Assured Guaranty Ltd.

J.P. Morgan 2013 Insurance Conference

March 21, 2013

Forward-Looking Statements and Safe Harbor Disclosure

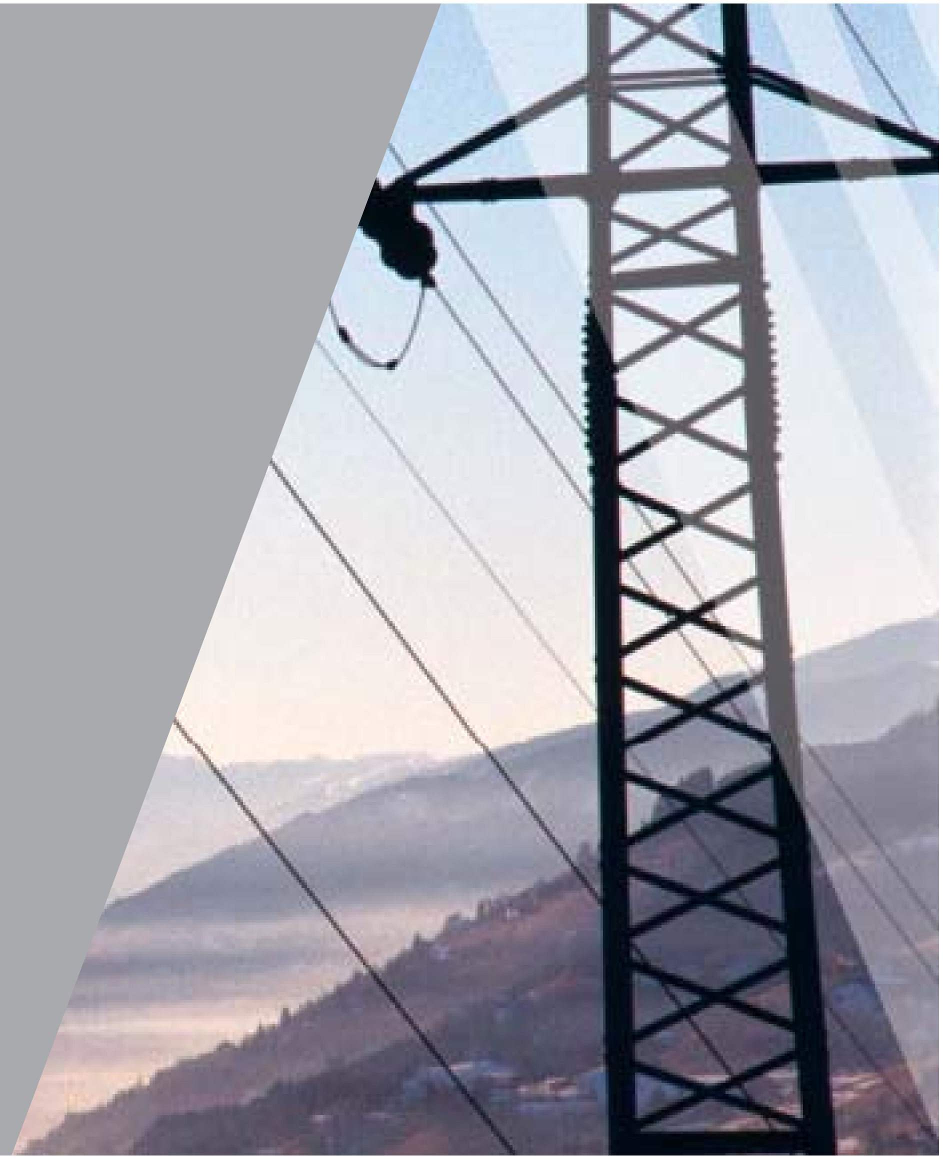
- This presentation contains information that includes or is based upon forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements give the expectations or forecasts of future events of Assured Guaranty Ltd. ("AGL" and, together with 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 or all of Assured Guaranty's forward-looking statements herein are based on current expectations and the current economic environment and may turn out to be incorrect. Assured Guaranty's actual results may vary materially. Among factors that could cause actual results to differ materially are (1) rating agency action, including a ratings downgrade, a change in outlook, the placement of ratings on watch for downgrade, or a change in rating criteria, at any time, of Assured Guaranty or any of its subsidiaries and/or of transactions that Assured Guaranty's subsidiaries have insured; (2) developments in the world's financial and capital markets that adversely affect the demand for the Company's insurance, issuers' payment rates, Assured Guaranty's loss experience, its exposure to refinancing risk in transactions (which could result in substantial liquidity claims on its guaranties), its access to capital, its unrealized (losses) gains on derivative financial instruments or its investment returns; (3) changes in the world's credit markets, segments thereof or general economic conditions; (4) the impact of rating agency action with respect to sovereign debt and the resulting effect on the value of securities in the Company's investment portfolio and collateral posted by and to the Company; (5) more severe or frequent losses impacting the adequacy of Assured Guaranty's expected loss estimates; (6) the impact of market volatility on the mark-to-market of Assured Guaranty's contracts written in credit default swap form; (7) reduction in the amount of insurance opportunities available to Assured Guaranty; (8) deterioration in the financial condition of Assured Guaranty's reinsurers, the amount and timing of reinsurance recoverables actually received and the risk that reinsurers may dispute amounts owed to Assured Guaranty under its reinsurance agreements; (9) failure of Assured Guaranty to realize insurance loss recoveries or damages expected from originators, sellers, sponsors, underwriters or servicers of residential mortgage-backed securities transactions through loan putbacks, settlement negotiations or litigation; (10) the possibility that budget shortfalls or other factors will result in credit losses or impairments on obligations of state and local governments that the Company insures or reinsures; (11) increased competition, including from new entrants into the financial guaranty industry; (12) changes in applicable accounting policies or practices; (13) changes in applicable laws or regulations, including insurance and tax laws; (14) other governmental actions; (15) difficulties with the execution of Assured Guaranty's business strategy; (16) contract cancellations; (17) loss of key personnel; (18) adverse technological developments; (19) the effects of mergers, acquisitions and divestitures; (20) natural or man-made catastrophes; (21) other risks and uncertainties that have not been identified at this time; (22) management's response to these factors; and (23) other risk factors identified in Assured Guaranty's filings with the U.S. Securities and Exchange Commission (the "SEC").
- 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 SEC.
- 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. Any forward looking statements in the presentation reflect the Company's current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to its operations, results of operations, growth strategy and liquidity.
- 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").

