p>June 2012</p>
<p><b>\$55,000,000</b></p> <p>Certificates of Participation (County Judicial Complex Project)</p> <p><b>City of Pueblo, Colorado</b></p> <p>February 2012</p>	<p><b>\$87,000,000</b></p> <p>Healthcare Facilities Revenue Bonds (Christ Hospital)</p> <p><b>County of Hamilton, Ohio</b></p> <p>June 2012</p>	<p><b>\$71,900,000</b></p> <p>School Infrastructure Sales, Services and Use Tax Revenue Bonds</p> <p><b>Des Moines Independent Community School District, Iowa</b></p> <p>May 2012</p>	<p><b>\$112,450,000</b></p> <p>School District Revenue Bond Financing Program Revenue Bonds</p> <p><b>Dormitory Authority of the State of New York</b></p> <p>October 2012</p>	<p><b>\$248,080,000</b></p> <p>Revenue Bonds</p> <p><b>Guam Power Authority</b></p> <p>October 2012</p>
<p><b>\$82,225,000</b></p> <p>Special Obligation Bonds (City of Jackson Water and Sewer System Revenue Bond Project)</p> <p><b>Mississippi Development Bank</b></p> <p>August 2012</p>	<p><b>\$67,800,000</b></p> <p>Residential Revenue Bonds (College of Staten Island Residences)</p> <p><b>New York City Housing Development Corporation</b></p> <p>February 2012</p>	<p><b>\$57,245,000</b></p> <p>Refunding Revenue Bonds</p> <p><b>Orlando-Orange County Expressway Authority, Florida</b></p> <p>November 2012</p>	<p><b>\$47,740,000</b></p> <p>Revenue Bonds (Sacred Heart University)</p> <p><b>State of Connecticut Health and Educational Facilities Authority</b></p> <p>January 2012</p>	<p><b>\$90,000,000</b></p> <p>General Obligation Bonds</p> <p><b>State of Illinois</b></p> <p>May 2012</p>

1. Source: SDC database. Sales from January 1 through November 30, 2012. Amounts are on a sale-date basis and reflect only those series insured by AGM or AGC.

# Current U.S. Municipal Operating Environment Is Challenging



- Lower yields have led to tighter credit spreads
- Despite the lower yield environment and ratings volatility, Assured Guaranty has continued to offer spread savings for “A” rated credits

# Broadening Market Awareness



FACT SHEET

FAQ

VIDEO

RADIO

CONTACTS

ASSUREDGUARANTY.COM



## Info for Financial Advisors

Learn more about AGM, AGC and our financial guaranty products >>

Get all the basics on municipal bond insurance >>

Learn how you can get AGM bond insurance over TheMuniCenter.com >>

## CEO Interview



Watch an interview with President & CEO Dominic J. Frederico >>

## Radio

Listen to the Assured Guaranty radio commercials >>

[thinkassuredguaranty.com](http://thinkassuredguaranty.com)

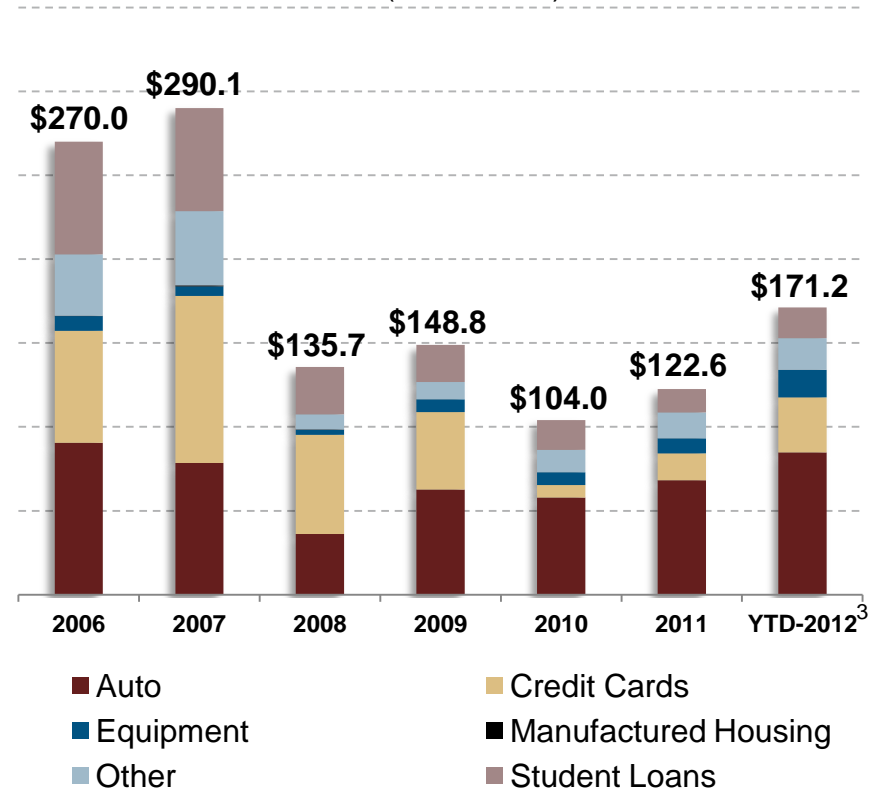
# New Business Production

## U.S. Structured Finance Business Activity



- 3Q-12 PVP<sup>1</sup> was \$5 million related to a small ticket equipment ABS transaction
- New business production tends to fluctuate as large, complex transactions require a long time frame
- U.S. structured issuance has not returned to 2006 and 2007 levels, which has diminished potential insurable market

**U.S. Structured Issuance<sup>2</sup>**  
(\$ in billions)



1. New business production, or "PVP", is a non-GAAP financial measure. Please see the appendix for an explanation and page 96 for a reconciliation to gross written premiums.

2. Sifma.org, excludes Home Equity data

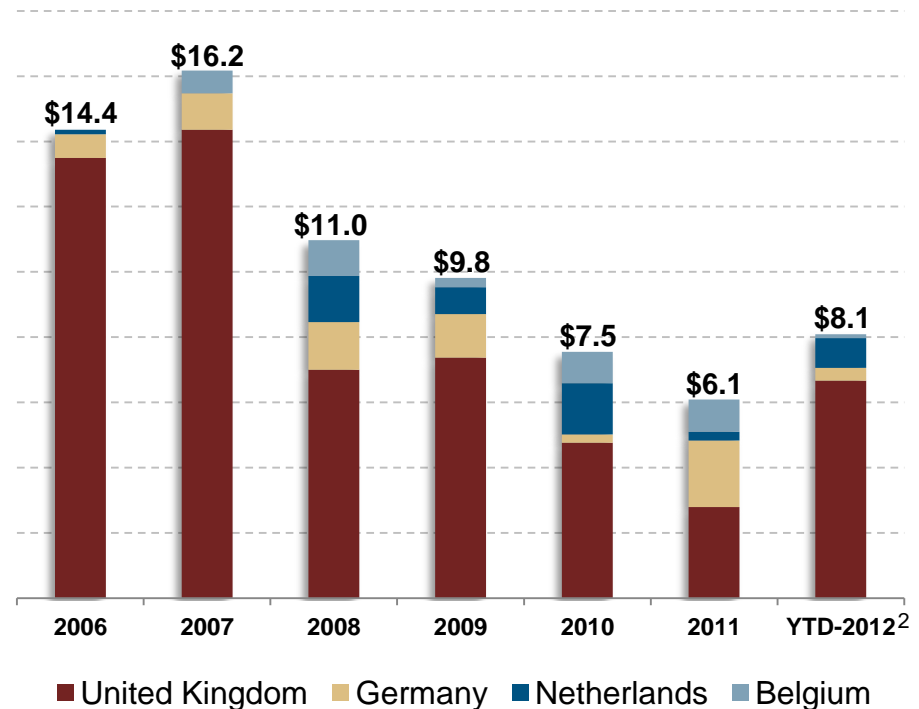
3. Through September 30, 2012.

# New Business Production International Business Activity



- **Closed Worcestershire Royal Hospital transaction in 4Q-11, our first significant international transaction in over two years**
  - Prototype for other guarantor replacement transactions
  - Significant increase in inquiries
- **Our future pipeline should benefit from increased issuance, as well as new regulations, such as Basel III, that may limit the lending ability of banks**

**International Issuance<sup>1</sup>**  
(\$ in billions)



1. Source: www.infra-deals.com. Includes social infrastructure and transportation sectors.

2. Through September 30, 2012.

# New Business Production Reinsurance Platform



- **Reassumed reinsurance has increased the unearned premium reserve and adjusted book value<sup>1</sup>**

- Reassumed \$2.9 billion of par in 2009
- Reassumed \$15.5 billion of par in 2010
- Reassumed \$0.3 billion of par in 2011
- Reassumed \$19.1 billion of par YTD-2012<sup>2</sup>

- **High-quality portfolios from inactive companies are of interest**

- Public finance as well as high-quality structured finance business, such as performing pooled corporate and commercial receivables

## Ceded Par Outstanding by Reinsurer<sup>3</sup>

As of September 30, 2012

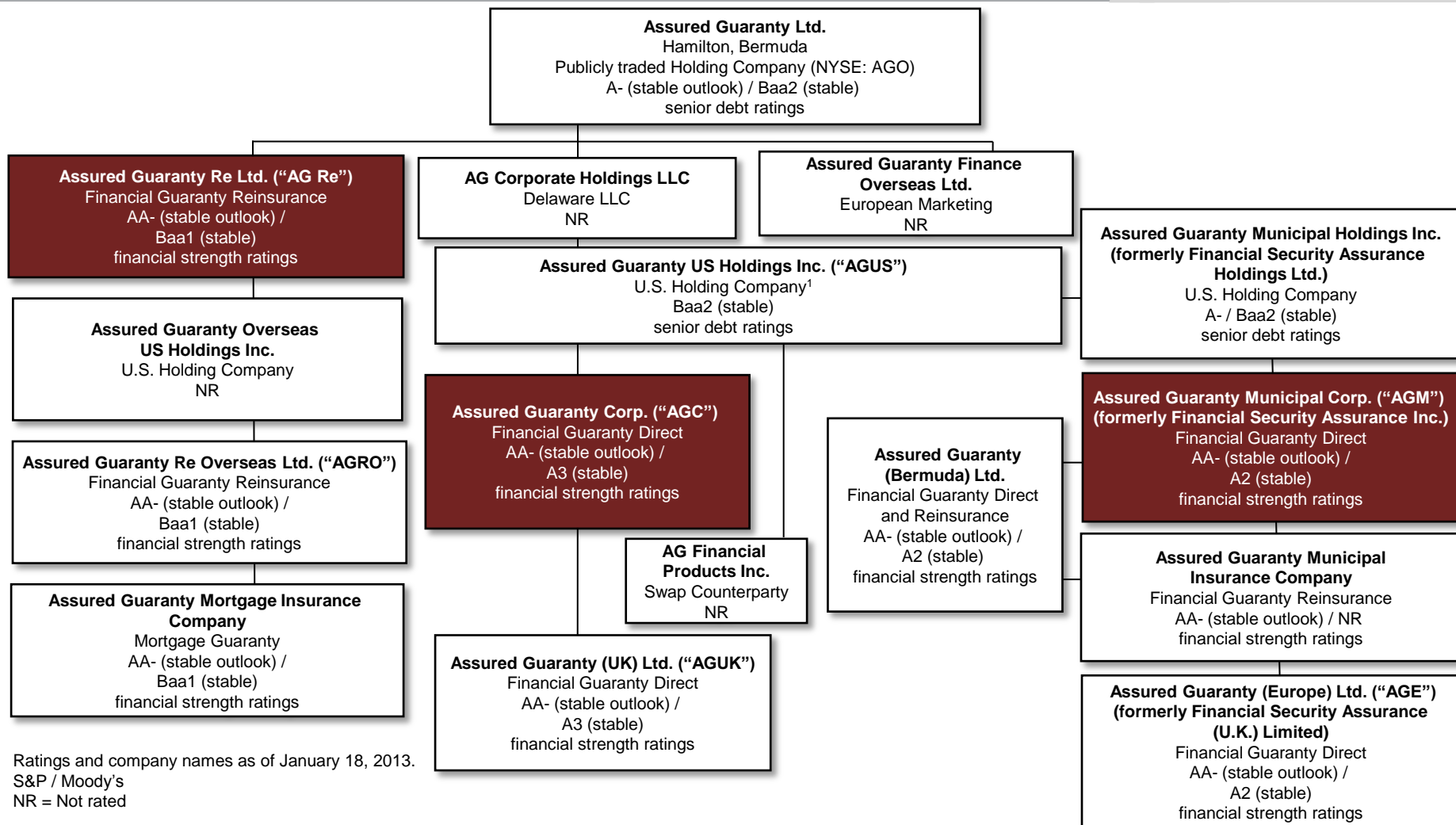
(\$ in millions)	Net Par Outstanding
<b>American Overseas Re (formerly RAM Re)</b>	\$10,309
<b>Tokio Marine</b>	8,748
<b>Radian</b>	5,364
<b>Syncora</b>	4,092
<b>Mitsui</b>	2,256
<b>Others</b>	2,421
<b>Total</b>	<b>\$33,190</b>

1. Please see the appendix for an explanation of this non-GAAP financial measure and page 97 for a reconciliation to GAAP book value.

2. Through September 30, 2012.

3. Includes financial guaranty contracts and contracts written in credit derivative form.

# Assured Guaranty Ltd. Corporate Structure



Ratings and company names as of January 18, 2013.  
S&P / Moody's  
NR = Not rated

1. AGUS also owns 100% of the outstanding common stock of Municipal and Infrastructure Assurance Corp., a New York insurance company.

- **AGM and AGC operate as two separate direct financial guaranty platforms with AG Re operating as a reinsurer**
  - AGM focuses exclusively on public finance and global infrastructure transactions
  - AGC guarantees public finance, global infrastructure and structured finance transactions
  - AG Re, as a reinsurer, provides additional capital and flexibility to AGM and AGC
- **AGM and AGC are integrated for risk management, surveillance, credit, financial reporting and systems**
- **Assured Guaranty's financial position and market standing, along with the franchise value of AGM and AGC, are strengthened through this structure**
  - Greater capacity to write business
  - More flexibility in balancing portfolio exposures
  - Enhanced operating efficiencies through common infrastructure

- **Companies distinct for legal and regulatory purposes**
  - Separate insured credit exposures: net par – AGM \$295 billion<sup>1,2</sup>, AGC \$98 billion<sup>1</sup>
  - Separate insurance licenses
  - Separate capital bases – claims-paying resources: AGM \$6.5 billion, AGC \$3.8 billion<sup>3</sup>
  - Separate regulators – AGM is domiciled in New York; AGC is domiciled in Maryland
  - Dividend restrictions – including Maryland and New York insurance law restrictions

1. Statutory basis.

2. Includes \$3.9 billion of GICs (see footnote on page 54).

3. In 2009, AGC issued a \$300 million note payable to AGM.

# Four Discrete Operating Companies With Separate Capital Bases



## Consolidated Claims-Paying Resources and Statutory-Basis Exposures

(\$ in millions)	As of September 30, 2012					
	Assured Guaranty Municipal Corp.	Assured Guaranty Corp.	Assured Guaranty Re Ltd. <sup>1</sup>	Municipal and Infrastructure Assurance Corp. <sup>2</sup>	Eliminations <sup>3</sup>	Consolidated
<b>Claims-paying resources</b>						
Policyholders' surplus	\$ 1,785	\$ 916	\$ 1,121	\$ 76	\$ (300)	\$ 3,598
Contingency reserve	1,479	800	-	-	-	2,279
<b>Qualified statutory capital</b>	<b>3,264</b>	<b>1,716</b>	<b>1,121</b>	<b>76</b>	<b>(300)</b>	<b>5,877</b>
Unearned premium reserve	2,154	790	1,006	-	-	3,950
Loss and loss adjustment expense reserves <sup>4,5</sup>	6	352	226	-	-	584
<b>Total policyholders' surplus and reserves</b>	<b>5,424</b>	<b>2,858</b>	<b>2,353</b>	<b>76</b>	<b>(300)</b>	<b>10,411</b>
Present value of installment premium <sup>5</sup>	476	347	218	-	-	1,041
Standby line of credit/stop loss	200	200	200	-	-	600
Excess of loss reinsurance facility	435	435	-	-	(435)	435
<b>Total claims-paying resources</b>	<b>\$ 6,535</b>	<b>\$ 3,840</b>	<b>\$ 2,771</b>	<b>\$ 76</b>	<b>\$ (735)</b>	<b>\$ 12,487</b>
Net par outstanding <sup>6</sup>	\$ 294,768	\$ 97,661	\$ 125,258	-	\$ (1,549)	\$ 516,138
Net debt service outstanding <sup>6</sup>	\$ 446,078	\$ 143,616	\$ 201,719	-	\$ (3,674)	\$ 787,739
<b>Ratios:</b>						
Net par outstanding to qualified statutory capital	90:1	57:1	112:1	N/A		88:1
Capital ratio <sup>7</sup>	137:1	84:1	180:1	N/A		134:1
Financial resources ratio <sup>8</sup>	68:1	37:1	73:1	N/A		63:1

1. AG Re numbers are the Company's estimate of U.S. statutory accounting practices prescribed or permitted by insurance regulatory authorities.

2. Assured Guaranty US Holdings Inc. acquired Municipal and Infrastructure Assurance Corporation ("MIAC") insurance company from Radian Asset Assurance Inc. on May 31, 2012. As of September 30, 2012, MIAC has not written any business.

3. In 2009, AGC issued a \$300.0 million note payable to AGM. Net par and net debt service outstanding eliminations represent second-to-pay policies under which an Assured Guaranty insurance subsidiary guarantees an obligation already insured by another Assured Guaranty insurance subsidiary.

4. Reserves are reduced by approximately \$1.3 billion for benefit related to representation and warranty recoverables.

5. Includes financial guaranty insurance and credit derivatives.

6. 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).

7. The capital ratio is calculated by dividing net debt service outstanding by qualified statutory capital.

8. The financial resources ratio is calculated by dividing net debt service outstanding by total claims-paying resources.

- **We maintain strong financial strength ratings:**

- On January 17, 2013, Moody's assigned new credit ratings for Assured Guaranty and its subsidiaries, including financial strength ratings of A2 (stable outlook) for AGM and A3 (stable outlook) for AGC.
- S&P has assigned financial strength ratings of AA- (Stable Outlook) to AGM and AGC. Our AA- stable ratings result in us maintaining some of the highest S&P ratings for a company in the financial sector and are based on new, more stringent S&P bond insurance rating criteria implemented in 2011.

## Financial Strength Ratings

As of January 17, 2013

	Moody's	S&P
<b>AGM</b>	A2 stable	AA- stable outlook
<b>AGC</b>	A3 stable	AA- stable outlook

- **On January 17, 2013, Moody's changed the Insurance Financial Strength ratings of AGM from Aa3 to A2 (stable outlook) and AGC from Aa3 to A3 (stable)**
  - Moody's said that AGM's and AGC's capital adequacy is strong.
  - Assured Guaranty published its detailed response to the downgrade in a press release posted at [assuredguaranty.com/news](http://assuredguaranty.com/news)
- **Despite being on review by Moody's since 2012, and in light of historic low interest rates in 2012, bond insurance demand remains strong in our current target market (U.S. municipal issuers with underlying ratings of A)**
  - In the first nine months of 2012, we guaranteed 31% of underlying single-A transactions sold (and 12% of the related par)
  - S&P stated on July 23, 2012 that demand for bond insurance could increase, with the industry insuring 20% to 30% of new issuance in the municipal market in the future<sup>1</sup>
  - S&P cited Assured Guaranty's ability to underwrite in many public-finance sectors across risk categories as a strength in our ability to capitalize on growth trends and pricing opportunities<sup>1</sup>
- **Our total BIG exposure (\$24.4 billion in par) is approximately the same as it was when Moody's last reviewed us in 2009 (\$24.0 billion in par)**
- **We have also gained greater certainty about the performance of our overall insured portfolio as it matures and amortizes**
- **Defaults by municipal issuers remain rare**
  - Moody's published a statement two weeks after placing Assured Guaranty's operating subsidiaries on review that municipal defaults will remain "infrequent and isolated events"<sup>2</sup>
  - S&P predicted no significant increase in the number of municipalities seeking bankruptcy<sup>2</sup>

1. For additional information, please see "The U.S. Bond Insurance Industry Is On A Path To Reemergence, But Of A Different Profile" at <http://www.standardandpoors.com/products-services/RatingsDirect-Global-Credit-Portal/en/us>.