Conventions and Non-GAAP Financial Measures

- 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".
  - 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.
  - Actual amortization of the existing portfolio will differ from the expected 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.
- 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.

Dominic Frederico

President & Chief Executive Officer



Assured Guaranty Today

ASSURED GUARANTY®

Assured Guaranty Ltd.

As of December 31, 2012

($ in billions)	
Net par outstanding	$519.9
Total investment portfolio and cash	$11.2
Total assets	$17.2
Net unearned premium reserve[1]	$4.6
Shareholders' equity	$5.0
Claims-paying resources	$12.3

- **We are the leading financial guaranty franchise, with over a quarter century of experience in the municipal and structured finance markets**
  - Assured Guaranty Municipal Corp. ("AGM") is rated AA- (stable) by S&P and A2 (stable) by Moody's
  - Assured Guaranty Corp. ("AGC") is rated AA- (stable) by S&P and A3 (stable) by Moody's
- **Our average insured portfolio rating has remained strong at A+ and is primarily composed of U.S. public finance exposures**
- **Total investment portfolio and cash has increased from $11.0 billion at December 31, 2009 to $11.2 billion at December 31, 2012**

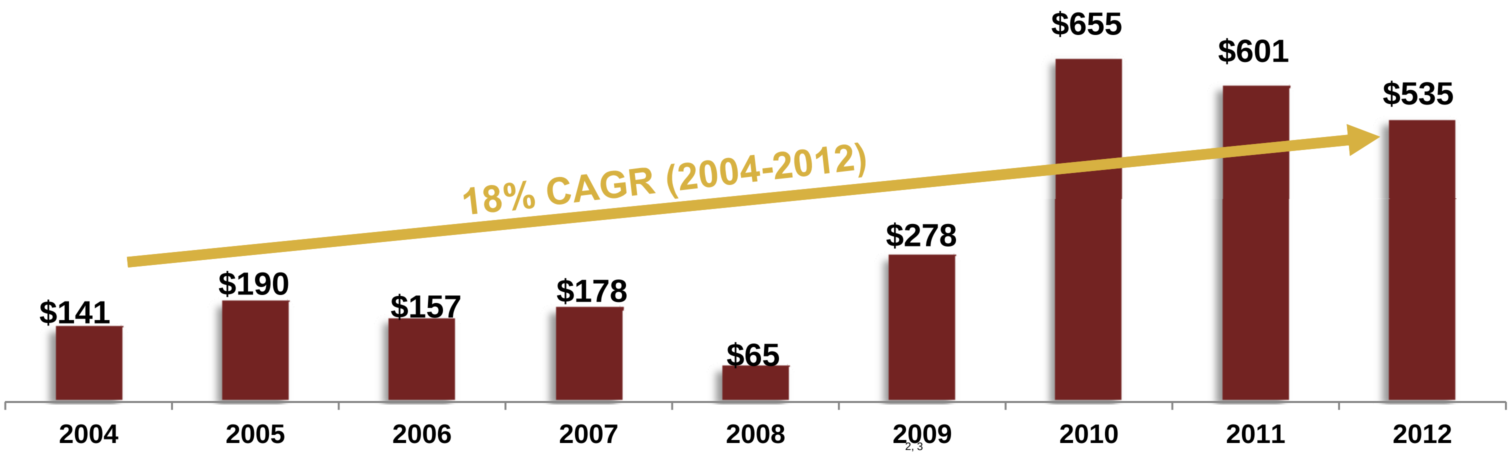
1. Unearned premium reserve net of ceded unearned premium reserve.

Track Record of Creating Shareholder Value

- **Since our initial public offering in 2004, we have grown our operating income[1] from $141 million in 2004 to $535 million in 2012, an 18% compounded annual growth rate (CAGR)**
- **Operating income has grown through new business production, the acquisition of portfolios (acquired AGM on July 1, 2009) and other strategic activities**
  - Recapture of previously ceded business
  - Accelerated premiums through terminations or refundings

Operating Income[1] by Year

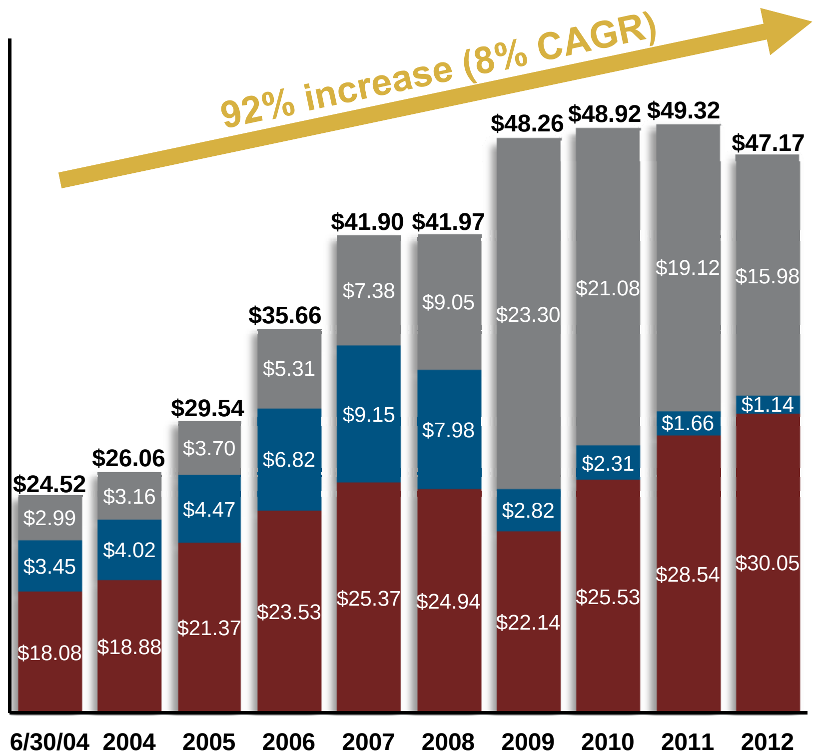
($ millions)



1. Operating income is a non-GAAP financial measure which is defined in the appendix.

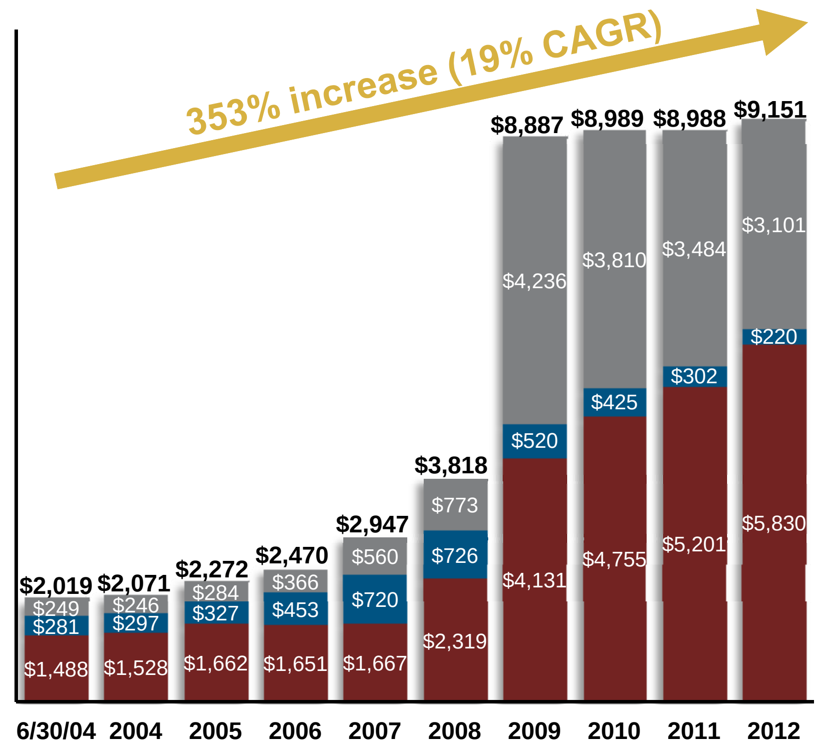
Historical Growth of Operating and Adjusted Book Value

Adjusted Book Value[1] per Share



Adjusted Book Value[1]

($ in millions)



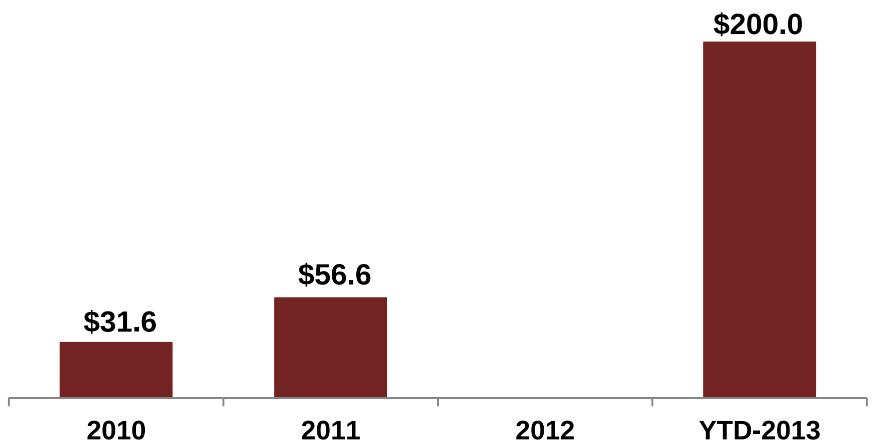
- Operating shareholders' equity per share
- Net present value of estimated net future credit derivative revenue in force and net unearned revenue on credit derivatives, after tax
- Net unearned premium reserve on financial guaranty contracts in excess of net expected loss to be expensed less deferred acquisition costs, after tax

1. For explanations of adjusted book value and net present value of estimated net future credit derivative revenue and operating shareholders' equity, which are non-GAAP financial measures, please refer to the appendix. Effective January 1, 2012, the Company adopted a new guidance on acquisition costs with retroactive application. This affected operating shareholders' equity per share and deferred acquisition cost per share, but had no effect on adjusted book value per share. Effective January 1, 2010, GAAP accounting required the consolidation of VIEs where the Company is determined to be the control party through rights under our financial guaranty insurance contracts. For those VIEs that the Company consolidates, it records all of the activities of the VIEs and eliminates the related insurance accounting. Operating shareholders' equity reverses the financial effect of consolidating these entities and accounts for them as financial guaranty insurance contracts in order to present the Company's insured obligations on a consistent basis.