2. Moody's "Special Comment on U.S. Bond Defaults and Recoveries, 1970-2011".

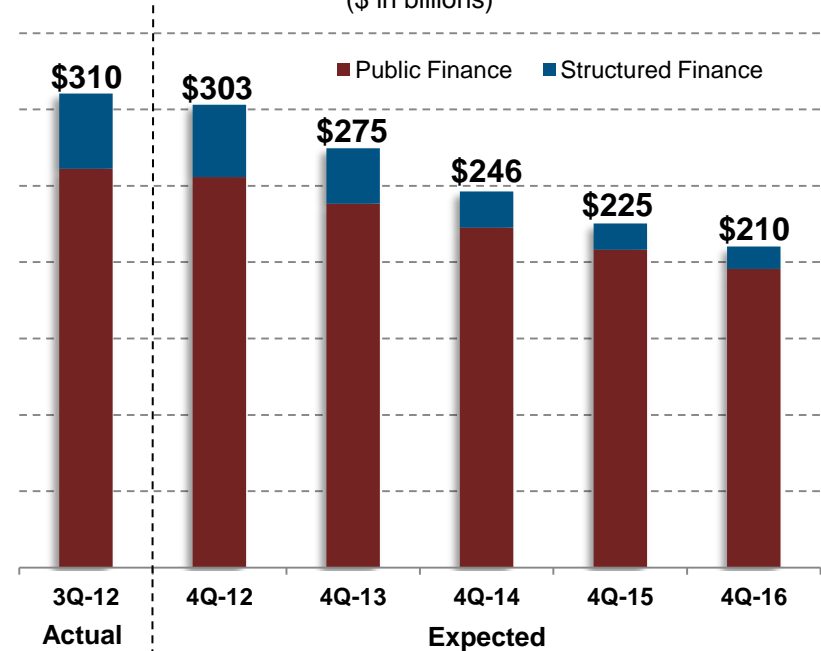
# AGM's Commitment to the Public Finance Market



- **We are committed to writing only U.S. public finance and global infrastructure transactions in AGM now and in the future.<sup>1</sup>**
- **AGM's existing insured portfolio is expected to rapidly evolve toward its public finance focus.**
- **We project that AGM's legacy global structured finance insured portfolio (\$49 billion as of September 30, 2012 vs. \$127 billion as of September 30, 2008) will run off rapidly – 52% by year-end 2014 and 70% by year-end 2016.<sup>2</sup>**

## AGM Net Par Outstanding Amortization

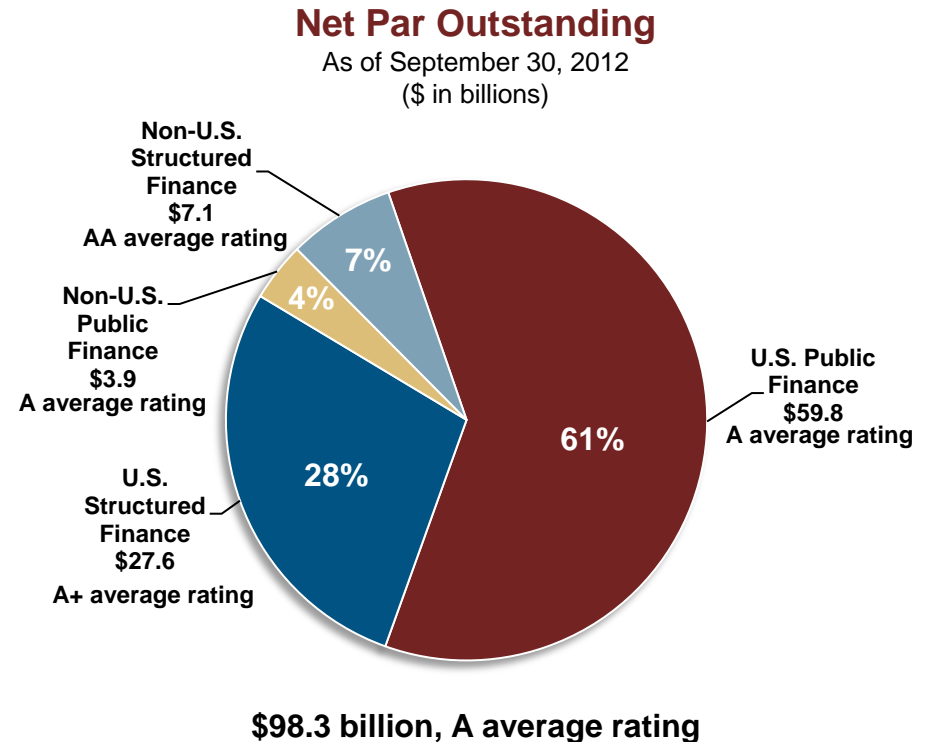
Current and Projected Year-End Amounts  
As of September 30, 2012  
(\$ in billions)



1. AGM stopped writing structured finance transactions in August 2008.

2. Represents the future expected amortization of current net par outstanding as of September 30, 2012. Actual amortization of the existing portfolio will differ from the expected shown here because, for example, (1) some obligors may call, prepay or defease guaranteed obligations (e.g., in the context of U.S. public finance refundings), and (2) the expected amortization of structured finance transactions is based in part on management's assumptions regarding the performance of the underlying assets while the actual performance of those assets may differ from management's assumptions. Actual amortization of the U.S. public and global infrastructure finance portfolio and the structured finance portfolio may be faster or slower than expected by management, both portfolios may differ in the same direction and one portfolio may amortize more quickly while the other may amortize more slowly.

- **AGC is a diversified insurer writing all classes of financial guaranty business, including: U.S. public finance, global infrastructure and structured finance**
- **Structured finance new business originations:**
  - Currently restricted to carefully selected asset types (e.g., auto loans and leases, credit card receivables, consumer loans, equipment loans and leases, trade receivables)
  - No U.S. RMBS until product changes fundamentally
  - Actively managed risk tolerance
  - High attachment points
  - Less complex structures



- **AG Re is an insurance company primarily engaged in providing reinsurance to financial guarantors**
- **Reinsurance for AGM and AGC**
- **Portfolio opportunities with existing legacy monolines**

# Pursuing Loss Mitigation Strategies

## R&W Activity



- **The cumulative total (gross of reinsurance) of settlement receipts and commitments and R&W putbacks and putback commitments was approximately \$2.8 billion.<sup>1</sup> The putbacks flow through the transaction waterfalls and do not necessarily benefit us dollar-for-dollar.**
- **Our largest agreement was with Bank of America / Countrywide, in which we resolved our R&W claims on 29 transactions**
  - \$1.1 billion cash payment; reimbursement<sup>2</sup> of 80% of paid losses on 21 first lien transactions until collateral losses in those securitizations equal \$6.6 billion; as of September 30, 2012, collateral losses were expected to be \$5.1 billion
- **We signed an agreement with Deutsche Bank on May 8, 2012, resolving our R&W claims on 8 financial guaranty transactions and certain uninsured tranches within 3 of such transactions**
  - \$166 million cash payment; reimbursement<sup>3</sup> of 80% of FG losses up to \$319 million and 85% of losses reimbursed between \$389 million to \$600 million
  - Reimbursement of losses on Re-remics in an amount equal to 60% of losses on uninsured tranches until losses reach \$141 million; 60% of such losses reimbursed, for losses between \$161 million and \$185 million; 100% of such losses reimbursed, for losses between \$185 million and \$248 million
- **Pursuing R&W claims against financially viable counterparties**
  - Credit Suisse, Flagstar, First Tennessee, JP Morgan, Nomura, UBS, and others

(\$ in millions)	Future Net R&W Benefit as of		
	September 30, 2012	December 31, 2011	December 31, 2010
Bank of America / Countrywide <sup>2</sup>	\$427	\$598	\$1,050
Deutsche Bank included in agreement <sup>3,4</sup>	171	-	-
Other R&W	774	1,052	621
<b>Total</b>	<b>\$1,371</b>	<b>\$1,650</b>	<b>\$1,671</b>

1. Includes future benefits covered under our agreements with Bank of America/Countrywide and Deutsche Bank.
2. As of September 30, 2012 Bank of America had placed approximately \$1.0 billion of eligible assets in trust in order to collateralize the reimbursement obligation relating to the first lien transactions. The amount of assets required to be posted may increase or decrease from time to time, as determined by rating agency requirements.
3. As of September 30, 2012, Deutsche Bank AG had placed approximately \$282 million of eligible assets in trust in order to collateralize the obligations of a reinsurance affiliate under the loss-sharing arrangements, and the Deutsche Bank reinsurance affiliate may post additional collateral in the future to satisfy rating agency requirements.
4. Includes only R&W assets in the agreement dated May 9, 2012.

### Current U.S. RMBS Litigation Status

Counterparty	Current Status
Flagstar	Complaint filed April 2011 related to two HELOC transactions. Trial concluded November 2012; awaiting Judge's final decision.
UBS	Complaint filed February 2012 related to three Option-ARM transactions. Trial is scheduled for May 2013.
Credit Suisse /DLJ Mortgage Capital	Complaints filed October 2011 related to six Alt-A transactions. Certain causes of action dismissed October 2012; Assured Guaranty's main breach of contract claim remains intact. Assured Guaranty has appealed the grant of motion to dismiss, including with respect to rescissory damages.
Deutsche Bank	Complaint filed June 2010 related to a HELOC transaction. Discovery is ongoing.
Bear Stearns / EMC	Complaints filed July 2010 related to a HELOC transaction and March 2012 related to two Alt-A transactions. Oral argument on motion to dismiss HELOC claims scheduled for December 2012.
GMAC	Complaints filed May 2012 related to two HELOC transactions. Litigation stayed due to subsequent bankruptcy filings by GMAC, ResCap, and certain GMAC affiliates.
OneWest Bank, FSB	Complaint filed August 2012 related to a HELOC transaction and an Option-ARM transaction in which OneWest services the mortgage loans.

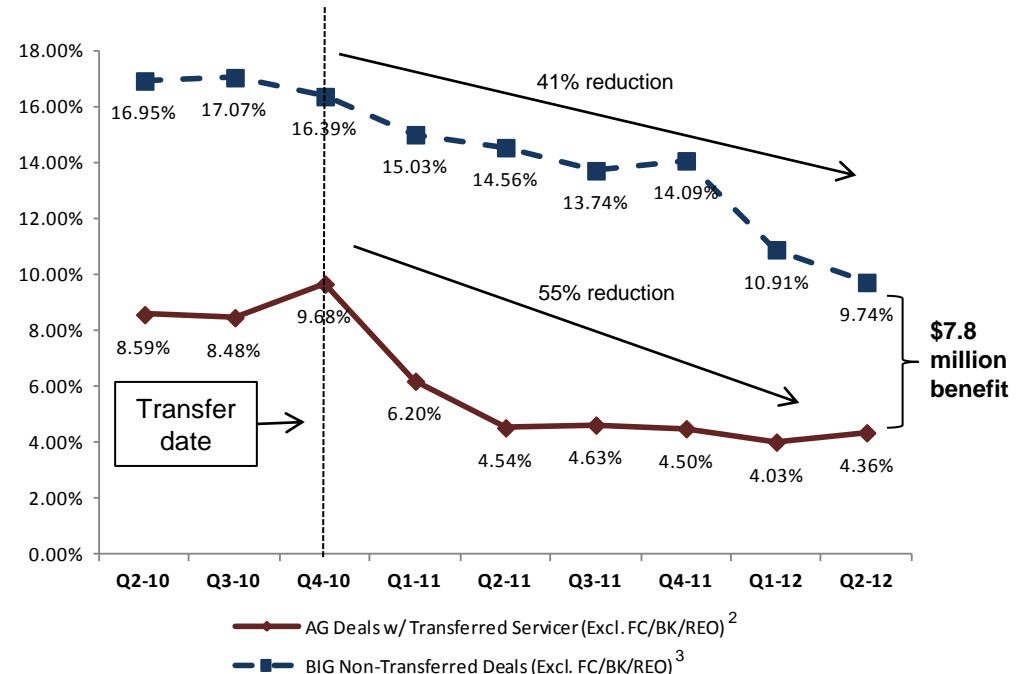
# Pursuing Loss Mitigation Strategies

## Servicer Replacements



- As of September 30, 2012, approximately \$2.8 billion of gross par outstanding (29 transactions) have been transferred to a new servicer or placed under special servicing arrangements
- In December 2010, we transferred 6 second-lien transactions, which have since shown material improvement when compared with other BIG non-transferred transactions
  - Delinquencies have been reduced by 55% (from 9.7% to 4.4%) vs. the BIG non-transferred reduction of 41% (from 16.4% to 9.7%)
  - The improvement in delinquencies compared with the BIG non-transferred (55% vs. 41%) equates to a reduction of \$7.8 million in delinquent loans

**Delinquency Trend Comparison<sup>1</sup>**  
Transferred Servicer Deals vs. BIG Non-Transferred Deals



1. Delinquencies include 30-59 Days, 60-89 Days, and 90+ Days.  
 2. FC stands for foreclosure, BK stands for bankruptcy and REO stands for Real Estate Owned.  
 3. BIG non-transferred deals composite includes certain BIG transactions available in CoreLogic (formerly Loan Performance).

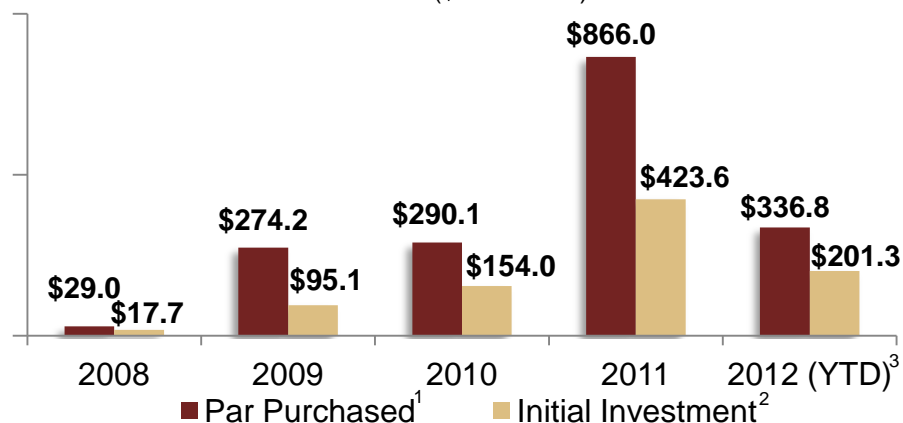
# Pursuing Loss Mitigation Strategies: Other Capital Creation or Rating Agency Capital Relief Activities – Bond Purchases



- **Under our wrapped bond purchase program, we purchase bonds we have insured in order to reduce our losses and potentially relieve rating agency capital charges**
  - We have purchased approximately \$1.8 billion of par on insured securities through September 30, 2012 with an initial purchase price of approximately \$885 million; \$1.6 billion of par remains outstanding
- **Targeted purchases are BIG securities on which claims are expected to be paid**
  - 84% of all purchases are for RMBS securities
  - Since the start of the wrapped bond purchase program, 74% of purchased insured par has benefited AGM, 26% has benefited AGC

## Wrapped Bond Purchase Program

(\$ in millions)



1. Par at the time of purchase.  
2. Cost of purchase.  
3. Through September 30, 2012.

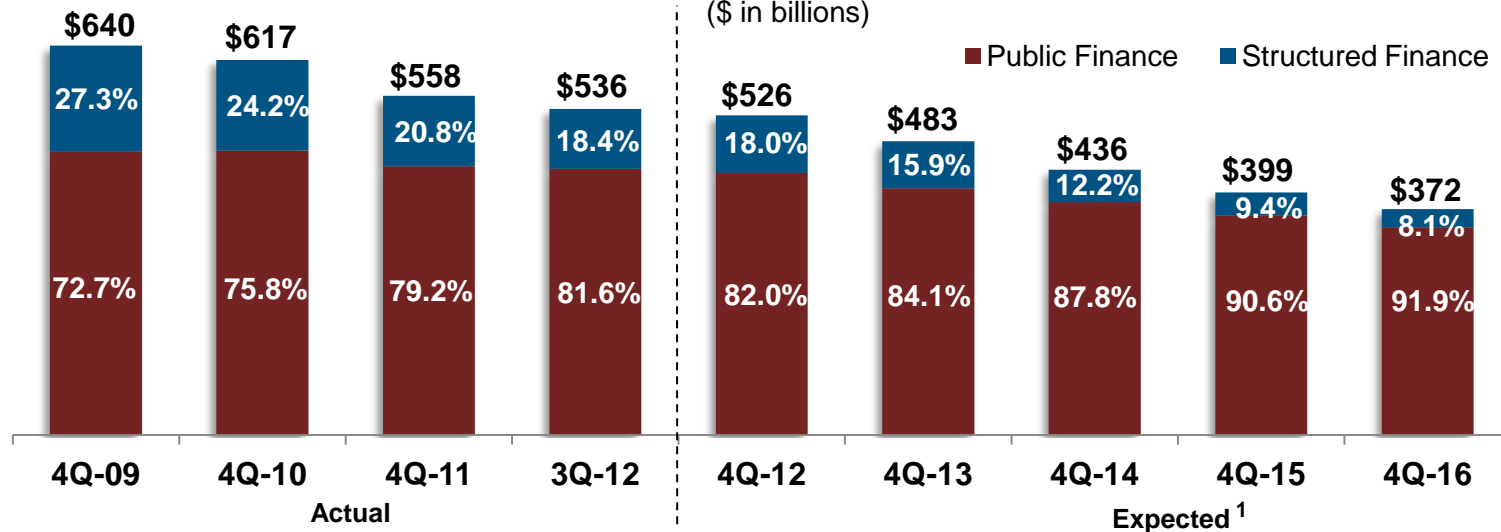
# Insured Portfolio Runoff Also Creates Rating Agency Capital



- **Runoff of the portfolio reduces rating agency capital charges but also embedded future earned premiums**
- **Public finance exposure runs off at a steady rate**
  - \$438 billion outstanding
  - 13% expected to amortize by year-end 2014; 22% by year-end 2016<sup>1</sup>
- **Structured finance exposure runs off quickly**
  - \$98 billion outstanding
  - 46% expected to amortize by year-end 2014; 70% by year-end 2016<sup>1</sup>
- **New direct or assumed business originations, and reassumptions, will increase future premiums**

## Consolidated Net Par Outstanding Amortization by Asset Type

as of September 30, 2012  
(\$ in billions)

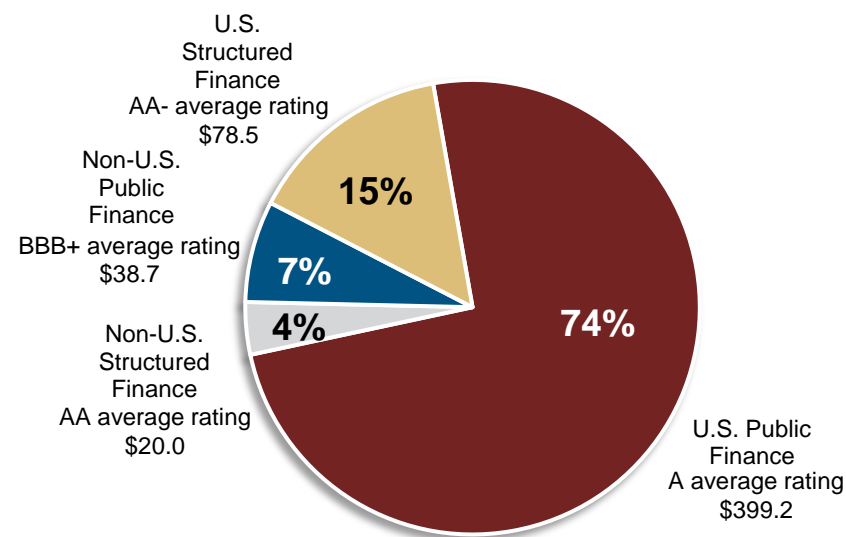


1. See footnote 2 on page 22.

- **Our U.S. public finance portfolio, our largest exposure category, has performed well despite increased financial pressure on municipal obligors caused by the recession**
  - We have tightened our public finance underwriting standards
  - Out of approximately 11,000 direct public finance obligors, we expect future losses to be paid, net of recoveries, on less than a dozen, and in 3Q-12, we made payments on only five
- **Our principal losses in the last three years have been on U.S. RMBS due to the lack of adherence to underwriting standards by mortgage originators**
  - Neither AGM nor AGC underwrote collateralized debt obligations (“CDOs”) backed by RMBS, protecting us from losses on the scale experienced by our former competitors

## Consolidated Net Par Outstanding

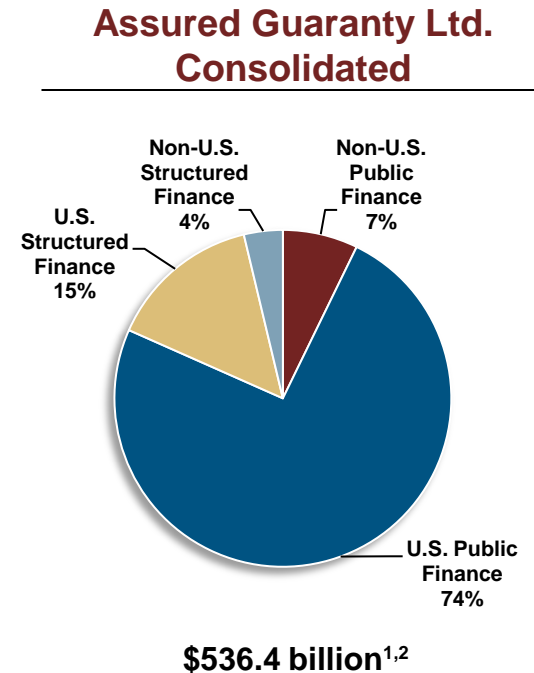
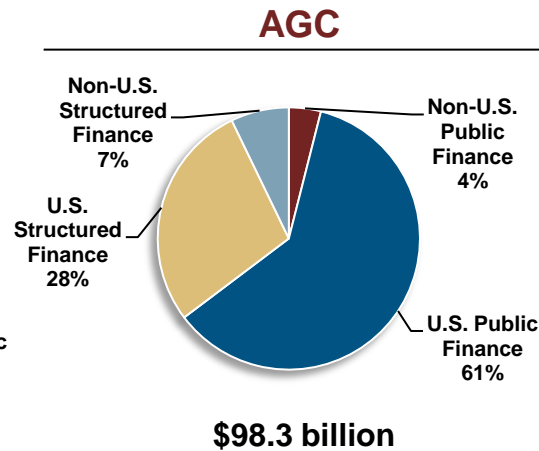
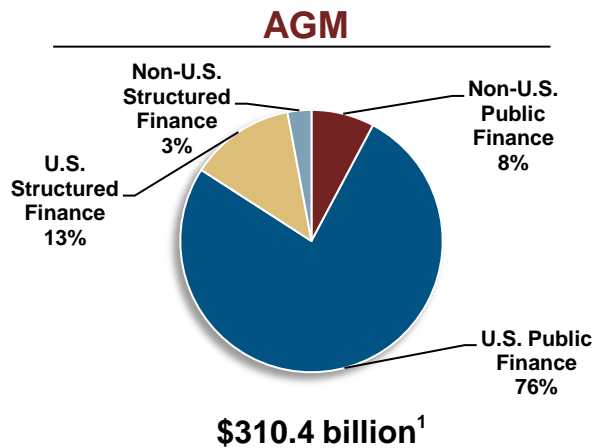
As of September 30, 2012  
(\$ in billions)



**\$536.4 billion, A+ average rating**

# Portfolio Diversification by Sector

## Net Par Outstanding (as of September 30, 2012)



1. Includes \$3.9 billion of GICs. See footnote on page 54.

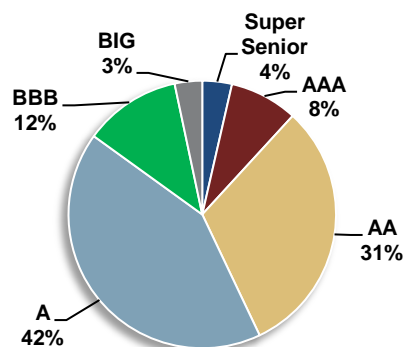
2. Consolidated amounts include those of AG Re.