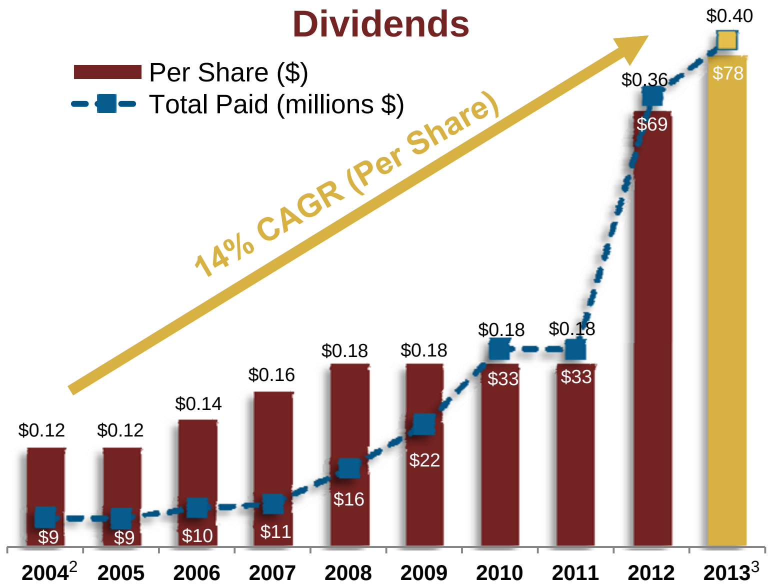
Track Record of Creating Shareholder Value

- **We have returned capital to shareholders by declaring dividends and opportunistically repurchasing our common shares**
  - Since the IPO, we have more than tripled our quarterly dividend to $0.10 per share, or $0.40 per share per year
  - In 2012, we repurchased 2.1 million shares at an average price of $11.76
  - We can repurchase $200 million under the current board authorization

Share Repurchase Authorizations[1]
(in millions of dollars at the time of authorization)



Dividends

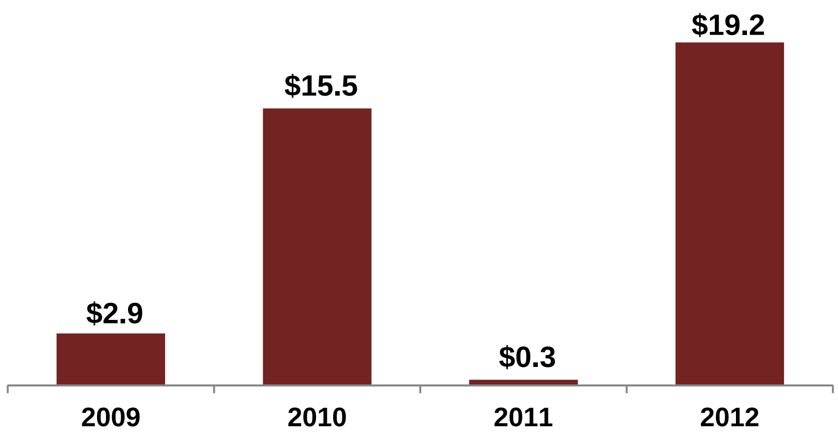


1. Repurchase authorizations for 2010-2011 consist of authorizations of 2 million and 5 million shares, respectively, monetized based on the closing stock price on the day of the authorization.
2. In 2004, dividends were paid following our April IPO.
3. The amount shown is the quarterly dividend approved February 7, 2013, annualized. All dividends require Board approval.

Creating Value
Reinsurance Platform

- **Reassumed reinsurance has increased the unearned premium reserve and adjusted book value[1]**
- **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

Reassumed Reinsurance Net Par Outstanding



Ceded Par Outstanding by Reinsurer[2]

As of December 31, 2012

($ in millions)	Net Par Outstanding
American Overseas Re (formerly RAM Re)	$9,808
Tokio Marine	8,369
Radian	5,250
Syncora	4,156
Mitsui	2,232
Others	2,331
Total	$32,146

1. Please see the appendix for an explanation of this non-GAAP financial measure and a reconciliation to GAAP book value
2. Includes financial guaranty contracts and contracts written in credit derivative form.

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

- **Bond insurance benefits issuers, investors, and the public sector**
  - Issuers receive reduced borrowing costs and improved access to the capital markets
  - Investors are ensured timely payments of principal and interest, receive enhanced liquidity, and ongoing surveillance
- **However, the low interest rate environment and ratings uncertainty for 21 of the past 24 months has put some pressure on our market penetration**
- **Yet, the Company accounted for 25.9% of A rated transactions in 4Q-12 and 29.5% of A rated transactions in 2012**
- **We plan to launch a new municipal-only insurer, Municipal Assurance Corp. ("MAC"), during 2013**
  - MAC is licensed to provide financial guaranty insurance and reinsurance in 38 U.S. jurisdictions

U.S. Public Finance[1]

	2012	2011
New issue par insured (in billions)	$13.2	$15.2
New issue transactions insured	1,157	1,228
% of single 'A' transactions sold	29.5%	37.8%
% of under $25 million transactions sold	10.3%	13.2%
Total U.S. public finance PVP (in millions)	$166	$173

1. Source: SDC database, adjusted for underlying rating. As of December 31, 2012.

Creating Value
New Business Production
U.S. Structured and International Finance

U.S. Structured Finance

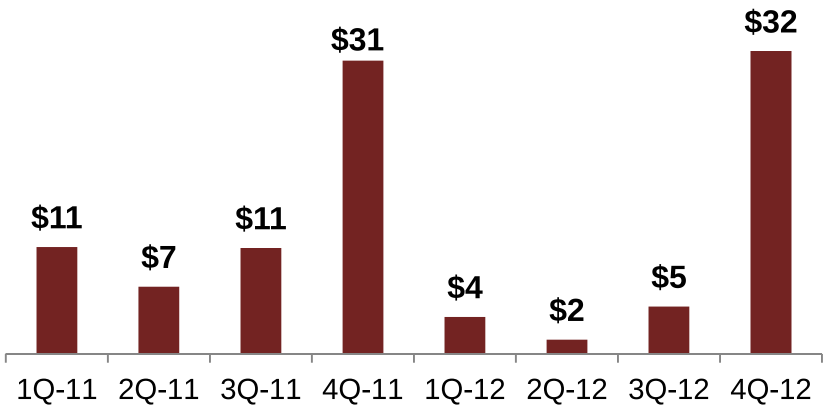
- **New business production tends to fluctuate as large, complex transactions require a long time frame; 4Q-12 PVP[1] was $32 million related to a regulatory relief transaction; $31 million of 4Q-11 PVP was also related to a regulatory relief transaction**
- **U.S. structured finance investors focus on our CDS spreads as well as our ratings**
  - AGC CDS closed at 801 at December 31, 2010
  - Increased to 1,100 at December 31, 2011
  - Decreased to 683 at December 31, 2012
  - Further decreased to 350 at March 15, 2013

International Finance

- **Our future pipeline should benefit from increased issuance, as well as new regulations, such as Solvency II, that may limit the lending ability of banks**
- **We anticipate more international opportunities in 2013, especially in the U.K., where the government is currently seeking to tap into the capital markets for alternative funding sources for public-private partnerships**

U.S. Structured Finance PVP

($ in millions)



1. New business production, or "PVP", is a non-GAAP financial measure. Please see the appendix for a reconciliation of new business production to gross written premiums.