# Portfolio Ratings

## Net Par Outstanding (as of September 30, 2012)

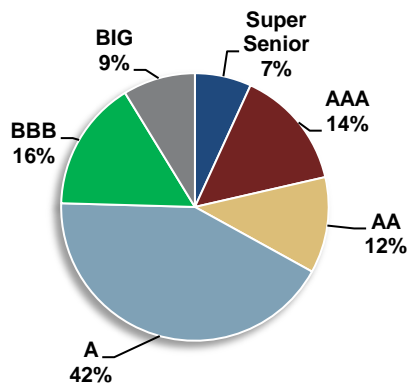


### AGM



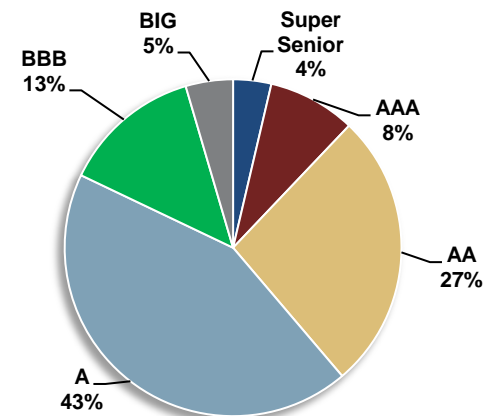
**\$310.4 billion<sup>1</sup>**

### AGC



**\$98.3 billion**

### Assured Guaranty Ltd. Consolidated



**\$536.4 billion<sup>1,2</sup>**

1. Includes \$3.9 billion of GICs. See footnote on page 54.

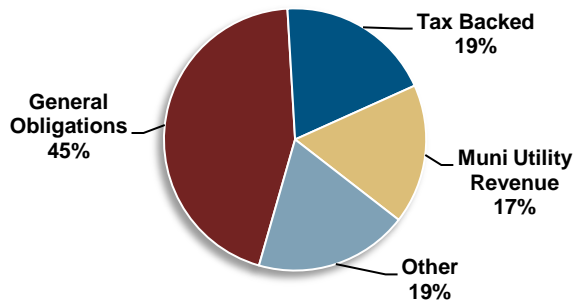
2. Consolidated amounts include those of AG Re.

# U.S. Public Finance Portfolios

## Net Par Outstanding (as of September 30, 2012)

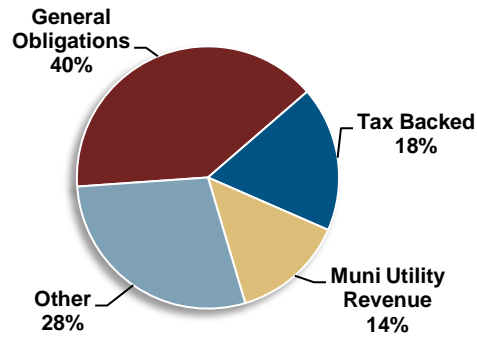


### AGM



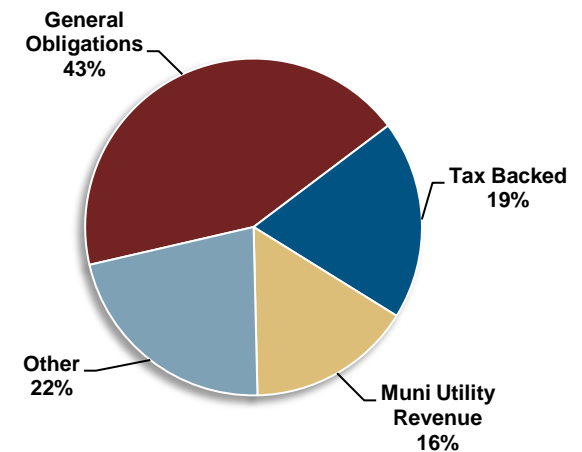
**\$236.9 billion**

### AGC



**\$59.8 billion**

### Assured Guaranty Ltd. Consolidated



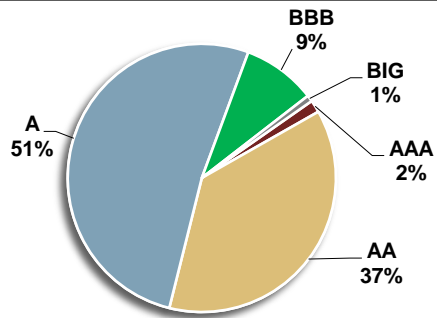
**\$399.2 billion<sup>1</sup>**  
**(74% of total net par outstanding)**

1. Consolidated amounts include those of AG Re.

# Portfolio Ratings - U.S. Public Finance Net Par Outstanding (as of September 30, 2012)

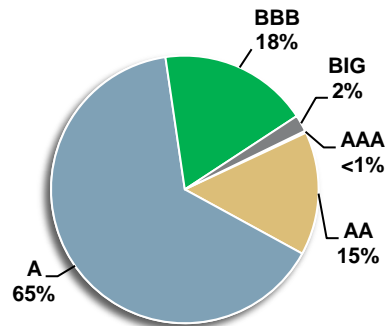


## AGM



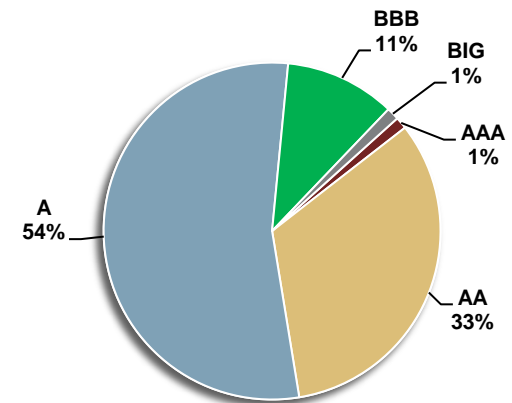
**\$236.9 billion**

## AGC



**\$59.8 billion**

## Assured Guaranty Ltd. Consolidated



**\$399.2 billion<sup>1</sup>**  
**(74% of total net par outstanding)**

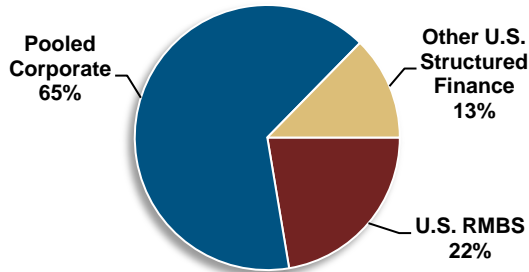
1. Consolidated amounts include those of AG Re.

# U.S. Structured Finance Portfolios

## Net Par Outstanding (as of September 30, 2012)

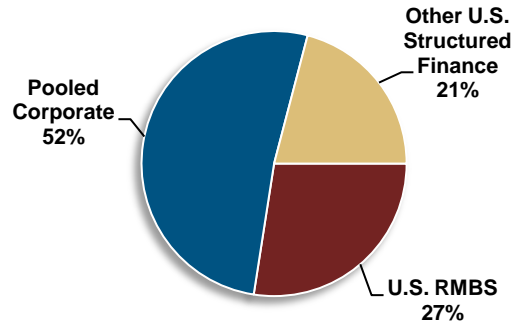


### AGM



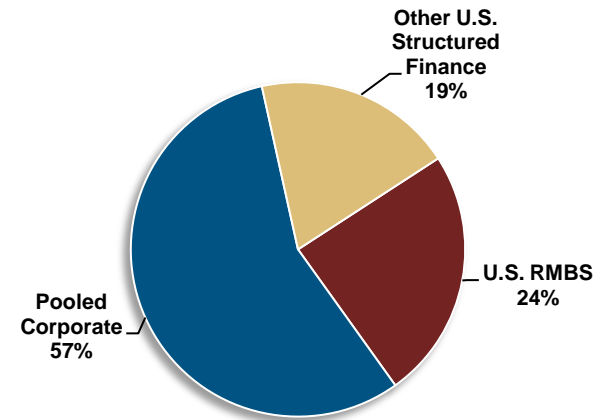
**\$40.2 billion<sup>1</sup>**

### AGC



**\$27.6 billion**

### Assured Guaranty Ltd. Consolidated



**\$78.5 billion<sup>1,2</sup>**  
**(15% of total net par outstanding)**

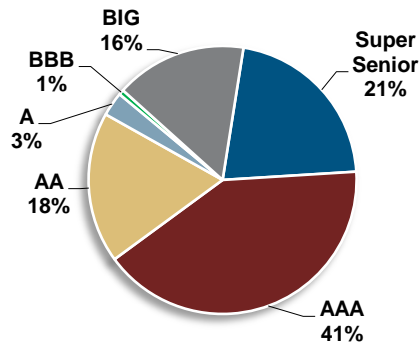
1. Includes \$3.9 billion of GICs. See footnote on page 54.

2. Consolidated amounts include those of AG Re.

# Portfolio Ratings – U.S. Structured Finance Net Par Outstanding (as of September 30, 2012)

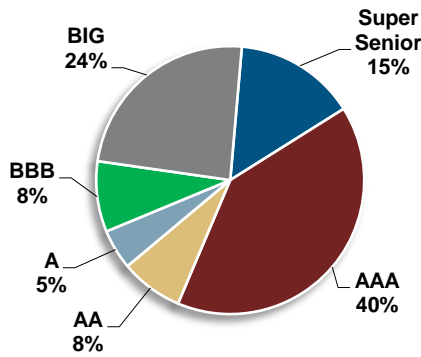


## AGM



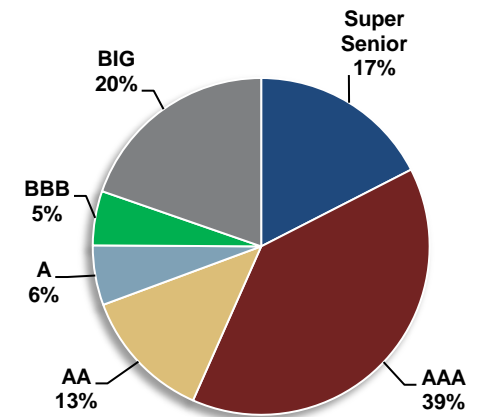
**\$40.2 billion<sup>1</sup>**

## AGC



**\$27.6 billion**

## Assured Guaranty Ltd. Consolidated



**\$78.5 billion<sup>1,2</sup>**  
**(15% of total net par outstanding)**

1. Includes \$3.9 billion of GICs. See footnote on page 54.

2. Consolidated amounts include those of AG Re.

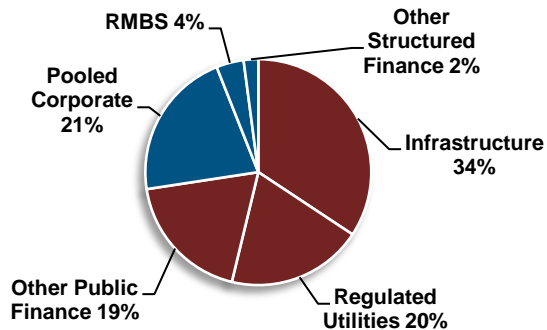
# Non-U.S. Portfolios

## Public Finance and Structured Finance

### Net Par Outstanding (as of September 30, 2012)

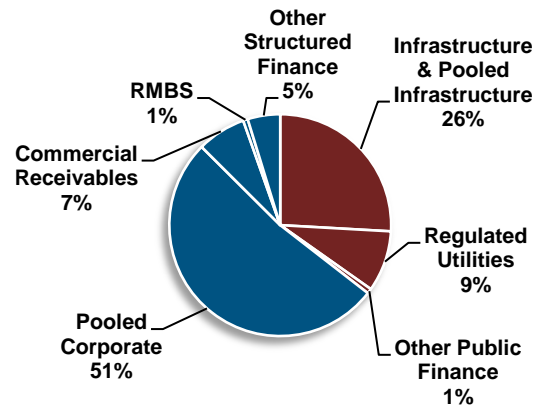


#### AGM



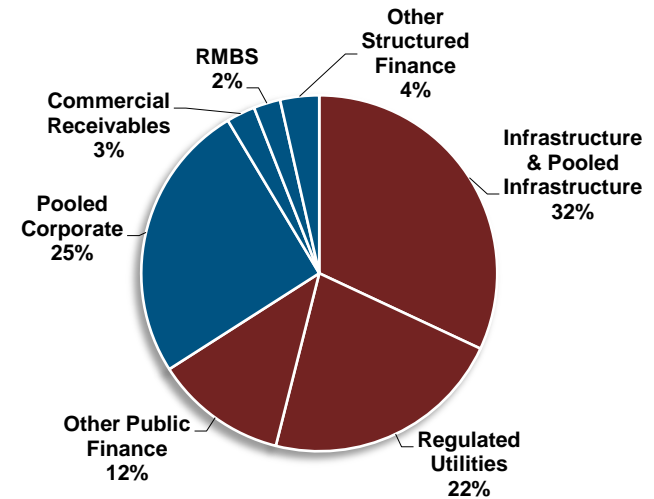
**\$33.3 billion**

#### AGC



**\$10.9 billion**

#### Assured Guaranty Ltd. Consolidated



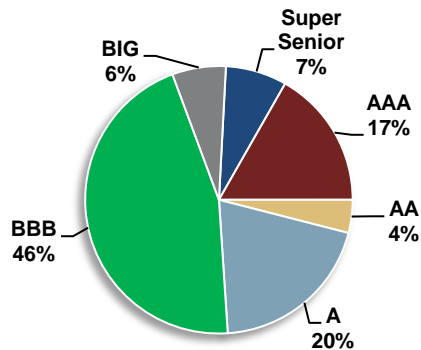
**\$58.7 billion<sup>1</sup>**  
**(11% of total net par outstanding)**

1. Consolidated amounts include those of AG Re.

# Portfolio Ratings – Non-U.S. Portfolios Public Finance and Structured Finance Net Par Outstanding (as of September 30, 2012)

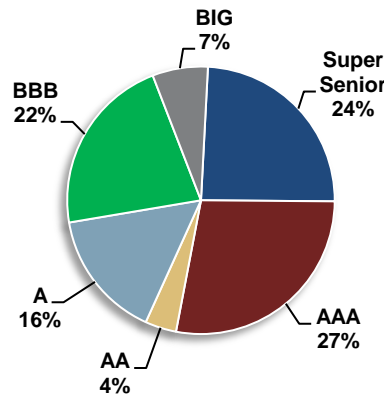


## AGM



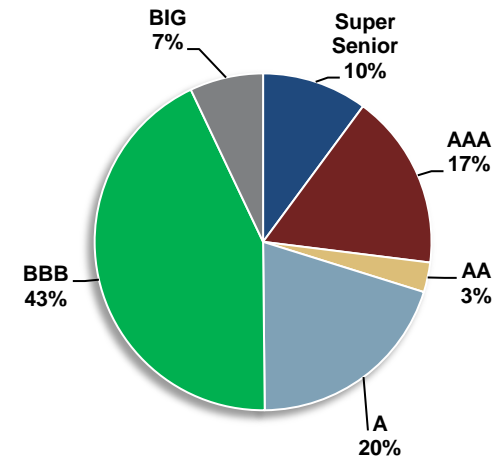
**\$33.3 billion**

## AGC



**\$10.9 billion**

## Assured Guaranty Ltd. Consolidated



**\$58.7 billion<sup>1</sup>**  
**(11% of total net par outstanding)**

1. Consolidated amounts include those of AG Re.

# California Public Finance Par Exposure



- **Out of our total net par exposure in California, only 2.9% are city general fund and lease obligation exposures**
- **School district debt, representing largest percentage of California net par insured (35.0%), is ineligible for Chapter 9 bankruptcy**
- **Three municipalities that have filed for bankruptcy protection in 2012 (Stockton, San Bernardino, Mammoth Lakes) remain isolated events**
  - Our exposure to Stockton is \$120 million of pension obligation bonds and \$40 million of lease revenue obligations
  - The Company has no San Bernardino general fund exposure, only exposure to \$58 million of revenue bonds
  - The Company has no exposure to Mammoth Lakes

## California Net Par Outstanding by Exposure Type

(\$ in billions)	Net Par Outstanding
<b>State</b>	
General Obligation	\$2.3
Lease Obligation	1.1
<b>City</b>	
General Obligation (Statutory Lien on Taxes)	0.2
General Fund – Non-Ad Valorem	0.4
Lease Obligation	1.3
<b>County</b>	
General Obligation	0.2
General Fund – Non-Ad Valorem	1.3
Lease Obligation	1.0
<b>School District</b>	
General Obligation	17.9
Lease Obligation	2.4
<b>Special Tax</b>	4.7
<b>Special Districts</b>	5.7
<b>Higher Education</b>	3.2
<b>Healthcare</b>	1.1
<b>Municipal Utilities</b>	11.6
<b>Transportation</b>	3.0
<b>Other</b>	0.5
<b>Total</b>	<b>\$57.9</b>

- **Out of the four California cities that have filed for bankruptcy protection over the last several years, we have general fund exposure to only one, Stockton (\$160 million net par outstanding)**
- **Out of the six California cities that have publicly discussed potentially filing for bankruptcy protection, we have exposure to only three entities (\$167 million), and they are secured by a pledge of special revenues.**
- **Increased stress in the municipal markets proves the need for bond insurance**

## California Cities Filing for Bankruptcy

Exposure	Assured's Net Par Outstanding	Type
Vallejo	\$3 million <sup>1</sup>	Water and sewer revenue bond
Mammoth Lakes	-	-
San Bernardino	\$58 million <sup>1</sup>	Redevelopment agency revenue bond
Stockton	\$160 million	\$120 million pension obligation bond exposure involved in litigation; \$40 million in lease revenue obligations

## California Cities Publicly Discussing Filing for Bankruptcy

Exposure	Assured's Net Par Outstanding	Type
Artesia	-	-
Atwater	\$83 million <sup>1</sup>	Water and sewer revenue bond
Compton	\$39 million <sup>1</sup>	Redevelopment agency revenue bond
Duarte	-	-
El Monte	-	-
La Mirada	\$45 million <sup>1</sup>	Redevelopment agency revenue bond

1. These obligations are secured by a pledge of "special revenues" and therefore timely payment of debt service from pledged revenues should continue uninterrupted in the event of a city bankruptcy filing.