Creating Value
R&W Activity

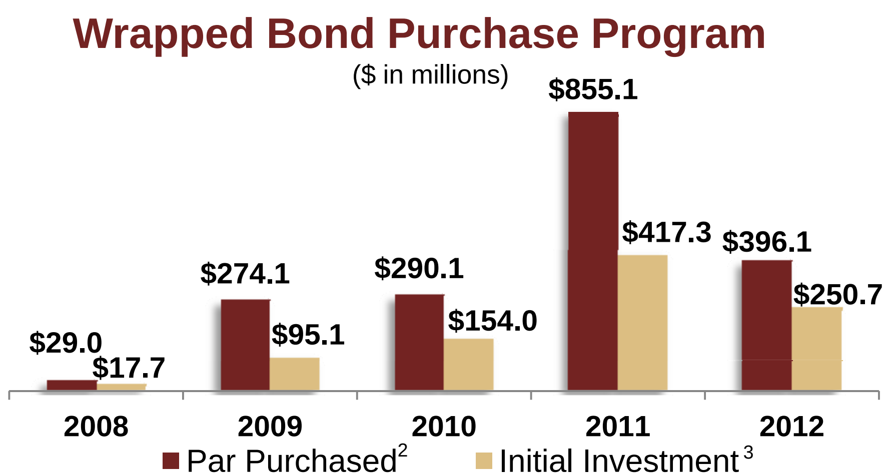
- **The cumulative total (gross of reinsurance) of settlement receipts and commitments and R&W putback receipts was approximately $2.9 billion.[1] The putbacks flow through the transaction waterfalls and do not necessarily benefit us dollar-for-dollar.**
- **Favorable ruling in Flagstar trial is a positive development for ongoing and future R&W litigation**
- **Our largest agreement was with Bank of America / Countrywide, in which we resolved our R&W claims on 29 transactions. Additionally, we signed an agreement with Deutsche Bank resolving our R&W claims on 8 financial guaranty transactions and our claims on certain uninsured tranches within 3 of these transactions**
- **In the fourth quarter of 2012, the Company reached agreement with another R&W provider in an RMBS securitization transaction to repurchase underlying loans in that transaction. Such amount flowed through the transaction waterfall and resulted in a benefit to Assured Guaranty of approximately $81 million (as of December 31, 2012).**

($ in millions)	Future Net R&W Benefit as of		
	December 31, 2012	December 31, 2011	December 31, 2010
Bank of America / Countrywide[2]	$367	$598	$1,050
Deutsche Bank included in agreement[3]	160	-	-
Other R&W[4]	843	1,052	621
Total	**$1,370**	**$1,650**	**$1,671**

1. Includes future benefits covered under our agreements with Bank of America/Countrywide and Deutsche Bank.
2. As of December 31, 2012, Bank of America had placed approximately $0.8 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. Includes only R&W assets in the agreement dated May 9, 2012.
4. Includes agreement reached in 4Q-12.

Creating Value
Bond Purchases

- **We have a program to purchase securities we have insured in order to reduce our losses and potentially relieve rating agency capital charges, enhance yield and increase future investment income**
  - We have purchased approximately $1.8 billion of par on insured securities through December 31, 2012, with an initial purchase price of approximately $935 million; $1.6 billion of par remains outstanding
- **Targeted purchases are BIG securities on which claims are expected to be paid**
  - 80% of all purchases are for RMBS securities
  - Since the start of the program, 73% of purchased insured par has benefited AGM, 27% has benefited AGC
- **Purchasing wrapped bonds has increased adjusted book value because the amount of reserves released and the ongoing principal and interest payments from the bonds are expected to exceed the purchase price**
  - Since inception, total benefit[1] to adjusted book value has been over $500 million



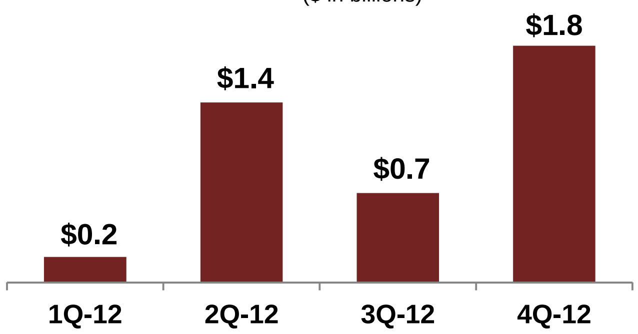
1. Pre-tax benefit. 2. Par at the time of purchase. 3. Cost of purchase.

Creating Value
Agreements to Terminate Guaranties

- **Actively pursue termination of contracts**
  - At beneficiary's request: keep all economics, possibly more
  - At our request: share economics with beneficiary
  - To eliminate high capital charges: share or possibly give up some economics
- **Since January 1, 2011, we have agreed with beneficiaries of our policies to terminate insurance coverage on approximately $17 billion of net par outstanding to reduce our leverage and potentially relieve rating agency capital charges**
- **Targeted terminations are investment grade securities for which claims are not expected but carry a disproportionate rating agency capital charge**

Net Par Outstanding Completed Terminations

($ in billions)