# Structured Finance Exposures

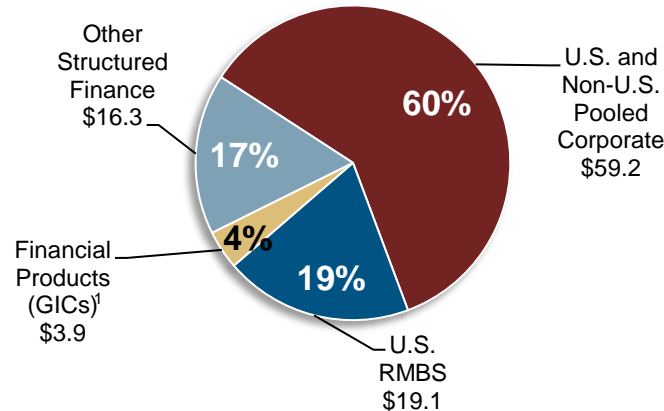
## Net Par Outstanding



(\$ in billions)

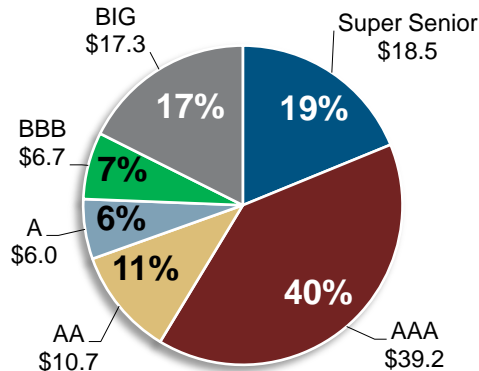
### By Type

As of September 30, 2012



**\$98.5 billion, AA- average rating**

### By Internal Rating



- **We expect Assured Guaranty's global structured finance insured portfolio (\$98.5 billion as of September 30, 2012) to run off rapidly — 46% by year-end 2014 and 70% by year-end 2016.<sup>2</sup>**
  - \$59.2 billion in global pooled corporate obligations expected to be reduced by 54% by year-end 2014 and by 78% by year-end 2016
  - \$19.1 billion in U.S. RMBS expected to be reduced by 37% by year-end 2014 and by 62% by year-end 2016
- **Assured Guaranty and AGM's total structured finance exposures of \$240.9 billion at December 31, 2007 have declined by \$142.4 billion to \$98.5 billion through September 30, 2012, a 59% reduction, or approximately \$30 billion per year.**

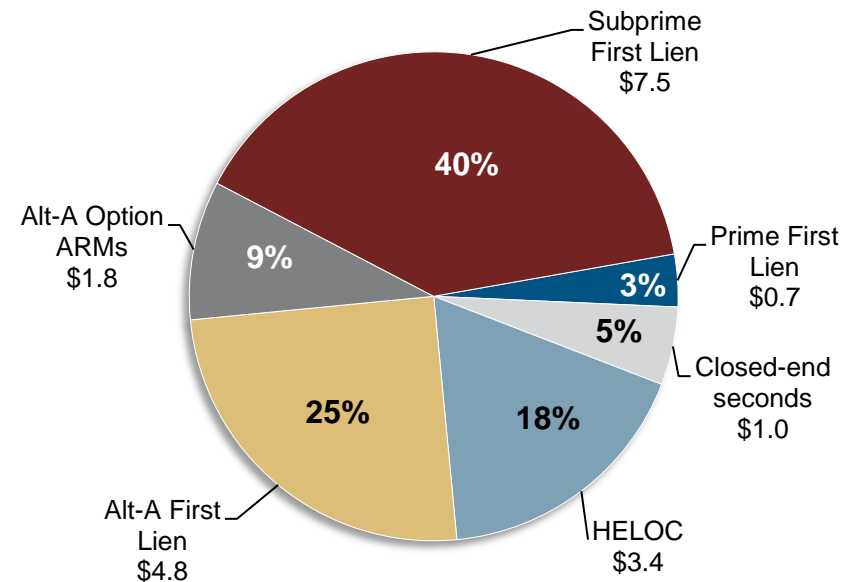
1. See footnote on page 54.

2. See footnote 2 on page 22.

- **Our \$19.1 billion U.S. RMBS portfolio is amortizing on an absolute basis and as a percentage of the portfolio**
  - Total U.S. RMBS has declined from \$29.2 billion at December 31, 2009 to \$19.1 billion at September 30, 2012, a \$10.1 billion or 35% reduction
- **Our loss reserving methodology is driven by our assumptions on several factors with a key variable being new delinquencies:**
  - Conditional default rate
  - Conditional prepayment rate
  - Excess spread
  - Loss severity
- **We have several initiatives aimed at reducing ultimate losses**

## U.S. RMBS by Exposure Type

As of September 30, 2012  
(\$ in billions)

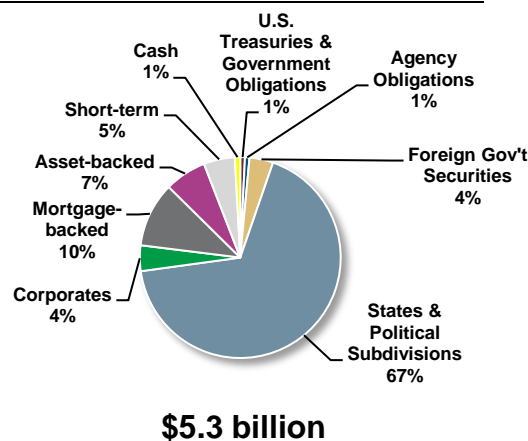


**\$19.1 billion**  
**(3.6% of net par outstanding)**

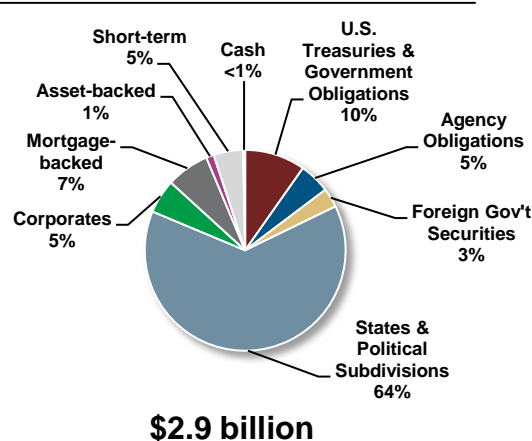
# Investments Available for Sale and Cash by Category<sup>1</sup> Fair Value as of September 30, 2012



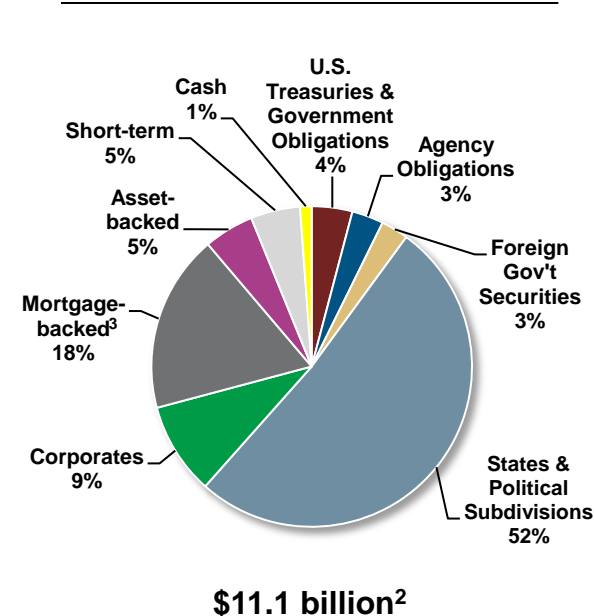
## AGM



## AGC



## Assured Guaranty Ltd. Consolidated

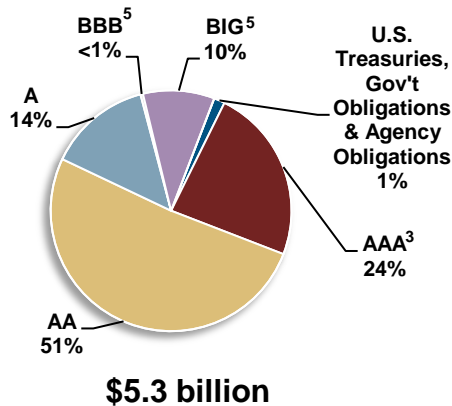


1. Includes fixed maturity securities, short-term investments and cash and excludes other invested assets. Also includes securities purchased or obtained as part of loss mitigation or other risk management strategies, some of which were issued by entities that were subsequently consolidated as VIEs and which are therefore eliminated in consolidation on the balance sheet.
2. Consolidated amounts include those of AG Re.
3. Included in the mortgage-backed category are agency-backed securities with a fair value of \$1.2 billion and securities purchased or obtained as part of loss mitigation or other risk management strategies with a fair value of \$0.3 billion. The remaining securities have a fair value of \$0.5 billion and an average rating of AAA.

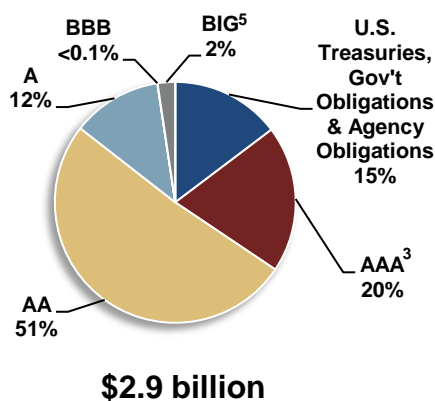
# Investments Available for Sale and Cash by Ratings<sup>1,2</sup> Fair Value as of September 30, 2012



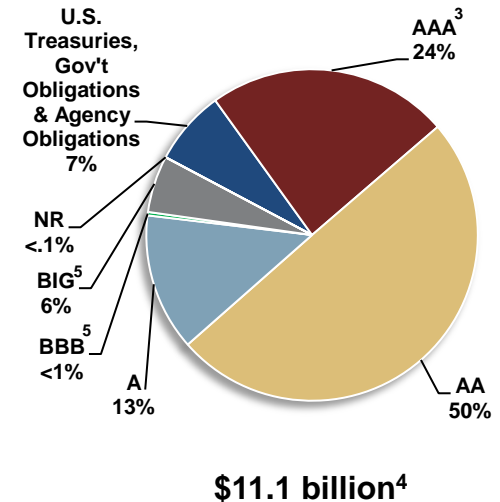
## AGM



## AGC



## Assured Guaranty Ltd. Consolidated



1. Includes fixed maturity securities, short-term investments and cash and excludes other invested assets. Also includes securities purchased or obtained as part of loss mitigation or other risk management strategies, some of which were issued by entities that were subsequently consolidated as VIEs and which are therefore eliminated in consolidation on the balance sheet.
2. 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.
3. Includes all short-term securities and cash.
4. Consolidated amounts include those of AG Re.
5. Included in the BBB and BIG categories are securities purchased or obtained as part of loss mitigation or other risk management strategies with fair values of \$513 million at AGM, \$69 million at AGC and \$612 million consolidated.

# Assured Guaranty U.S. RMBS Performance

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



(\$ in millions)

Distribution of Direct U.S. RMBS Insured January 1, 2005 or Later by Exposure Type, Average Pool Factor, Subordination, Cumulative Losses and 60+ Day Delinquencies as of September 30, 2012 <sup>1</sup>

### U.S. Option ARMs

Year insured	Net Par Outstanding	Pool Factor	Subordination	Cumulative Losses	60+ Day Delinquencies	Number of Transactions
2005	\$ 63	19.2%	8.4%	10.9%	24.9%	3
2006	291	40.7%	—	19.0%	46.0%	5
2007	1,268	44.6%	1.4%	19.5%	38.2%	11
2008	79	47.0%	48.2%	14.4%	32.6%	1
<b>Total</b>	<b>\$ 1,700</b>	<b>43.1%</b>	<b>3.6%</b>	<b>18.9%</b>	<b>38.8%</b>	<b>20</b>

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

Year insured	Net Par Outstanding	Pool Factor	Subordination	Cumulative Losses	60+ Day Delinquencies	Number of Transactions
2005	\$ 592	30.0%	8.5%	6.9%	18.7%	21
2006	391	35.9%	0.0%	19.3%	39.5%	7
2007	2,375	45.0%	2.1%	15.1%	32.2%	12
2008	1,296	42.2%	18.9%	14.7%	27.3%	5
<b>Total</b>	<b>\$ 4,654</b>	<b>41.6%</b>	<b>7.4%</b>	<b>14.3%</b>	<b>29.7%</b>	<b>45</b>

### U.S. Subprime First Lien

Year insured	Net Par Outstanding	Pool Factor	Subordination	Cumulative Losses	60+ Day Delinquencies	Number of Transactions
2005	\$ 212	37.8%	25.1%	6.9%	34.4%	4
2006	3,119	20.3%	61.5%	18.1%	35.6%	4
2007	2,682	46.6%	16.7%	22.8%	44.1%	13
2008	78	58.9%	22.3%	17.3%	33.5%	1
<b>Total</b>	<b>\$ 6,092</b>	<b>33.0%</b>	<b>40.0%</b>	<b>19.8%</b>	<b>39.3%</b>	<b>22</b>

1. See page 4 for descriptions of performance information.

# Assured Guaranty U.S. RMBS Performance HELOC and Closed-End Seconds



(\$ in millions)

Distribution of Direct U.S. RMBS Insured January 1, 2005 or Later by Exposure Type, Average Pool Factor, Subordination, Cumulative Losses and 60+ Day Delinquencies as of September 30, 2012 <sup>1</sup>

## U.S. HELOC

Year insured	Net Par Outstanding	Pool Factor	Subordination	Cumulative Losses	60+ Day Delinquencies	Number of Transactions
2005	\$ 716	15.4%	2.9%	16.3%	12.4%	6
2006	967	24.4%	3.2%	35.6%	8.4%	7
2007	1,356	39.0%	2.9%	31.3%	6.3%	9
2008	—	—	—	—	—	—
<b>Total</b>	<b>\$ 3,040</b>	<b>28.8%</b>	<b>3.0%</b>	<b>29.1%</b>	<b>8.4%</b>	<b>22</b>

## U.S. Closed End Seconds

Year insured	Net Par Outstanding	Pool Factor	Subordination	Cumulative Losses	60+ Day Delinquencies	Number of Transactions
2005	\$ —	—	—	—	—	—
2006	434	12.9%	—	62.4%	7.6%	2
2007	541	15.3%	—	68.8%	8.6%	10
2008	—	—	—	—	—	—
<b>Total</b>	<b>\$ 974</b>	<b>14.2%</b>	<b>—</b>	<b>65.9%</b>	<b>8.2%</b>	<b>12</b>

1. See page 4 for descriptions of performance information.

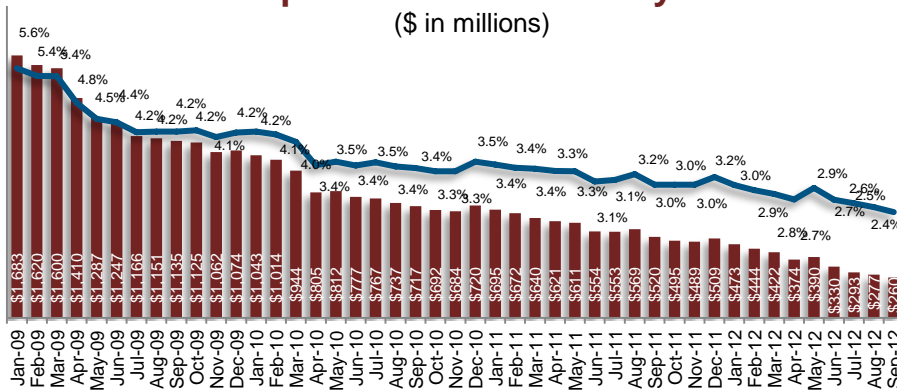
# First Lien 30-59 Day Delinquencies

## For Financial Guaranty Direct Transactions Originated 2005-2008



### Option-ARMs 30-59 Days

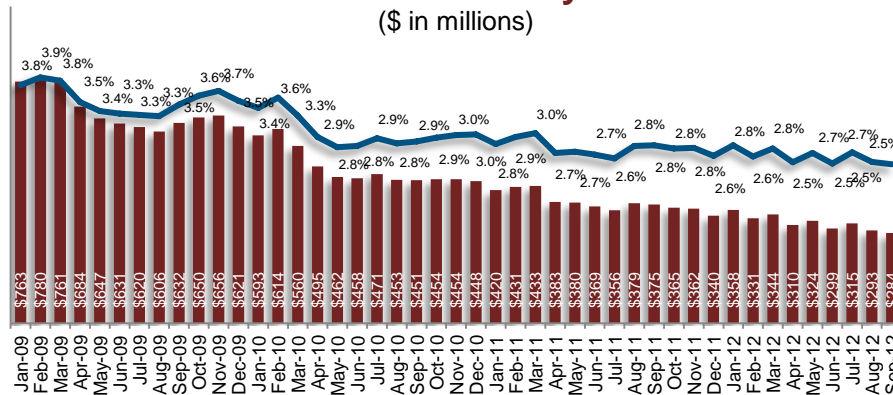
(\$ in millions)



- First lien 30-59 day delinquencies are down since January 2009 in both percentage terms and dollar amounts in Option ARM, Alt-A and subprime transactions.

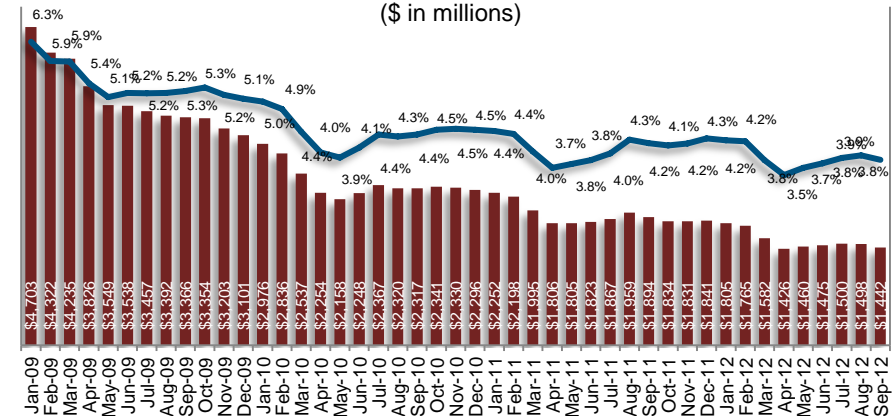
### Alt-A 30-59 Days

(\$ in millions)



### Subprime 30-59 Days<sup>1</sup>

(\$ in millions)



Reflects actual AGM and AGC direct data. Assured Guaranty has not originated any U.S. RMBS since 2008.

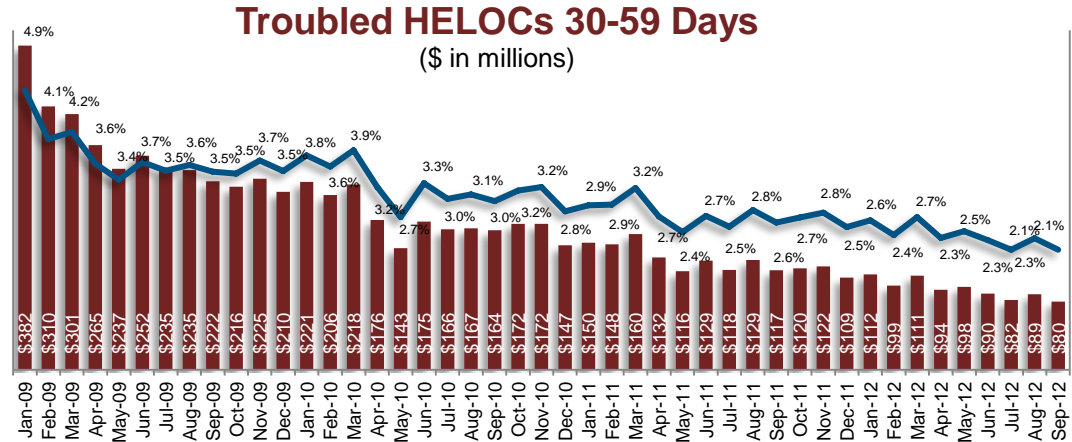
1. Excludes one transaction with approximately \$80 million of net par outstanding.

# Second Lien Delinquencies

For Financial Guaranty Direct Transactions Originated 2005-2008



- **Second lien 30-59 day delinquencies are down since January 2009 in both percentage terms and dollar amounts for troubled HELOCs.**



Reflects actual AGM and AGC direct data. Assured Guaranty has not originated any U.S. RMBS since 2008.

# Consolidated International Finance

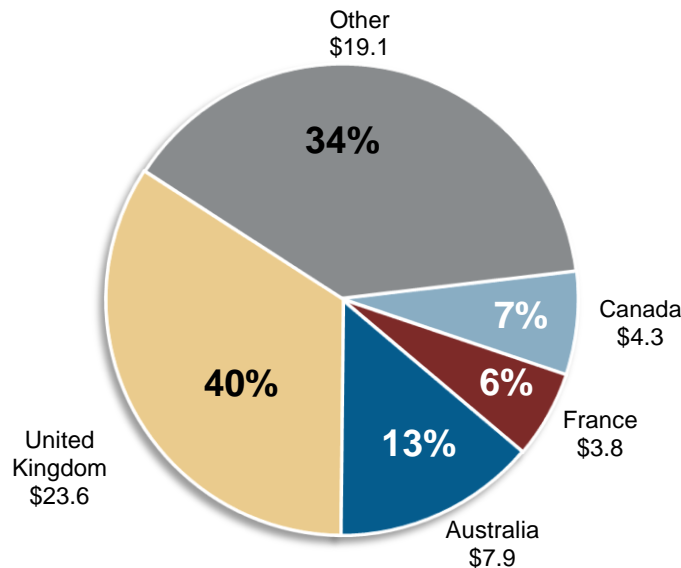
## International Public and Structured Finance

### Net Par Outstanding



### International Finance

As of September 30, 2012  
(\$ in billions)



**\$58.7 billion, A average rating**

- **International exposure is 66% public finance and 34% structured finance**
- **Approximately 75% of international structured exposure is to pooled corporates**
- **Direct sovereign debt is limited to:**
  - Poland \$309 million

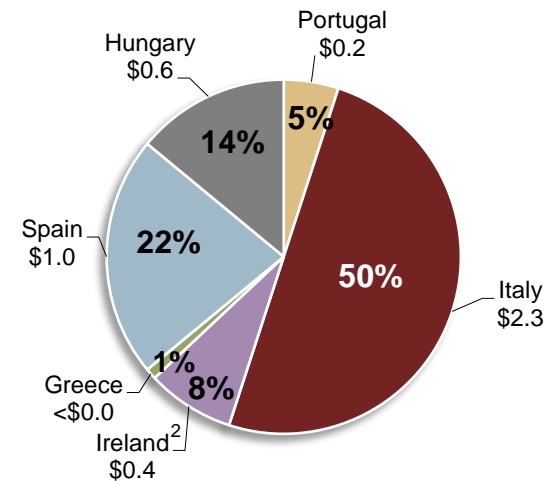
# Insured Obligations Within Troubled Eurozone Countries<sup>1</sup>



- **Approximately 29%, or \$1.3 billion, of net par outstanding of exposure to troubled Eurozone countries is to structured finance transactions rated A or higher, with 19% rated AAA or higher**
  - 52% of structured net par outstanding represents allocated exposures in diversified pooled corporate transactions
- **Italy exposure consists of 44 transactions with aggregate net par outstanding of \$2.3 billion**
  - Only 2 transactions rated BIG (Rome airport totaling \$242 million net par outstanding and an allocated portion of a multi-country CDO exposure totaling \$0.1 million net par outstanding)

## Insured Obligations Within Troubled Eurozone Countries<sup>1</sup>

As of September 30, 2012  
(\$ in billions)



**\$4.5 billion, A- average rating**

### BIG Exposures to Troubled Eurozone Countries (\$ in millions)

<u>Name or Description</u>	<u>Country</u>	<u>Internal Rating</u>	<u>Net Par Outstanding</u>
M6 Toll Road	Hungary	BB	\$386
Valencia Fair	Spain	BB-	249
Rome Airport	Italy	BB	242
Autovia de la Mancha, S.A.	Spain	BB-	140
FHB 8.95% 2016	Hungary	BB+	126
Metropolitano de Porto Lease and Sublease of Railroad Equipment	Portugal	B+	56
Metropolitano De Lisboa	Portugal	B+	27
Metro Lisboa Rail Equip Lease	Portugal	B+	25
Caminhos de Ferro Portugueses, EP	Portugal	B+	17
Catalunya, Generalitat De	Spain	BB-	10
Gleneagles Funding Ltd. <sup>3</sup>	Ireland	BB	7
Universidades De Generalidad De Valencia	Spain	BB-	7
CACSA	Spain	BB-	4
Synthetic High Yield Pooled Corporate CDO	Multiple <sup>4</sup>	B	1
<b>Total</b>			<b>\$1,297</b>

1. Exposure to insured obligations in troubled Eurozone countries refers to the economies of Portugal, Italy, Ireland, Greece, Spain and Hungary.

2. Included in the pie chart above is \$135 million of reinsurance assumed on a 2004 - 2006 pool of Irish residential mortgages that is part of the Company's remaining legacy mortgage reinsurance business.

3. Allocated portion of diversified transaction.

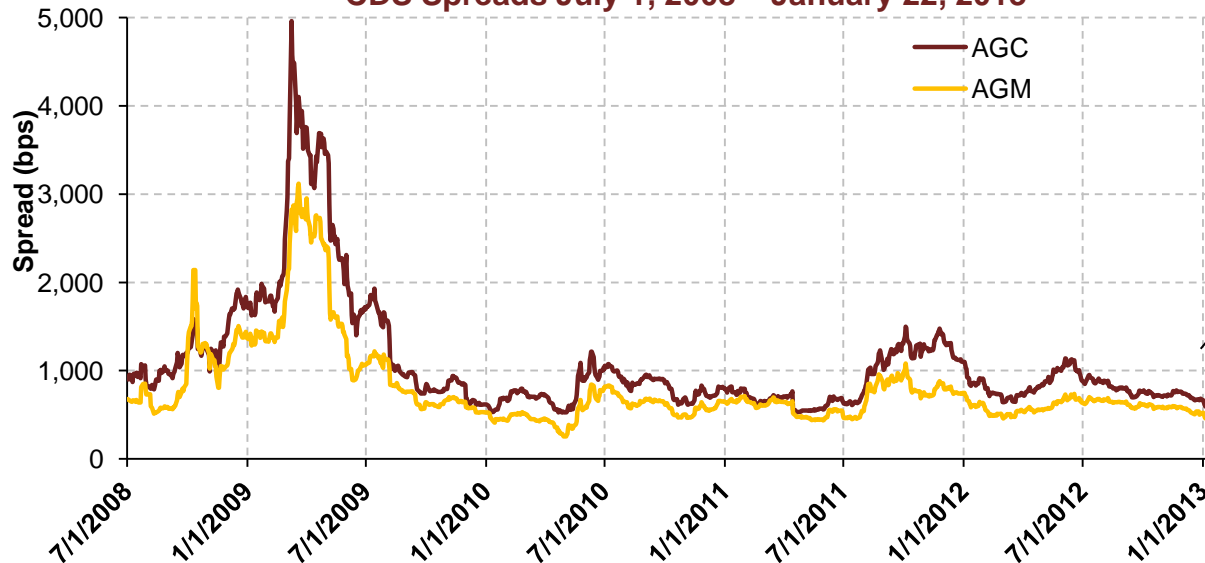
4. Synthetic high yield pooled corporate CDO exposure is \$0.1 million to Italy and \$0.5 million to Ireland.

# Credit Default Swap Spreads

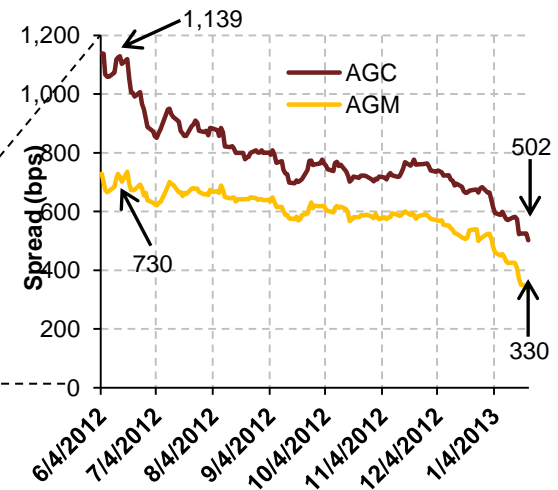


- Movements in credit default swap (“CDS”) levels for AGM and AGC continue to be significantly affected by technical factors such as supply/demand imbalance and light trading volume
- The deterioration in the asset-backed securities market’s pricing through first quarter 2009 expanded demand for CDS protection on AGM and AGC by fixed income holders of AGM and AGC insured paper as they sought to hedge exposure, thereby exacerbating the supply/demand imbalance
- AGM and AGC’s 5-year CDS bid prices peaked in mid-March 2009 at 3120 bps and 4961 bps, respectively
- 5-year CDS levels for AGM and AGC have rallied considerably since March 2009 as general market fundamentals have improved and as a result of the market’s positive reaction to the closing of the AGMH acquisition in July 2009, rating agency announcements, and the December 2009 capital raise
- In January 2013, the 5-year CDS levels for AGM and AGC were at 11 and 10 percent, respectively, of their mid-March 2009 levels.
- Between June 2012 and January 2013, CDS levels for AGM and AGC came in by 55 and 56 percent, respectively. As of January 22, 2013 they were 330 bps and 502 bps, respectively.

CDS Spreads July 1, 2008 – January 22, 2013



CDS Spreads June 4, 2012 – January 22, 2013



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

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

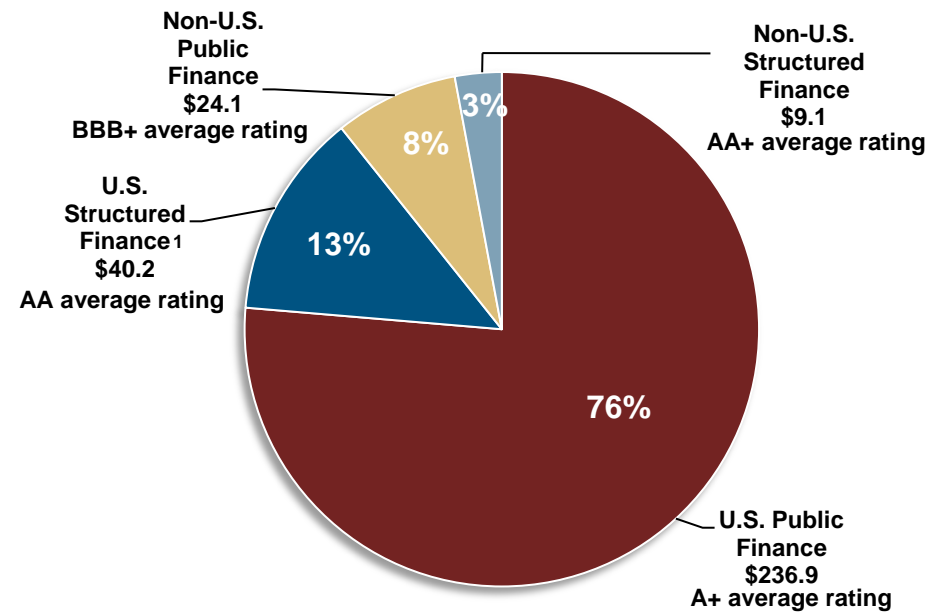


# AGM Net Par Outstanding By Market Sector

- **AGM's portfolio is well diversified by asset class**
  - 76% U.S. public finance
  - 13% U.S. structured finance
  - 8% Non-U.S. public finance
  - 3% Non-U.S. structured finance
- **The portfolio maintains a high overall credit rating despite downgrades in our U.S. RMBS portfolio**
  - A+ average internal rating
- **U.S. RMBS is the largest source of BIG exposures, at 58% of the BIG exposures.**

## Consolidated Net Par Outstanding

As of September 30, 2012  
(\$ in billions)



**\$310.4 billion, A+ average rating**

1. Includes \$3.9 billion in GICs. See footnote on page 54.

# AGM Net Par Outstanding By Exposure Category

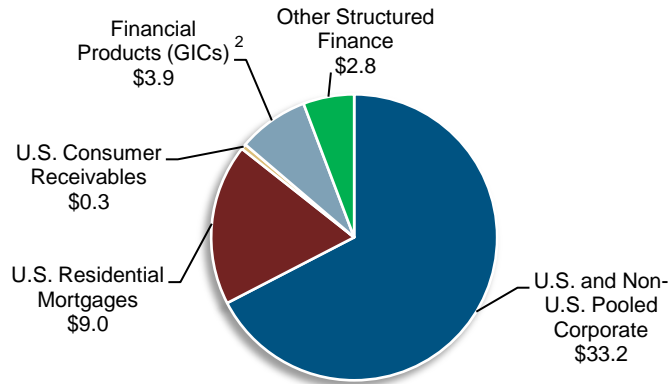


As of September 30, 2012; \$ in millions

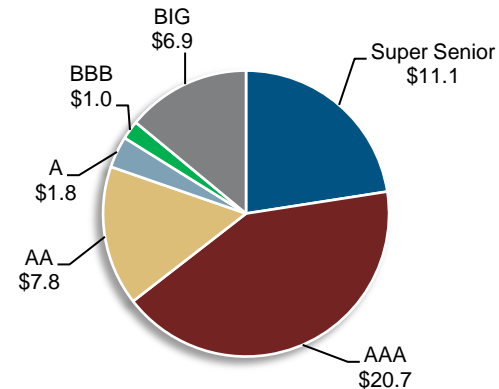
	September 30, 2012			September 30, 2012	
	Net Par Outstanding	Avg. Internal Rating		Net Par Outstanding	Avg. Internal Rating
<b>U.S. public finance:</b>			<b>U.S. structured finance:</b>		
General obligation	\$ 105,721	A+	Pooled corporate obligations	\$ 26,104	AAA
Tax backed	45,503	A+	RMBS	8,984	BB
Municipal utilities	40,828	A+	Financial products <sup>1</sup>	3,944	AA-
Transportation	20,580	A	Insurance securitizations	306	AA
Healthcare	9,199	A	Consumer receivables	301	BBB-
Higher education	7,606	A+	Structured credit	79	CCC
Housing	4,494	AA-	Commercial receivables	53	BB
Infrastructure finance	1,226	BB+	Other structured finance	404	BBB+
Investor-owned utilities	43	A-	Total U.S. structured finance	40,175	AA
Other public finance	1,729	A			
Total U.S. public finance	236,929	A+	<b>Non-U.S. structured finance:</b>		
			Pooled corporate obligations	7,120	AAA
<b>Non-U.S. public finance:</b>			RMBS	1,304	AA-
Infrastructure finance	11,411	BBB	Structured credit	321	BBB
Regulated utilities	6,476	BBB+	Other structured finance	373	Super Senior
Other public finance	6,260	A+	Total non-U.S. structured finance	9,118	AA+
Total non-U.S. public finance	24,147	BBB+			
<b>Total public finance</b>	<b>\$ 261,076</b>	<b>A</b>	<b>Total structured finance</b>	<b>\$ 49,293</b>	<b>AA</b>
			<b>Total net par outstanding</b>	<b>\$ 310,369</b>	<b>A+</b>

1. Assured Guaranty did not acquire FSAH's Financial Products ("FP") segment. Assured Guaranty and its subsidiaries are indemnified against exposure to the FP segment by Dexia SA ("Dexia"). As of September 30, 2012, the aggregate accreted balance of the guaranteed investment contracts ("GICs") was approximately \$3.9 billion. As of the same date, with respect to the assets supporting the GIC business, the aggregate accreted principal balance was approximately \$5.7 billion, the aggregate market value was approximately \$5.6 billion and the aggregate market value after agreed reductions was approximately \$4.4 billion. Cash and net derivative value constituted another \$0.1 billion of assets. The outstanding GIC exposure was \$3.9 billion at August 31, 2012, which was the latest figure available when the total insured portfolio was measured at quarter-end.

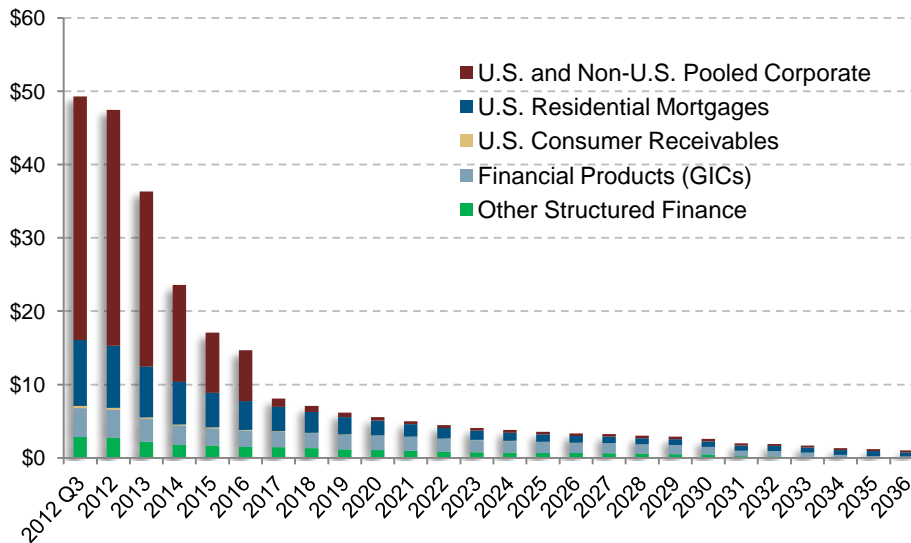
# AGM Runoff of Global Insured Structured Finance Portfolio



**\$49.3 Billion Net Par Outstanding**  
As of September 30, 2012



**\$Billion**



- We expect AGM's legacy global structured finance insured portfolio (\$49.3 billion as of September 30, 2012 versus \$127.3 billion as of September 30, 2008) to run off rapidly — 52% by year-end 2014 and 70% by year-end 2016.<sup>1</sup>
  - \$33.2 billion in global pooled corporate obligations expected to be reduced by 60% by year-end 2014 and by 79% by year-end 2016
  - \$9.0 billion in U.S. RMBS expected to be reduced by 36% by year-end 2014 and by 56% by year-end 2016
  - \$0.3 billion in U.S. consumer receivable obligations expected to be reduced by 50% by year-end 2014 and by 67% by year-end 2016
  - \$2.8 billion in other structured finance (excluding FP) expected to be reduced by 37% by year-end 2014 and by 47% by year-end 2016
- Former FP business not part of Assured Guaranty's purchase; we are indemnified against exposure to the FP business by Dexia. In addition, Assured Guaranty also has been protected by guaranties issued by the French and Belgian governments with respect to the GIC portion of the FP business.
  - \$3.9 billion in GICs expected to be reduced by 33% by year-end 2014 and by 44% by year-end 2016

1. See footnote 2 on page 22.  
2. See footnote on page 54.

# Reinsurance: AGM Has Ceded 8% of Its Gross Insured Portfolio to a Diversified Group of Non-Affiliated Reinsurers and Other Monolines

## AGM's Total Gross Par Outstanding:

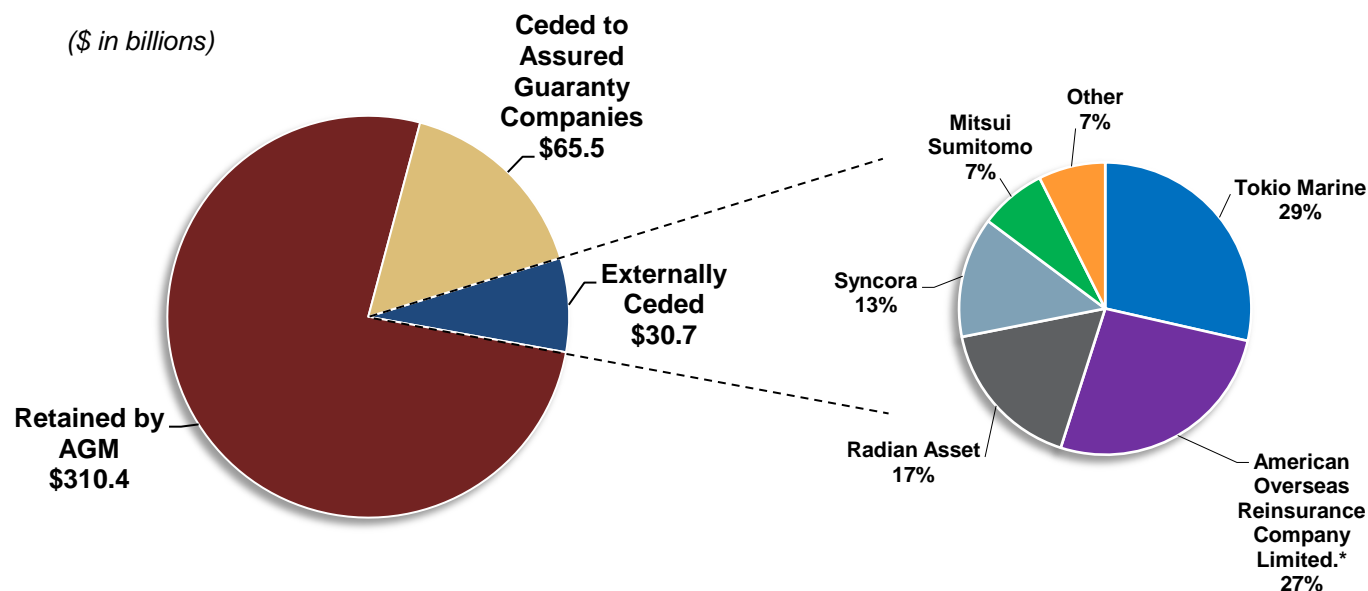
**\$406.6 billion**

As of September 30, 2012

## Externally Ceded Par Outstanding:

**\$30.7 billion (7.6%)**

As of September 30, 2012

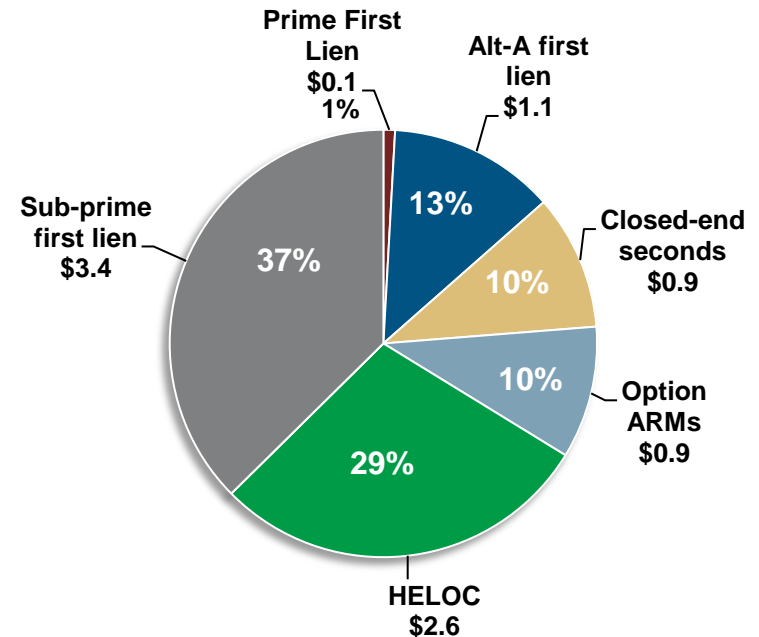


\* Formerly RAM Reinsurance Company Ltd.