Completed Terminations Since January 1, 2011

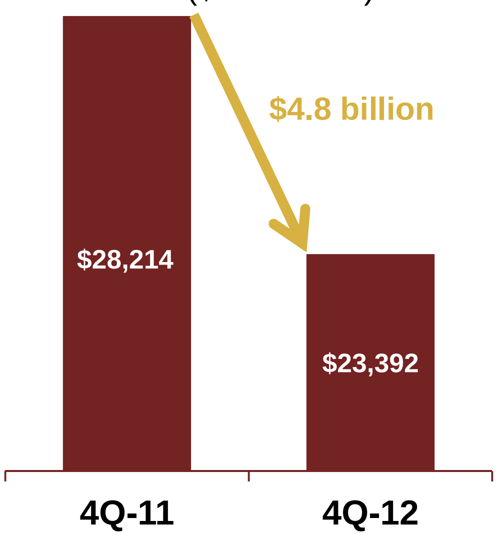
$ in millions

	# of Policies	Net Par	Estimated Rating Agencies Model Benefit
Pooled Corporates	84	$10,677	$10-$60
Other	28	3,628	180-420
RMBS	27	934	0-3
Infrastructure	21	1,554	30-70
Muni	6	99	0-2
Totals	**166**	**$16,892**	**$300-$500**

BIG Exposure Decline

- **Since 4Q-11, BIG net par outstanding has declined by $4.8 billion[1]**
- **FX change (weakness of the U.S. dollar) increased BIG net par outstanding by $48 million from 4Q-11 to 4Q-12**
- **R&W agreements help decrease our BIG net par outstanding by reinsuring poorly performing transactions with collateralized trust accounts, thereby enabling Assured Guaranty to reclassify large percentages into AA rated policies**

BIG Net Par Outstanding
($ in millions)



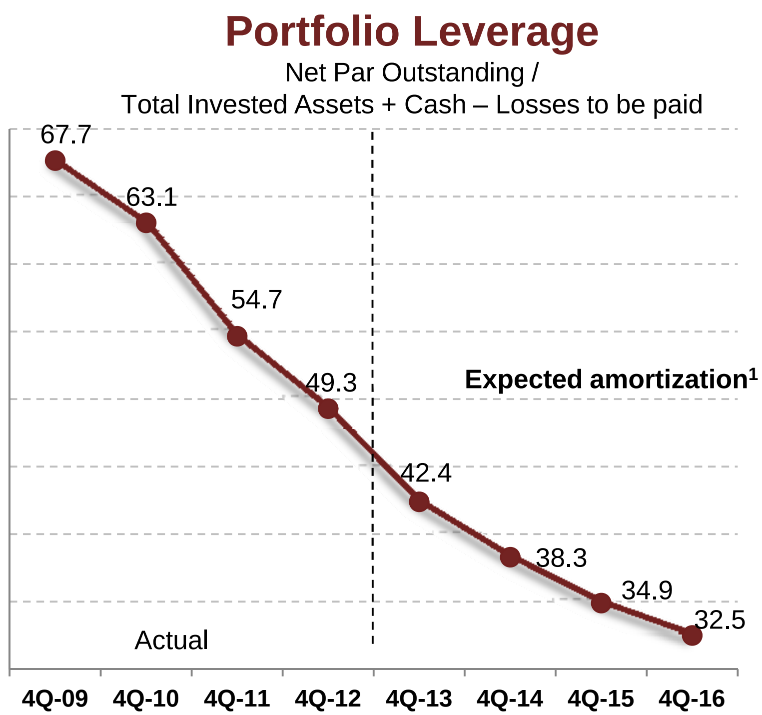
Changes in BIG Net Par Outstanding

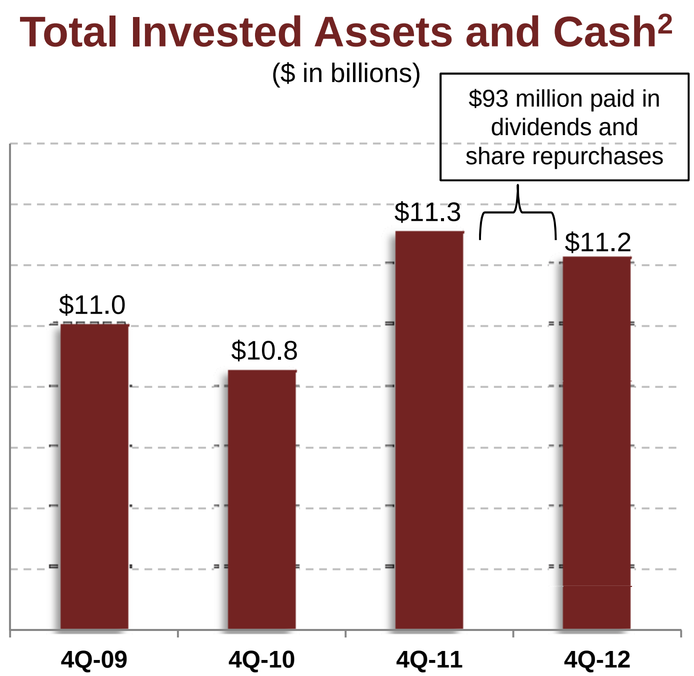
($ in millions)	1Q-12	2Q-12	3Q-12	4Q-12	2012
Beginning BIG par	**$28,214**	**$25,999**	**$24,814**	**$24,369**	**$28,214**
Amortization / Paid	$(715)	$(1,270)	$(910)	$(1,154)	$(4,049)
BofA Settlement Reclassification	(1,452)	—	—	—	(1,452)
DB Settlement Reclassification	—	(330)	—	—	(330)
FX Change	+59	(74)	+32	+31	+48
Removals / Upgrades	(533)	(23)	(22)	(133)	(711)
Additions / Downgrades	+426	+512	+455	+279	+1,672
Total Decrease	**(2,215)**	**(1,185)**	**(445)**	**(977)**	**(4,822)**
Ending BIG par	**$25,999**	**$24,814**	**$24,369**	**$23,392**	**$23,392**

1. Beginning in the first quarter 2012, the Company decided to classify those portions of risks benefiting from reimbursement obligations collateralized by eligible assets held in trust in acceptable reimbursement structures as the higher of 'AA' or their current internal rating. As of fourth quarter 2012, the Company applied this policy to the Bank of America Agreement and the Deutsche Bank Agreement. The Bank of America Agreement was entered into in April 2011 and the reclassification in the first quarter 2012 resulted in a decrease in BIG net par outstanding as of December 31, 2011 of $1,452 million from that previously reported.