- **AGM's \$9.0 billion U.S. RMBS portfolio has experienced material downgrades since year-end 2007**
  - Average rating of BB at September 30, 2012
- **No U.S. RMBS underwritten since January 2008**
- **AGM's U.S. RMBS portfolio is amortizing on an absolute basis and has declined as a percentage of the portfolio**
  - 2.9% of total net par outstanding versus 4.0% at year-end 2008
  - \$9.0 billion net par outstanding versus \$17.1 billion at year-end 2008, a decrease of 47%

## U.S. RMBS by Exposure Type

As of September 30, 2012  
(\$ in billions)



**\$9.0 billion, 2.9% of net par outstanding**

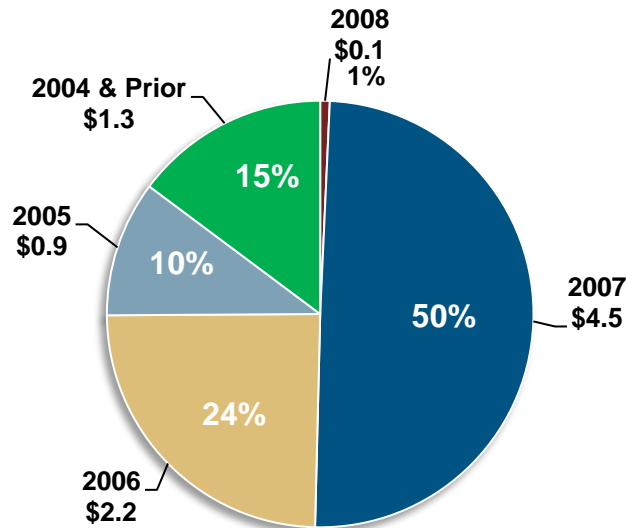
# AGM U.S. RMBS

## By Vintage and Rating



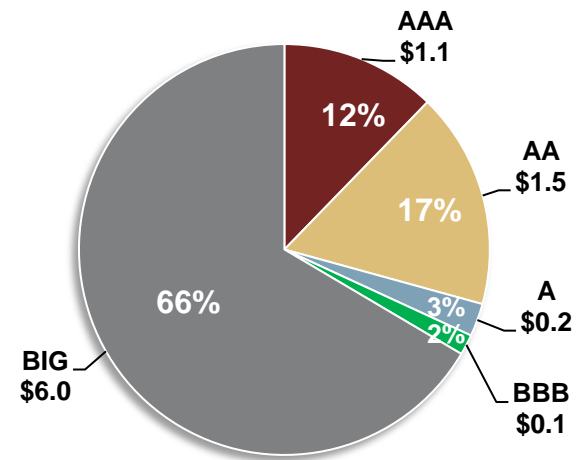
### U.S. RMBS by Year Insured

As of September 30, 2012  
(\$ in billions)



### U.S. RMBS by Rating

As of September 30, 2012  
(\$ in billions)



**Total U.S. RMBS = \$9.0 billion net par outstanding  
BB average rating**

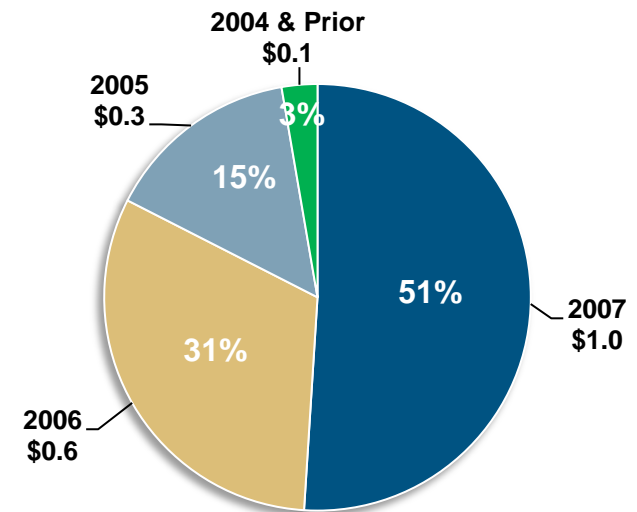
# AGM U.S. RMBS Exposure Alt-A First Lien and Option ARMs<sup>1</sup>



- **AGM's Alt-A and Option ARM portfolio was largely underwritten since 2006 and all were rated AAA at closing**
- **AGM's Alt-A and Option ARM exposures have an average rating of BIG due to significant downgrades in 2008 and 2009**

## Alt-A and Option ARM Exposure by Year Insured

As of September 30, 2012  
(\$ in billions)



**\$2.0 billion net par outstanding**

1. Borrowers in AGM's Option ARM transactions are generally Alt-A.

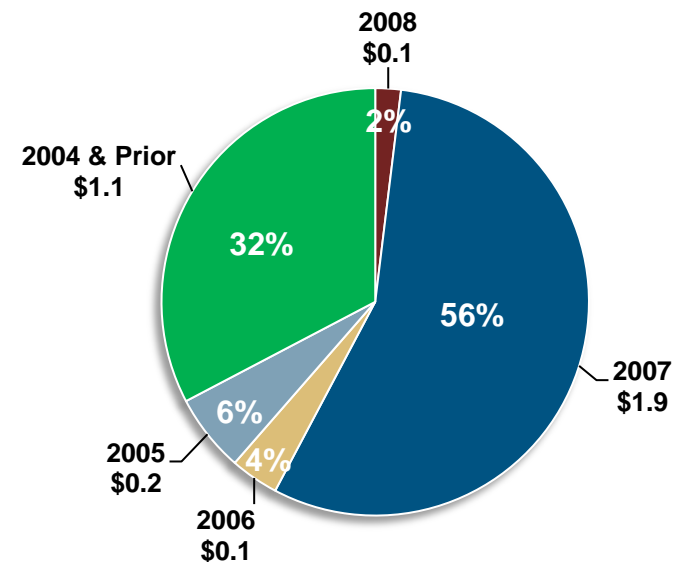
# AGM U.S. RMBS Exposure Subprime First Lien



- **Despite the economic stress of recent years, AGM's subprime first lien portfolio is 53% investment grade**
  - 29% rated AAA
  - 47% rated BIG
  - Average subordination left is 18.3% on transactions insured after January 1, 2005 (\$2.3 billion of net par)
- **Of 90 total subprime transactions, only 18 exposures are rated BIG (\$1.6 billion of net par)**
  - Largest BIG exposure is \$514 million net par outstanding

## Subprime First Lien by Year Insured

As of September 30, 2012  
(\$ in billions)



**\$3.4 billion net par outstanding**

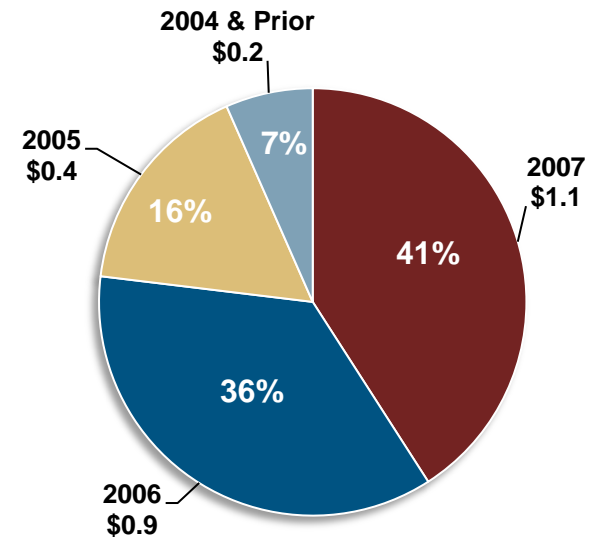
# AGM U.S. RMBS Exposure HELOC



- **Outstanding net par insured of \$2.6 billion**
- **Average rating of BIG**
  - \$2.1 billion of HELOCs are BIG
  - \$0.5 billion of HELOCs remain investment grade

## HELOCs by Year Insured

As of September 30, 2012  
(\$ in billions)



**\$2.6 billion net par outstanding**

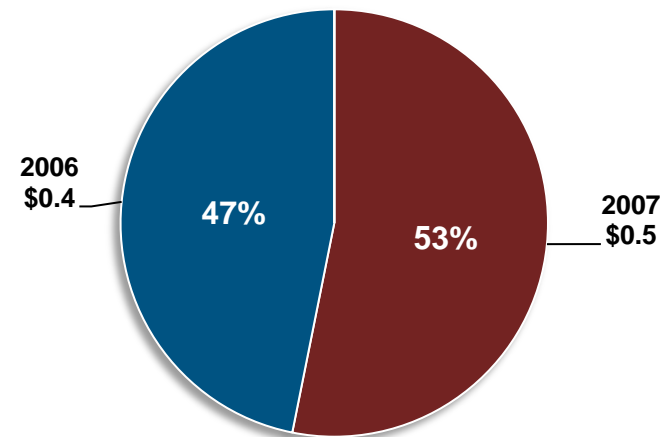
# AGM U.S. RMBS Exposure Closed-End Second Lien



- **Limited exposure to closed-end seconds**
  - All transactions are in the 2006 and 2007 vintages
- **11 transactions totaling \$0.9 billion**
  - 7 deals rated BIG
  - 4 deals rated AA<sup>1</sup> (total \$165 million)

## Closed-End Seconds by Year Insured

As of September 30, 2012  
(\$ in billions)



**\$0.9 billion net par outstanding**

1. Transactions previously insured by an affiliated monoline (i.e., where AGM would be the second to pay). The transactions are assigned a rating equal to the higher of our internal rating of the underlying transaction or our internal rating of the affiliated monoline.

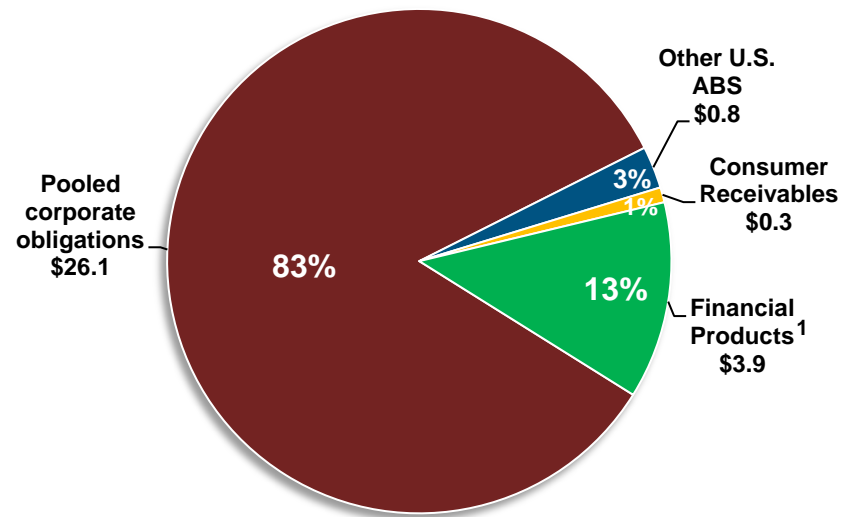
# AGM Non-RMBS Exposure U.S. Structured Finance



- **83% of AGM's non-RMBS U.S. structured finance portfolio consists of pooled corporate obligations**
  - 92% of pooled corporate exposure is of Super Senior or AAA quality
- **Non-RMBS U.S. structured finance credit experience has been generally strong given the economic stress of recent years**

## U.S. Non-RMBS Structured Finance

As of September 30, 2012  
(\$ in billions)



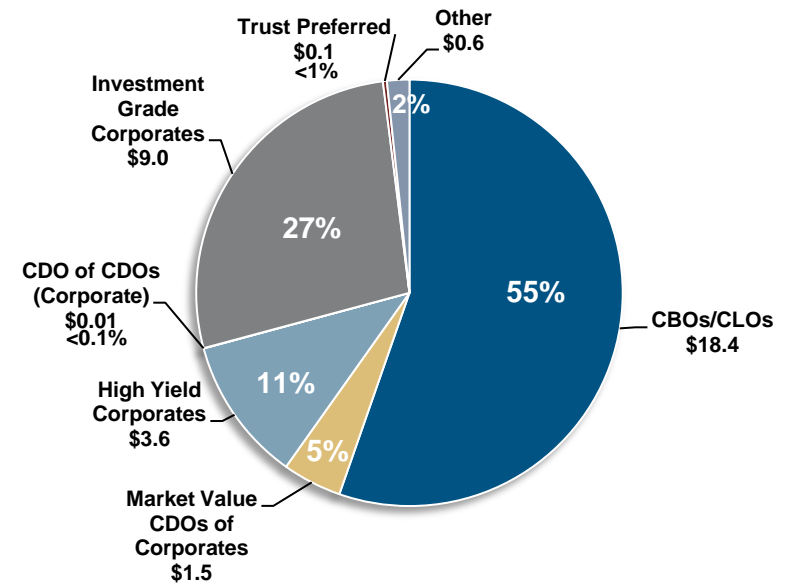
**\$31.2 billion net par outstanding**

1. See footnote on page 54.

- **AGM's pooled corporate exposure is generally highly rated and well-protected**
  - Average current credit enhancement of 26.3%
  - 90% rated super senior or AAA
  - AAA average rating
  - 1% rated BIG
- **\$101 million of TruPS (bank and insurance company only)**
  - Average rating of A+
  - Average current credit enhancement remains strong at 55.5%

## Pooled Corporate Obligations By Asset Class

As September 30, 2012  
(\$ in billions)



**\$33.2 billion net par outstanding**

# AGM Global Pooled Corporate Obligations By Collateral Type



(\$ in millions)

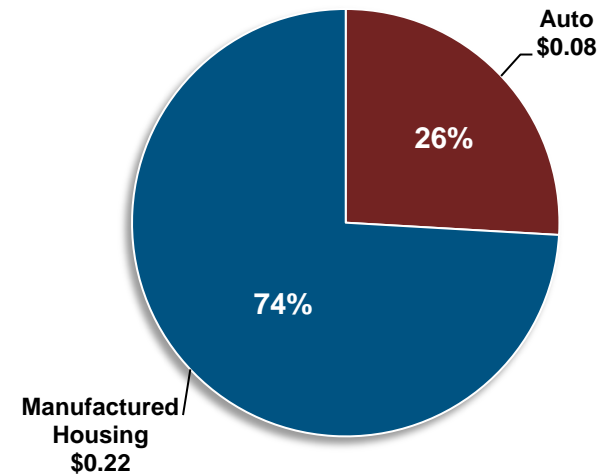
## Distribution of Pooled Corporate Obligations by Asset Class

<b>Asset class:</b>	<b>Net Par Outstanding</b>	<b>% of Total</b>	<b>Avg. Initial Credit Enhancement</b>	<b>Avg. Current Credit Enhancement</b>	<b>Avg. Rating</b>
CBOs/CLOs	\$ 18,384	55.3%	28.2%	29.5%	AAA
Synthetic investment grade pooled corporates	9,032	27.2%	21.1%	19.3%	AAA
Synthetic high yield pooled corporates	3,645	11.0%	35.1%	30.1%	AA+
Market value CDOs of corporates	1,492	4.5%	17.0%	26.5%	AAA
Trust preferred - banks and insurance	101	0.3%	48.6%	55.5%	A+
CDO of CDOs (corporate)	8	0.0%	25.5%	16.3%	BBB
Other pooled corporates	562	1.7%	-	-	BBB-
<b>Total exposures</b>	<b>\$ 33,224</b>	<b>100.0%</b>	<b>26.1%</b>	<b>26.3%</b>	<b>AAA</b>

- **Limited exposure to U.S. consumer receivables**
  - 44% rated AA or higher
  - 44% rated BIG
- **Our is exposure is rapidly amortizing**
  - Expected to be reduced by 22% by year-end 2012 and by 50% by year-end 2014

## U.S. Consumer Receivables by Type

As of September 30, 2012  
(\$ in billions)



**\$0.3 billion net par outstanding**

# AGM Expected Loss and Loss Adjustment Expense ("LAE") to Be Paid As of September 30, 2012



(\$ in millions)

## Rollforward of Net Expected Loss and LAE to be Paid for the Three Months Ended September 30, 2012

<u>Financial Guaranty Insurance Contracts and Credit Derivatives</u>	<u>Net Expected Loss to be Paid as of June 30, 2012</u>	<u>Economic Loss Development During 3Q-12 <sup>1</sup></u>	<u>(Paid) Recovered Losses During 3Q-12</u>	<u>Net Expected Loss to be Paid as of September 30, 2012</u>
U.S. RMBS				
First lien:				
Alt-A first lien	\$ 153	\$ 3	\$ (7)	\$ 149
Option ARMs	(59)	1	(62)	(120)
Subprime first lien	149	11	(4)	156
Total first lien	243	15	(73)	185
Second lien:				
Closed end seconds	(46)	5	2	(39)
HELOC	(93)	(17)	(19)	(129)
Total second lien	(139)	(12)	(17)	(168)
Total U.S. RMBS	104	3	(90)	17
Other structured finance	38	1	—	39
U.S. public finance	(19)	(10)	(31)	(60)
Non-U.S. public finance	199	41	(206)	34
<b>Total</b>	<b>\$ 322</b>	<b>\$ 35</b>	<b>\$ (327)</b>	<b>\$ 30</b>

Expected loss to be paid in the table above represents the PV of expected net claims payments and reimbursements. Under GAAP, however, a reserve and corresponding loss expense is generally recognized in the period and for the amount that expected losses exceed unearned premium reserve. For AGM, unearned premium reserve on the Acquisition Date (July 1, 2009) represented fair value and incorporated all expected losses at that date. See Notes to the financial statements in the 2011 AGL Form 10-K for a complete discussion of the accounting policy for financial guaranty insurance and credit derivative contracts and the effects of acquisition accounting on financial guaranty insurance accounting.

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 Portfolio Review**



# AGC Net Par Outstanding By Market Sector

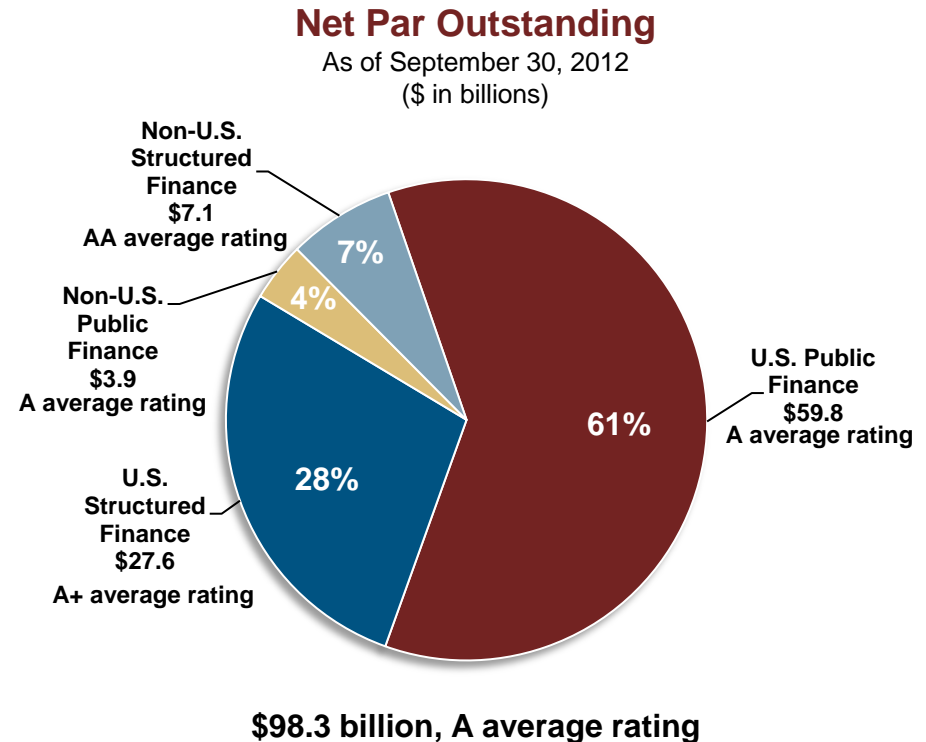
- **AGC's portfolio is well diversified by asset class**

- 61% U.S. public finance
- 28% U.S. structured finance
- 4% Non-U.S. public finance
- 7% Non-U.S. structured finance

- **Portfolio maintains a high overall credit rating despite downgrades in U.S. RMBS portfolio**

- Average internal rating of A

- **U.S. RMBS is the largest source of BIG exposures at 46% of AGC's BIG exposures.**



# AGC Net Par Outstanding By Exposure Category



As of September 30, 2012; \$ in millions

	Net Par Outstanding	Avg. Internal Rating		Net Par Outstanding	Avg. Internal Rating
<b>U.S. public finance:</b>			<b>U.S. structured finance:</b>		
General obligation	\$ 23,756	A	Pooled corporate obligations	\$ 14,271	AA
Tax backed	10,697	A	RMBS	7,592	BBB-
Municipal utilities	8,280	A	CMBS and other commercial real estate related exposures	3,318	AAA
Transportation	6,094	A-	Consumer receivables	1,230	A-
Healthcare	4,381	A	Commercial receivables	471	A-
Higher education	3,326	A	Insurance securitization	318	A+
Infrastructure finance	973	BBB	Structured credit	171	B-
Investor-owned utilities	464	A-	Other structured finance	276	A-
Housing	168	A	Total U.S. structured finance	27,647	A+
Other public finance	1,611	A	<b>Non-U.S. structured finance:</b>		
Total U.S. public finance	59,750	A	Pooled corporate obligations	5,680	AAA
<b>Non-U.S. public finance:</b>			Commercial receivables	779	A-
Pooled infrastructure	1,649	AA	Insurance securitizations	279	CCC-
Infrastructure finance	1,182	BBB	Structured credit	163	BBB
Regulated utilities	972	A-	CMBS and other commercial real estate related exposures	74	AAA
Other public finance	79	A+	RMBS	74	AAA
Total non-U.S. public finance	3,882	A	Other structured finance	2	A
<b>Total public finance</b>	<b>\$ 63,632</b>	<b>A</b>	Total non-U.S. structured finance	7,051	AA
			<b>Total structured finance</b>	<b>\$ 34,698</b>	<b>AA-</b>
			<b>Total net par outstanding</b>	<b>\$ 98,330</b>	<b>A</b>

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



## AGC's Total Gross Par Outstanding:

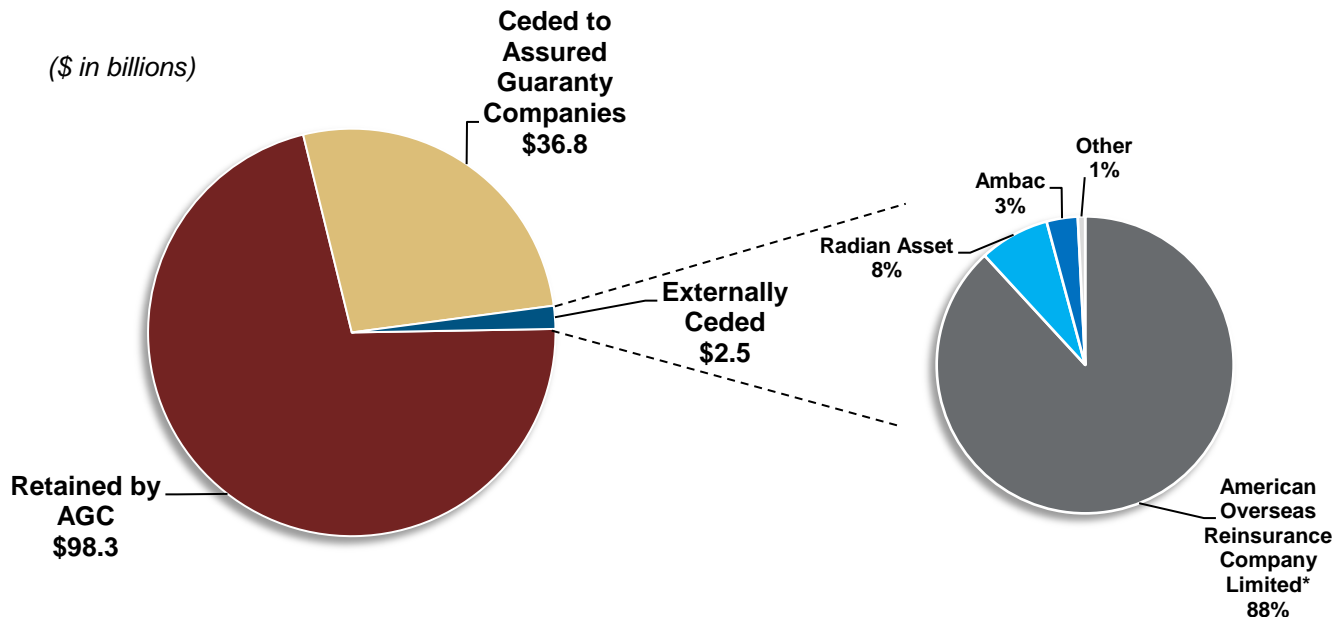
**\$137.6 billion**

As of September 30, 2012

## Externally Ceded Par Outstanding:

**\$2.5 billion (2%)**

As of September 30, 2012

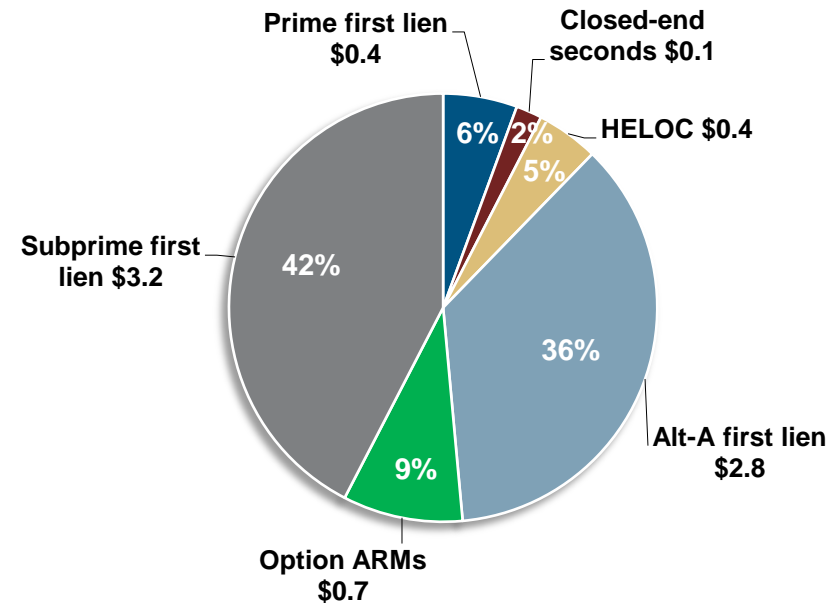


\* Formerly RAM Reinsurance Company Ltd.

- AGC's \$7.6 billion U.S. RMBS portfolio has experienced material downgrades since year-end 2007**
  - Average rating of BBB- at September 30, 2012 versus AA at year-end 2007
  - All exposures were rated investment grade at the time of underwriting
- AGC's U.S. RMBS portfolio is amortizing on an absolute basis and has declined as a percentage of the portfolio**
  - \$7.6 billion versus \$13.4 billion at year-end 2007, a decrease of 43%
  - 7.7% of total net par outstanding versus 14.3% at year-end 2007

## U.S. RMBS by Exposure Type

As of September 30, 2012  
(\$ in billions)



**\$7.6 billion, 7.7% of net par outstanding**

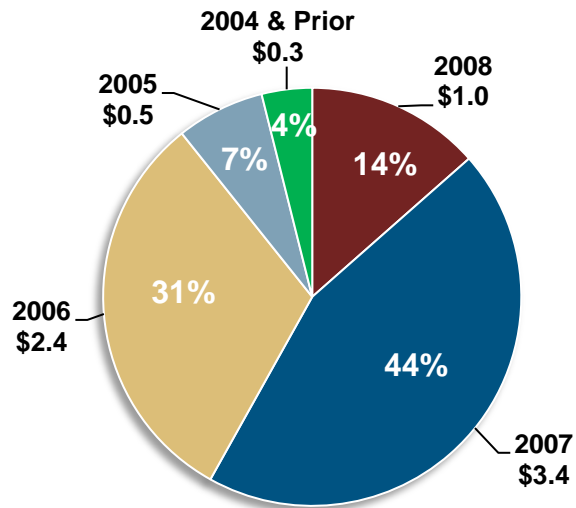
# AGC U.S. RMBS

## By Vintage and Rating



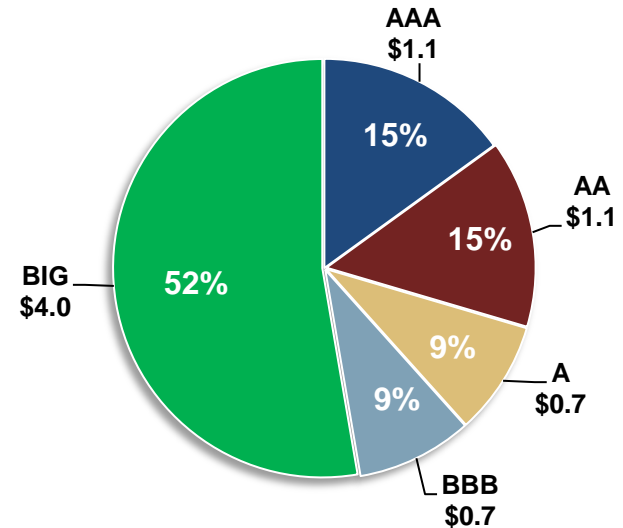
### U.S. RMBS by Year Insured

As September 30, 2012  
(\$ in billions)



### U.S. RMBS by Rating

As of September 30, 2012  
(\$ in billions)



**Total U.S. RMBS = \$7.6 billion net par outstanding  
BBB- average rating**

AGC has not originated any U.S. RMBS since 2008.

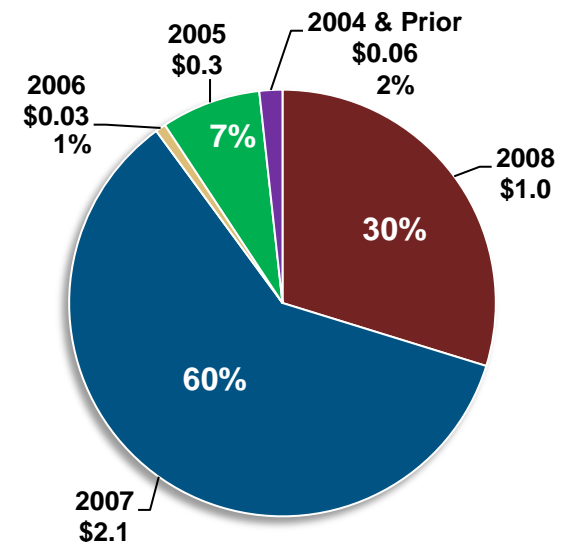
# AGC U.S. RMBS Exposure Alt-A First Lien and Option ARMs<sup>1</sup>



- **90% of AGC's current direct Alt-A and Option ARM exposures were underwritten in 2007 and 2008, using significantly stressed assumptions**
  - Many transactions were underwritten on a secondary basis and had the benefit of some seasoning and additional first loss enhancement
- **AGC's Alt-A and Option ARM exposures have an average BIG rating due to significant downgrades in 2009 and 2010**

## Alt-A and Option Arm Exposure by Year Insured

As of September 30, 2012  
(\$ in billions)



**\$3.4 billion net par outstanding**

1. Borrowers in AGC's Option ARM transactions are generally Alt-A.

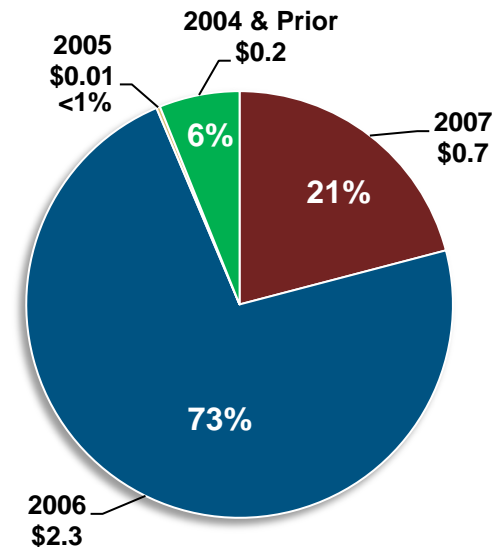
# AGC U.S. RMBS Exposure Subprime First Lien



- **Despite the economic stress of recent years, the majority of AGC's subprime first lien portfolio is investment grade**
  - 30% rated AAA
  - 18% rated BIG
  - Average subordination left is 52% on transactions insured after January 1, 2005 (\$3.0 billion of net par)
- **Of 18 total direct subprime first lien transactions, totaling \$3.2 billion, only 4 exposures are rated BIG (\$0.6 billion of net par)**

## Subprime First Lien by Year Insured

As of September 30, 2012  
(\$ in billions)

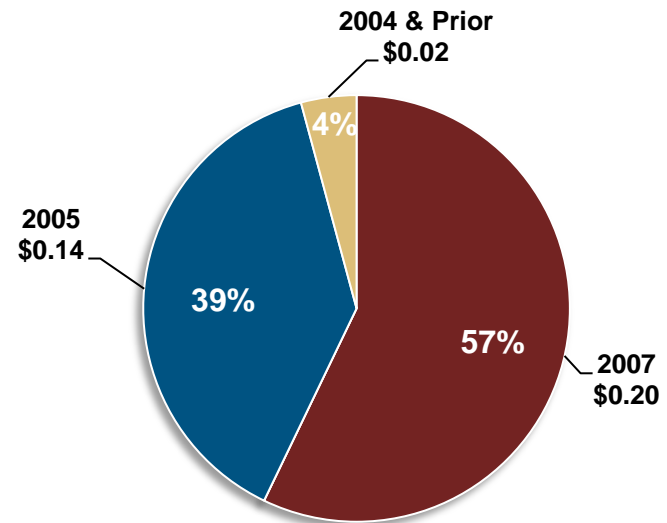


**\$3.2 billion net par outstanding**

- **AGC's HELOC book consists principally of two Countrywide deals underwritten in 2005 and 2007**
- **Net par insured of \$357 million for all HELOCs**

## HELOCs by Year Insured

As of September 30, 2012  
(\$ in billions)



**\$0.4 billion net par outstanding**

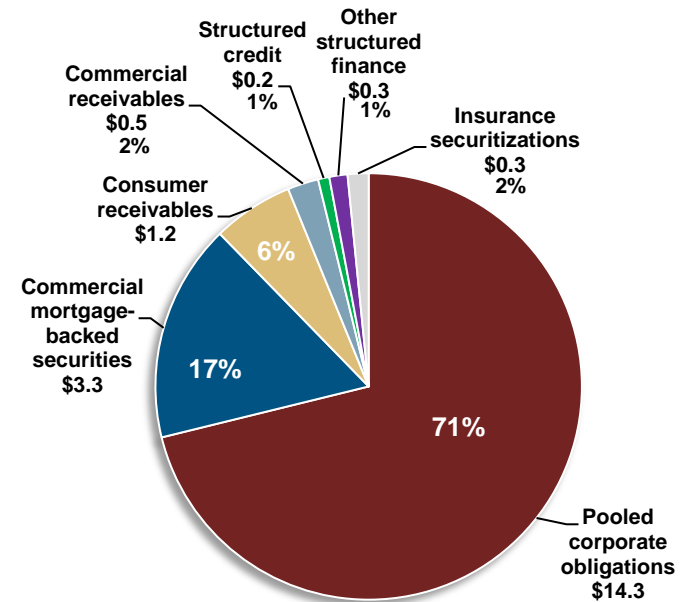
# AGC Non-RMBS Exposure U.S. Structured Finance



- **AGC's non-RMBS U.S. structured finance exposures consist principally of:**
  - Pooled corporate obligations
  - CMBS
  - Consumer receivables
- **Non-RMBS U.S. structured finance credit experience has been generally strong given the economic stress of recent years**
  - 70% rated super senior or AAA
  - 13% rated BIG

## U.S. Non-RMBS Structured Finance

As of September 30, 2012  
(\$ in billions)



**\$20.1 billion net par outstanding**

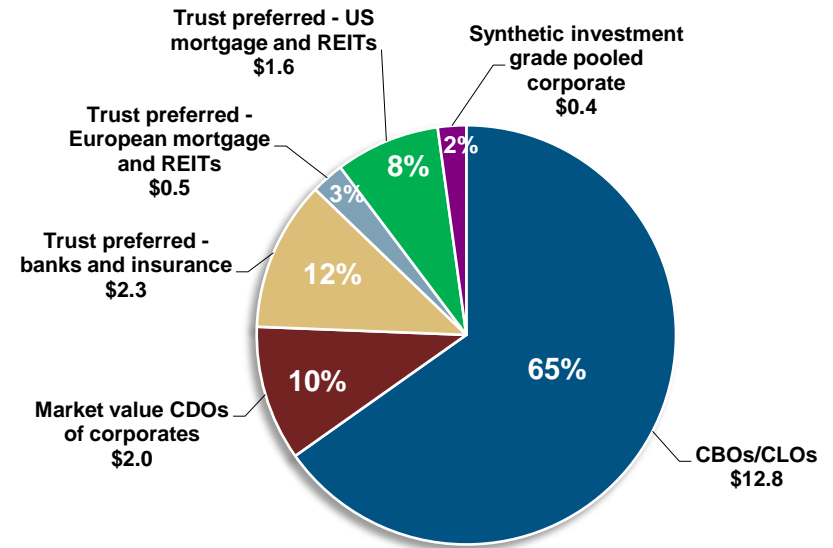
# AGC Global Pooled Corporate Obligations



- **Our pooled corporate exposure is highly rated and protected by overcollateralization. In AGC’s direct portfolio:**
  - Average current credit enhancement of 34.3%
  - 78% rated super senior or AAA, average rating AA+
- **AGC’s \$4.4 billion Trust Preferred Securities (“TruPS”) CDO portfolio is diversified by region (U.S. and European) as well as by collateral type (bank, thrift, insurance company, real estate investment trust (“REIT”) and CMBS)**
  - Includes more than 1,400 issuers
  - All our exposure at the CDO level is to the most senior debt tranche
  - 83% of U.S. bank and insurance TruPS CDOs, 100% of European TruPS CDOs and 100% of U.S. mortgage and REIT TruPS CDOs were originated at super senior attachment points
- **The \$1.6 billion of TruPS CDOs backed by U.S. mortgage and REITs is the lowest average rated pooled corporate subsector**
  - BB average rating

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

As of September 30, 2012  
(\$ in billions)



**\$19.6 billion net par outstanding**

1. AGC also assumed \$314 million of pooled corporate exposure.

# AGC Direct Pooled Corporate Obligations By Collateral Type



(\$ in millions)

## Distribution of Direct Pooled Corporate Obligations by Asset Class

<b>Asset class:</b>	<b>Net Par Outstanding</b>	<b>% of Total</b>	<b>Avg. Initial Credit Enhancement</b>	<b>Avg. Current Credit Enhancement</b>	<b>Avg. Rating</b>
CBOs/CLOs	\$ 12,803	65.2%	36.0%	35.1%	AAA
Market value CDOs of corporates	2,045	10.4%	43.9%	30.1%	AAA
Trust preferred					
Banks and insurance	2,274	11.6%	46.3%	33.3%	BBB-
European mortgage and real estate investment trusts	499	2.5%	37.3%	34.3%	BBB-
U.S. mortgage and real estate investment trusts	1,585	8.1%	50.6%	35.7%	BB
Synthetic investment grade pooled corporate	430	2.2%	30.0%	29.1%	Super Senior
<b>Total exposures</b>	<b>\$ 19,636</b>	<b>100.0%</b>	<b>39.1%</b>	<b>34.3%</b>	<b>AA+</b>

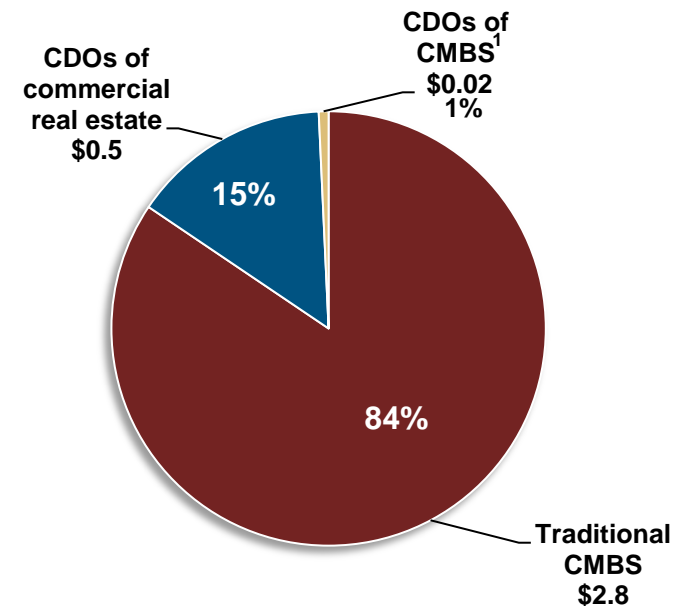
# AGC U.S. CMBS Exposure Overview



- **AGC's CMBS-related exposures were underwritten at high attachment points**
  - All deals except one were written with triple-A ratings at inception
  - One deal was written with a single-A rating at inception
  - AAA current average rating
- **\$2.8 billion traditional CMBS portfolio**
  - 98% rated Super Senior or AAA as of September 30, 2012
  - 2% rated A
- **Beginning in the middle of 2006, AGC concluded that underwriting standards applied to newly originated commercial property loans were deteriorating and adjusted underwriting standards accordingly**

## CMBS Exposure by Sector

As of September 30, 2012  
(\$ in billions)



**\$3.3 billion net par outstanding**

1. CDOs of CMBS exposures were insured in 2003 and earlier.

- Most of the exposure was underwritten in credit derivative form
- Most of the exposures were written as “basket trades”; some have additional credit enhancement from first-loss position retained by the investor
- The total traditional CMBS portfolio (\$2.8 billion) is highly rated; 98% is super senior or triple-A and 2% is single-A (as of September 30, 2012)

(\$ 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 as of September 30, 2012<sup>1</sup>

## U.S. CMBS

Rating:	Net Par Outstanding	Pool Factor	Subordination	Cumulative Losses	60+ Day Delinquencies	Number of Transactions
Super Senior	\$ 2,550	72.8%	39.5%	2.3%	8.3%	145
AAA	176	69.7%	28.5%	3.0%	12.3%	14
AA	-	-	-	-	-	-
A	60	24.4%	29.8%	2.0%	15.9%	1
BBB	-	-	-	-	-	-
BIG	-	-	-	-	-	-
<b>Total exposures</b>	<b>\$ 2,786</b>	<b>71.5%</b>	<b>38.6%</b>	<b>2.3%</b>	<b>8.7%</b>	<b>160</b>