Deleveraging Without Reducing Total Invested Assets

- **Our net par outstanding to total invested assets and cash has declined from 68:1 in 4Q-2009 to 49:1 as of 4Q-2012, putting us in a stronger capital position**
  - Deleveraging should continue in the near term as new business is not expected to replace the amortization of the structured finance portfolio
- **Deleveraging has occurred while year-end total invested assets and cash exceeded those of prior years**





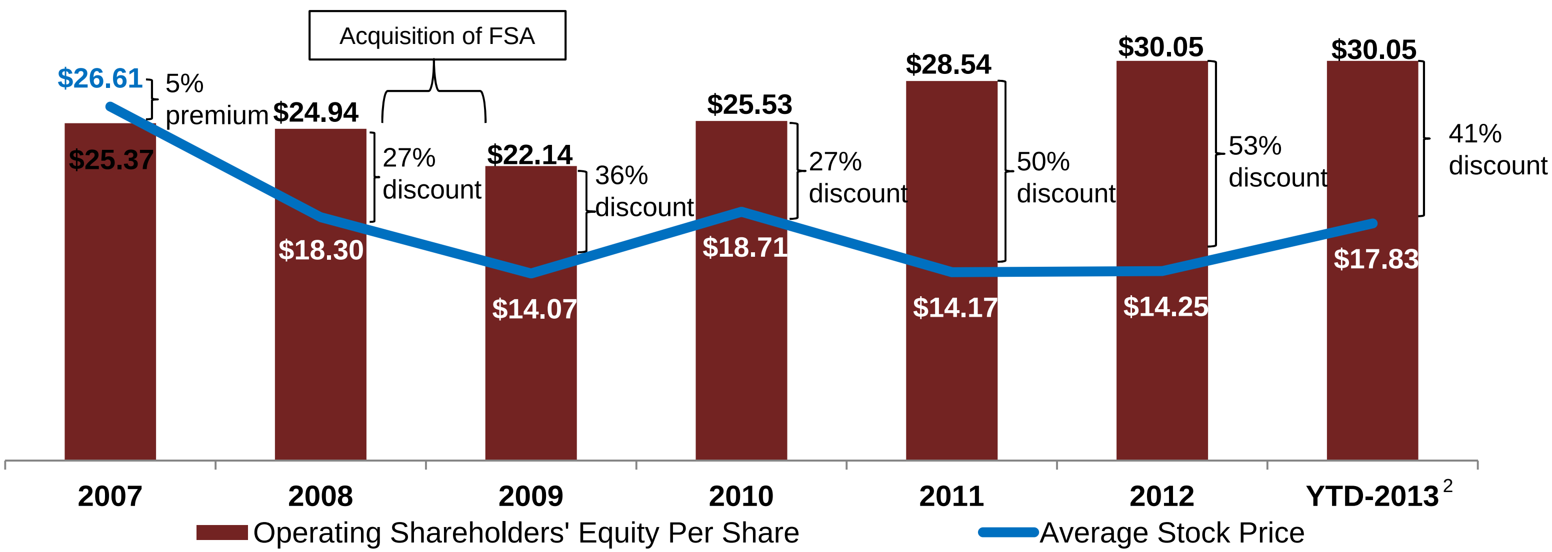
1. Assumes no new business production and calculates estimated amortization divided by current total invested assets and cash, less current losses to be paid.
2. As reported on the balance sheet

Operating Shareholders’ Equity Per Share and Share Price

ASSURED GUARANTY®

- **Despite the financial crisis which began in 2007, operating shareholders’ equity per share has increased 18% and grown at a 3% CAGR**
- **Shares have traded at a discount to operating shareholders’ equity per share, partly attributable to rating agency uncertainty and negative market perception of the bond insurance industry**
- **Share repurchases below intrinsic value increase operating shareholders’ equity per share**

Share Price is Currently Below Operating Shareholders’ Equity Per Share[1]



1. Operating shareholders’ equity is a non-GAAP measure. For a definition of operating shareholders’ equity, please review the Appendix.
2. 4Q-12 operating shareholders’ equity per share as the Company has not reported 1Q-13 earnings. YTD-2013 is average closing share price through March 15, 2013.