1. See page 4 for descriptions of performance information.

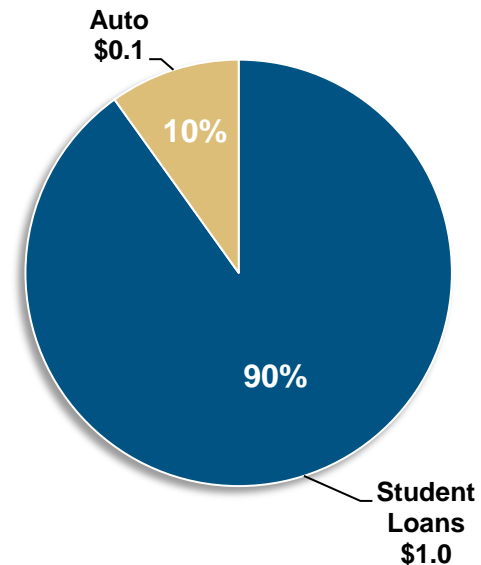
- **AGC underwrote three commercial real estate CDO transactions totaling \$489 million net par<sup>1</sup> as of September 30, 2012**
  - All were underwritten at the super senior attachment level
- **In aggregate, collateral consists of the following:**
  - 88% whole loans
  - 6% CMBS
  - 6% other (includes but not limited to mezzanine and subordinated notes, junior participation interests, preferred securities and currently uninvested cash)
- **Average current credit enhancement stands at 55.9%**
  - Average initial credit enhancement was 49.2%

1. May change due to deals with revolvers.

- **Despite the economic stress of recent years, AGC's direct consumer receivable portfolio is entirely investment grade:**
  - Average rating of A
  - For all transactions, current credit enhancement is higher than initial credit enhancement
  - 39% rated AAA

## Direct U.S. Consumer Receivables by Type<sup>1</sup>

As of September 30, 2012  
(\$ in billions)



**\$1.1 billion net par outstanding**

1. AGC also assumed \$88 million of U.S. consumer receivable exposure.

# AGC Expected Loss and LAE to Be Paid As of September 30, 2012



(\$ in millions)

## Rollforward of Net Expected Loss and LAE to be Paid for the Three Months Ended September 30, 2012

Financial Guaranty Insurance Contracts and Credit Derivatives	Net Expected Loss to be Paid as of June 30, 2012	Economic Loss Development During 3Q-12 <sup>1</sup>	(Paid) Recovered Losses During 3Q-12	Net Expected Loss to be Paid as of September 30, 2012
U.S. RMBS				
First lien:				
Prime first lien	\$ 3	\$ 1	\$ —	\$ 4
Alt-A first lien	133	9	(11)	131
Option ARMs	52	1	(31)	22
Subprime first lien	68	—	(4)	64
Total first lien	256	11	(46)	221
Second lien:				
Closed end seconds	12	(1)	(1)	10
HELOC	9	1	(5)	5
Total second lien	21	—	(6)	15
Total U.S. RMBS	277	11	(52)	236
Trust preferred securities (“TruPS”)	38	3	(1)	40
Other structured finance	104	3	(1)	106
U.S. public finance	32	9	(4)	37
Non-U.S. public finance	4	—	—	4
<b>Total</b>	<b>\$ 455</b>	<b>\$ 26</b>	<b>\$ (58)</b>	<b>\$ 423</b>

Expected loss to be paid in the table above represents the PV of expected net claims payments and reimbursements. Under GAAP, however, a reserve and corresponding loss expense is generally recognized in the period and for the amount that expected losses exceed unearned premium reserve. See Notes to the financial statements in the 2011 AGL Form 10-K for a complete discussion of the accounting policy for financial guaranty insurance and credit derivative contracts and the effects of acquisition accounting on financial guaranty insurance accounting.

1. Includes the effect of changes in the Company's estimate of future recovery on R&W.

**Assured Guaranty Municipal Corp.  
Financial Information**



# AGM Consolidated Statements of Operations



(\$ in millions)

	Three Months Ended	
	September 30,	
	2012	2011 <sup>1</sup>
<b>Revenues:</b>		
Net earned premiums	\$ 157	\$ 151
Net investment income	60	51
Net realized investment gains (losses)	1	(10)
Net change in fair value of credit derivatives:		
Realized gains (losses) and other settlements	18	18
Net unrealized gains (losses)	17	67
Net change in fair value of credit derivatives	35	85
Fair value gains (losses) on committed capital securities	(2)	1
Fair value gains (losses) on FG VIEs	39	(83)
Other income	14	(14)
<b>Total revenues</b>	<b>304</b>	<b>181</b>
<b>Expenses:</b>		
Loss and loss adjustment expenses	60	151
Amortization of deferred acquisition costs	(5)	(2)
Interest expense	2	2
Other operating expenses	24	23
<b>Total expenses</b>	<b>81</b>	<b>174</b>
<b>Income (loss) before income taxes</b>	<b>223</b>	<b>7</b>
Provision (benefit) for income taxes	68	(8)
<b>Net income (loss)</b>	<b>\$ 155</b>	<b>\$ 15</b>
Less after-tax adjustments:		
Realized gains (losses) on investments	(1)	(11)
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	20	43
Fair value gains (losses) on committed capital securities	(1)	1
Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves	4	(11)
Effect of consolidating FG VIEs	12	(50)
<b>Operating income</b>	<b>\$ 121</b>	<b>\$ 43</b>

See note under the table on page 67. Please refer to appendix for explanation of non-GAAP financial measures.

1. Effective January 1, 2012, the Company adopted, and applied retroactively, new guidance on acquisition costs. The effect of adoption was a decrease in net income and operating income of \$2 million for the three months ended September 30, 2011.

# AGM Consolidated Balance Sheets



(\$ in millions)

	As of:	
	September 30, 2012	December 31, 2011 <sup>1</sup>
<b>Assets:</b>		
Investment portfolio:		
Fixed maturity securities, available-for-sale, at fair value	\$ 4,949	\$ 4,916
Short-term investments, at fair value	279	412
Other invested assets	132	122
Total investment portfolio	5,360	5,450
Notes receivable from affiliates	383	300
Cash	46	59
Premiums receivable, net of ceding commissions payable	620	645
Ceded unearned premium reserve	1,182	1,373
Reinsurance recoverable on unpaid losses	72	79
Salvage and subrogation recoverable	386	316
Credit derivative assets	141	140
Deferred tax asset, net	476	631
Current income tax receivable	31	131
FG VIE assets, at fair value	1,892	2,057
Other assets	155	149
<b>Total assets</b>	<b>\$ 10,744</b>	<b>\$ 11,330</b>
<b>Liabilities and shareholder's equity:</b>		
<b>Liabilities:</b>		
Unearned premium reserve	\$ 3,977	\$ 4,515
Loss and loss adjustment expense reserve	225	297
Reinsurance balances payable, net	257	248
Notes payable	72	104
Credit derivative liabilities	424	456
FG VIE liabilities with recourse, at fair value	1,684	1,926
FG VIE liabilities without recourse, at fair value	663	704
Other liabilities	334	276
<b>Total liabilities</b>	<b>7,636</b>	<b>8,526</b>
<b>Shareholder's equity:</b>		
Preferred stock	—	—
Common stock	15	15
Additional paid-in capital	1,092	1,142
Retained earnings	1,775	1,491
Accumulated other comprehensive income	226	156
<b>Total shareholders' equity</b>	<b>3,108</b>	<b>2,804</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 10,744</b>	<b>\$ 11,330</b>

See note under the table on page 67.

1. Effective January 1, 2012, the Company adopted, and applied retroactively, new guidance on acquisition costs. The effect of adoption was a decrease to deferred acquisition costs of \$20 million and a decrease to shareholder's equity of \$13 million as of December 31, 2011.

# AGM Reconciliation of PVP to GWP



(\$ in millions)

	<b>Three Months Ended</b>	
	<b>September 30,</b>	
	<b>2012</b>	<b>2011</b>
<b>Consolidated new business production analysis:</b>		
PVP		
Public finance - U.S.:		
Primary markets	\$ 23	\$ 33
Secondary markets	6	6
Public finance - non-U.S.:		
Primary markets	—	—
Secondary markets	—	—
Structured finance - U.S.	2	1
Structured finance - non-U.S.	—	—
<b>Total PVP</b>	<b>\$ 31</b>	<b>\$ 40</b>
Total PVP	\$ 31	\$ 40
Less: PVP of credit derivatives	—	—
PVP of financial guaranty insurance	31	40
Less: financial guaranty installment premium PVP	2	1
Total: financial guaranty upfront gross written premiums	29	39
Plus: financial guaranty installment gross written premiums <sup>1</sup>	(4)	(7)
<b>Total GWP</b>	<b>\$ 25</b>	<b>\$ 32</b>

Please refer to appendix for an explanation of the non-GAAP financial measures.

1. Represents present value of new business on installment policies plus GWP adjustment on existing installment deals due to changes in assumptions.

**Assured Guaranty Corp.  
Financial Information**



# AGC Consolidated Statements of Operations



(\$ in millions)

	Three Months Ended September 30,	
	2012	2011 <sup>1</sup>
<b>Revenues:</b>		
Net earned premiums	\$ 22	\$ 25
Net investment income	25	23
Net realized investment gains (losses)	(3)	(1)
Net change in fair value of credit derivatives:		
Realized gains (losses) and other settlements	(13)	(4)
Net unrealized gains (losses)	(54)	868
Net change in fair value of credit derivatives	(67)	864
Fair value gains (losses) on committed capital securities	(1)	1
Fair value gains (losses) on FG VIEs	(1)	(15)
Other income	—	8
<b>Total revenues</b>	<b>(25)</b>	<b>905</b>
<b>Expenses:</b>		
Loss and loss adjustment expenses	29	(4)
Amortization of deferred acquisition costs	0	1
Interest expense	3	3
Other operating expenses	17	15
<b>Total expenses</b>	<b>49</b>	<b>15</b>
<b>Income (loss) before income taxes</b>	<b>(74)</b>	<b>890</b>
Provision (benefit) for income taxes	(30)	306
<b>Net income (loss)</b>	<b>\$ (44)</b>	<b>\$ 584</b>
Less after-tax adjustments:		
Realized gains (losses) on investments	(2)	0
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(51)	550
Fair value gains (losses) on committed capital securities	0	0
Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves	(1)	(1)
Effect of consolidating FG VIEs	(2)	(1)
<b>Operating income</b>	<b>\$ 12</b>	<b>\$ 36</b>

See note under the table on page 84. Please refer to the appendix for an explanation of the non-GAAP financial measures.

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 three months ended September 30, 2011.

# AGC Consolidated Balance Sheets



(\$ in millions)

	As of:	
	September 30, 2012	December 31, 2011 <sup>1</sup>
<b>Assets:</b>		
Investment portfolio:		
Fixed maturity securities, available-for-sale, at fair value	\$ 2,770	\$ 2,749
Short-term investments, at fair value	139	152
Other invested assets	67	12
<b>Total investment portfolio</b>	<b>2,976</b>	<b>2,913</b>
Cash	13	31
Premiums receivable, net of ceding commissions payable	215	232
Ceded unearned premium reserve	351	364
Reinsurance recoverable on unpaid losses	142	132
Salvage and subrogation recoverable	37	50
Credit derivative assets	286	306
Deferred tax asset, net	328	209
FG VIE assets, at fair value	801	763
Other assets	131	105
<b>Total assets</b>	<b>\$ 5,280</b>	<b>\$ 5,105</b>
<b>Liabilities and shareholders' equity:</b>		
<b>Liabilities:</b>		
Unearned premium reserve	\$ 1,127	\$ 1,190
Loss and loss adjustment expense reserve	298	296
Reinsurance balances payable, net	75	93
Note payable	300	300
Credit derivative liabilities	1,340	927
Current income tax payable	6	1
FG VIE liabilities with recourse, at fair value	485	471
FG VIE liabilities without recourse, at fair value	355	358
Other liabilities	143	129
<b>Total liabilities</b>	<b>4,129</b>	<b>3,765</b>
<b>Shareholders' equity:</b>		
Preferred stock	—	—
Common stock	15	15
Additional paid-in capital	1,037	1,037
Retained earnings (deficit)	(22)	214
Accumulated other comprehensive income	121	74
<b>Total shareholders' equity</b>	<b>1,151</b>	<b>1,340</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 5,280</b>	<b>\$ 5,105</b>

See note under the table on page 84.

1. Effective January 1, 2012, the Company adopted, and applied retroactively, new guidance on acquisition costs. The effect of 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.

# AGC Reconciliation of PVP to GWP



(\$ in millions)

	Three Months Ended	
	September 30,	
	2012	2011
<b>Consolidated new business production analysis:</b>		
PVP		
Public finance - U.S.:		
Assumed from Radian	\$ —	\$ —
Primary markets	—	—
Secondary markets	1	1
Public finance - non-U.S.:		
Primary markets	—	—
Secondary markets	—	—
Structured finance - U.S.	1	—
Structured finance - non-U.S.	—	—
<b>Total PVP</b>	<b>\$ 2</b>	<b>\$ 1</b>
Total PVP	\$ 2	\$ 1
Less: PVP of credit derivatives	—	—
PVP of financial guaranty insurance	2	1
Less: financial guaranty installment premium PVP	1	—
Total: financial guaranty upfront gross written premiums	1	1
Plus: financial guaranty installment gross written premiums <sup>1</sup>	(3)	(5)
<b>Total gross written premiums</b>	<b>\$ (2)</b>	<b>\$ (4)</b>

Please refer to appendix for an explanation of the non-GAAP financial measures.

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.

**Assured Guaranty Ltd.  
Financial Information**



# Assured Guaranty Ltd.

## Consolidated Statements of Operations



(\$ in millions)

	<b>Three Months Ended</b>	
	<b>September 30,</b>	
	<b>2012</b>	<b>2011 <sup>(1)</sup></b>
<b>Revenues:</b>		
Net earned premiums	\$ 222	\$ 211
Net investment income	102	95
Net realized investment gains (losses)	2	(11)
Net change in fair value of credit derivatives:		
Realized gains (losses) and other settlements	2	0
Net unrealized gains (losses)	(38)	1,156
Net change in fair value of credit derivatives	(36)	1,156
Fair value gains (losses) on committed capital securities	(2)	2
Fair value gains (losses) on FG VIEs	38	(99)
Other income	16	(9)
<b>Total revenues</b>	<b>342</b>	<b>1,345</b>
<b>Expenses:</b>		
Loss and loss adjustment expenses	90	215
Amortization of deferred acquisition costs	4	4
Interest expense	21	25
Other operating expenses	48	46
<b>Total expenses</b>	<b>163</b>	<b>290</b>
<b>Income (loss) before income taxes</b>	<b>179</b>	<b>1,055</b>
Provision (benefit) for income taxes	37	294
<b>Net income (loss)</b>	<b>\$ 142</b>	<b>\$ 761</b>
Less after-tax adjustments:		
Realized gains (losses) on investments	0	(13)
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(37)	800
Fair value gains (losses) on committed capital securities	(2)	2
Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves	4	(15)
Effect of consolidating FG VIEs	11	(51)
<b>Operating income</b>	<b>\$ 166</b>	<b>\$ 38</b>

See note under the table on page R67. Please refer to the appendix for an explanation of the non-GAAP financial measures.

1. Effective January 1, 2012, the Company adopted, and applied retroactively, new guidance on acquisition costs. The effect of adoption on net income and operating income was de minimis for the three months ended September 30, 2011.

# Assured Guaranty Ltd.

## Consolidated Balance Sheets



(\$ in millions)

	As of:	
	September 30, 2012	December 31, 2011 <sup>(1)</sup>
<b>Assets:</b>		
Investment portfolio:		
Fixed maturity securities, available-for-sale, at fair value	\$ 10,318	\$ 10,142
Short-term investments, at fair value	564	734
Other invested assets	205	223
Total investment portfolio	11,087	11,099
Cash	133	215
Premiums receivable, net of ceding commissions payable	944	1,003
Ceded unearned premium reserve	550	709
Deferred acquisition costs	127	132
Reinsurance recoverable on unpaid losses	56	69
Salvage and subrogation recoverable	430	368
Credit derivative assets	450	469
Deferred tax asset, net	729	804
Current income tax receivable	78	76
FG VIE assets, at fair value	2,693	2,819
Other assets	286	262
<b>Total assets</b>	<b>\$ 17,563</b>	<b>\$ 18,025</b>
<b>Liabilities and shareholders' equity:</b>		
<b>Liabilities:</b>		
Unearned premium reserve	\$ 5,332	\$ 5,963
Loss and loss adjustment expense reserve	594	679
Reinsurance balances payable, net	185	171
Long-term debt	840	1,038
Credit derivative liabilities	2,151	1,773
FG VIE liabilities with recourse, at fair value	2,169	2,397
FG VIE liabilities without recourse, at fair value	1,018	1,061
Other liabilities	322	291
<b>Total liabilities</b>	<b>12,611</b>	<b>13,373</b>
<b>Shareholders' equity:</b>		
Common stock	2	2
Additional paid-in capital	2,722	2,570
Retained earnings	1,693	1,708
Accumulated other comprehensive income	531	368
Deferred equity compensation	4	4
<b>Total shareholders' equity</b>	<b>4,952</b>	<b>4,652</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 17,563</b>	<b>\$ 18,025</b>

See note under the table on page 67.

1. Effective January 1, 2012, the Company adopted, and applied retroactively, new guidance on acquisition costs. The effect of adoption was a decrease to deferred acquisition costs of \$99 million and a decrease to shareholders' equity of \$67 million as of December 31, 2011.

# Assured Guaranty Ltd.

## Reconciliation of PVP to GWP



(\$ in millions)

	Three Months Ended	
	September 30,	
	2012	2011
<b>Consolidated new business production analysis:</b>		
PVP		
Public finance - U.S.:		
Assumed from Radian	\$ —	\$ —
Primary markets	23	34
Secondary markets	7	6
Public finance - non-U.S.:		
Primary markets	—	—
Secondary markets	—	—
Structured finance - U.S.	5	11
Structured finance - non-U.S.	—	—
<b>Total PVP</b>	<b>\$ 35</b>	<b>\$ 51</b>
Total PVP	\$ 35	\$ 51
Less: PVP of credit derivatives	—	—
PVP of financial guaranty insurance	35	51
Less: financial guaranty installment premium PVP	5	11
Total: financial guaranty upfront gross written premiums ("GWP")	30	40
Plus: financial guaranty installment GWP <sup>(1)</sup>	(5)	(18)
<b>Total GWP</b>	<b>\$ 25</b>	<b>\$ 22</b>
<b>Consolidated financial guaranty gross par written:</b>		
Public finance - U.S.:		
Assumed from Radian	\$ —	\$ —
Primary markets	2,507	4,078
Secondary markets	500	264
Public finance - non-U.S.:		
Primary markets	—	—
Secondary markets	—	—
Structured finance - U.S.	182	266
Structured finance - non-U.S.	—	—
<b>Total</b>	<b>\$ 3,189</b>	<b>\$ 4,608</b>

Please refer to appendix for an explanation of the non-GAAP financial measures.

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.

# Reconciliation of GAAP Book Value to Adjusted Book Value



(\$ in millions, except per share amounts)

	As of:			
	September 30, 2012		December 31, 2011 <sup>(1)</sup>	
	Total	Per Share <sup>(2)</sup>	Total	Per Share
<b>Reconciliation of shareholders' equity to adjusted book value:</b>				
<b>Shareholders' equity</b>	\$ 4,952	\$ 25.53	\$ 4,652	\$ 25.52
Less after-tax adjustments:				
Effect of consolidating FG VIEs	(335)	(1.73)	(405)	(2.22)
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(901)	(4.64)	(498)	(2.74)
Fair value gains (losses) on committed capital securities	27	0.14	35	0.19
Unrealized gain (loss) on investment portfolio excluding foreign exchange effect	496	2.56	319	1.75
<b>Operating shareholders' equity</b>	\$ 5,665	\$ 29.20	\$ 5,201	\$ 28.54
After-tax adjustments:				
Less: Deferred acquisition costs	169	0.87	174	0.95
Plus: Net present value of estimated net future credit derivative revenue	246	1.27	302	1.66
Plus: Net unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed	3,392	17.49	3,658	20.07
<b>Adjusted book value</b>	\$ 9,134	\$ 47.09	\$ 8,987	\$ 49.32

Please refer to the appendix for an explanation of the non-GAAP financial measures.

- Effective January 1, 2012, the Company adopted, and applied retroactively, new guidance on acquisition costs. The effect of adoption was a decrease to operating shareholders' equity of \$67 million and a decrease to deferred acquisition costs of \$99 million as of December 31, 2011.
- On June 1, 2012, AGL issued 13.4 million common shares in connection with the 3,450,000 equity units it issued in June 2009. Each of the equity units included a forward purchase contract under which the holders were required to purchase such common shares for an aggregate purchase price of \$172.5 million. As a result of the settlement of the forward purchase contracts, the equity units ceased to exist.

# Appendix



# Appendix

## Explanation of Non-GAAP Financial Measures



### Endnotes related to non-GAAP financial measures discussed in the presentation:

The Company references financial measures that are not in accordance with 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 presentation. 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.

# Appendix (Cont'd)

## Explanation of Non-GAAP Financial Measures



**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.
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.

# Appendix (Cont'd)

## Explanation of Non-GAAP Financial Measures



**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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# Fixed Income Investor Presentation

## Third Quarter 2012