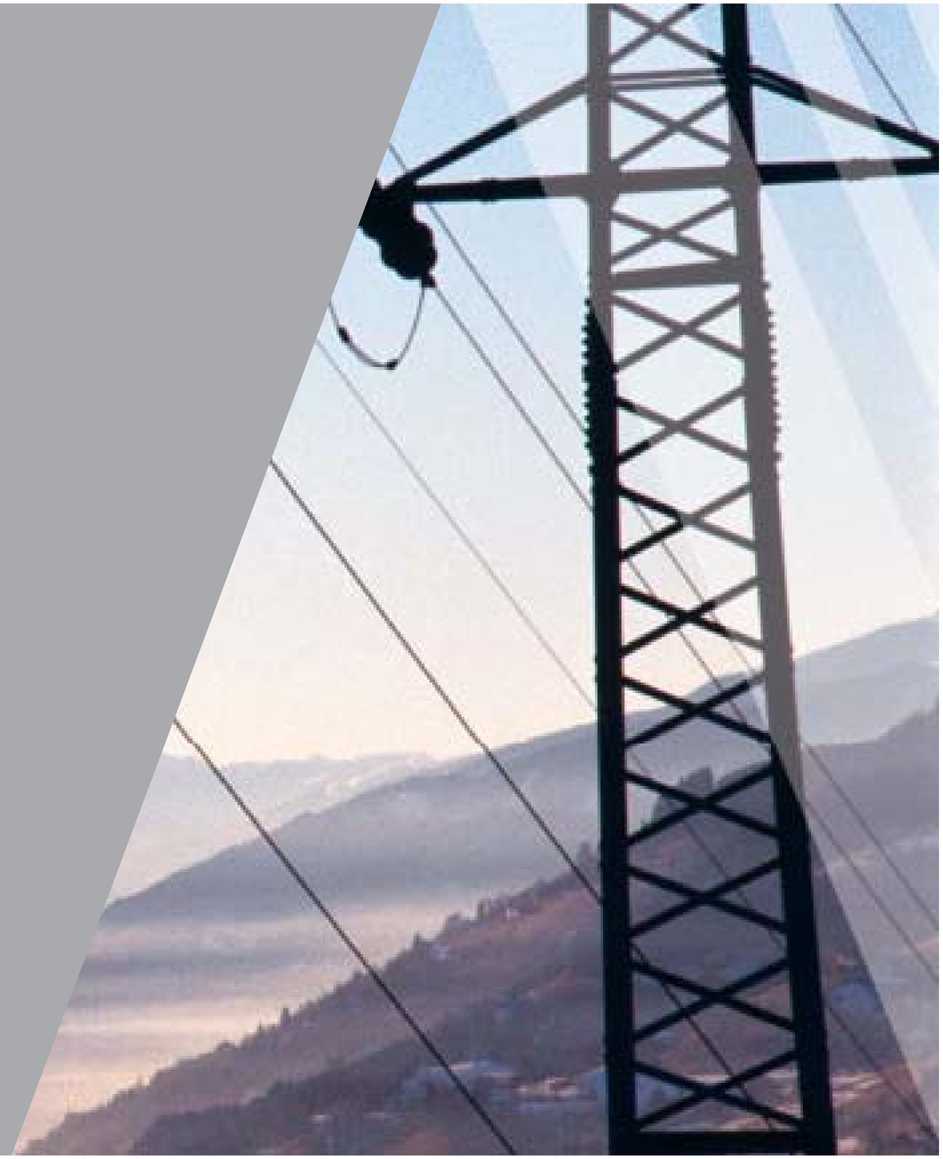
Summary & Outlook

- **Continue to create shareholder value through:**
  - New business production in the U.S. and international markets
  - R&W agreements and litigation
  - Bond purchases for loss mitigation
  - Agreements to terminate guaranties

- **Utilize MAC as an additional platform to create flexibility while also enhancing new competitive positioning**

- **Return excess capital to shareholders through share repurchases and dividends while maintaining appropriate claims-paying resources**

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.

Appendix

Reconciliation of PVP[1] to Gross Written Premiums ("GWP") & Operating Income[1] to Net Income (Loss)

($ in millions, except per share data)

	Three Months Ended December 31, 2012	Three Months Ended December 31, 2011	% Change versus 4Q-11
Consolidated new business production analysis:			
Present value of new business production ("PVP")			
Public finance - U.S.:			
Primary markets	$31	$51	(39)%
Secondary markets	6	3	100%
Public finance - non-U.S.			
Primary markets	-	3	NM
Secondary markets	-	-	-
Structured finance - U.S.	32	31	3%
Structured finance - non-U.S.	-	-	-
Total PVP	**69**	**88**	**(22)%**
Less: PVP of credit derivatives	-	-	-
PVP of financial guaranty insurance	69	88	(22)%
Less: Financial guaranty installment premium PVP	33	33	-
Total: Financial guaranty upfront GWP	36	55	(35)%
Plus: Financial guaranty installment PVP adjustment[2]	73	45	62%
Total GWP	**$109**	**$100**	**9%**

Reconciliation of Consolidated Operating Income to Net Income (Loss)

	4Q-12	4Q-11
Operating income	**$184**	**$172**
Plus after-tax adjustments:		
Realized gains (losses) on investments	1	(6)
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(92)	(265)
Fair value gains (losses) on committed capital securities	(4)	21
Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves	1	(1)
Effect of consolidating FG VIEs	(16)	(5)
Net income (loss)	**$74**	**$(84)**

Per Diluted Share

	4Q-12	4Q-11
Operating income	**$0.95**	**$0.94**
Plus after-tax adjustments:		
Realized gains (losses) on investments	0.00	(0.04)
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(0.47)	(1.45)
Fair value gains (losses) on committed capital securities	(0.02)	0.11
Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves	0.01	(0.01)
Effect of consolidating FG VIEs	(0.08)	(0.03)
Net income (loss)	**$0.38**	**$(0.46)**

NM = Not meaningful

1. For an explanation of PVP and operating income, non-GAAP financial measures, please refer to the Appendix "Explanation of Non-GAAP financial measures."
2. 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

Appendix

Reconciliation of GAAP Book Value to Adjusted Book Value[1]

Reconciliation of Shareholders' Equity (GAAP Book Value) to Adjusted Book Value[1]

(dollars in millions, except per share amounts)

	As of :			
	December 31, 2012		December 31, 2011	
	Total	Per share	Total	Per share
Shareholders' equity	**$ 4,994**	**$ 25.74**	**$ 4,652**	**$ 25.52**
Less after-tax adjustments:				
Effect of consolidating FG VIEs	(348)	(1.79)	(405)	(2.22)
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(988)	(5.09)	(498)	(2.74)
Fair value gains (losses) on committed capital securities	23	0.12	35	0.19
Unrealized gain (loss) on investment portfolio excluding foreign exchange effect	477	2.45	319	1.75
Operating shareholders' equity	**$ 5,830**	**$ 30.05**	**$ 5,201**	**$ 28.54**
After-tax adjustments:				
Less: Deferred acquisition costs	165	0.85	174	0.95
Plus: Net present value of estimated net future credit derivative revenue	220	1.14	302	1.66
Plus: Net unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed	3,266	16.83	3,658	20.07
Adjusted book value[1]	**$ 9,151**	**$ 47.17**	**$ 8,987**	**$ 49.32**

1. For an explanation of adjusted book value, a non-GAAP financial measure, please refer to the appendix.

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J.P. Morgan 2013 Insurance Conference
March 21, 2013