

Keefe, Bruyette & Woods
2012 Insurance Conference
September 5, 2012



**ASSURED
GUARANTY®**

Forward-Looking Statements and Safe Harbor Disclosure



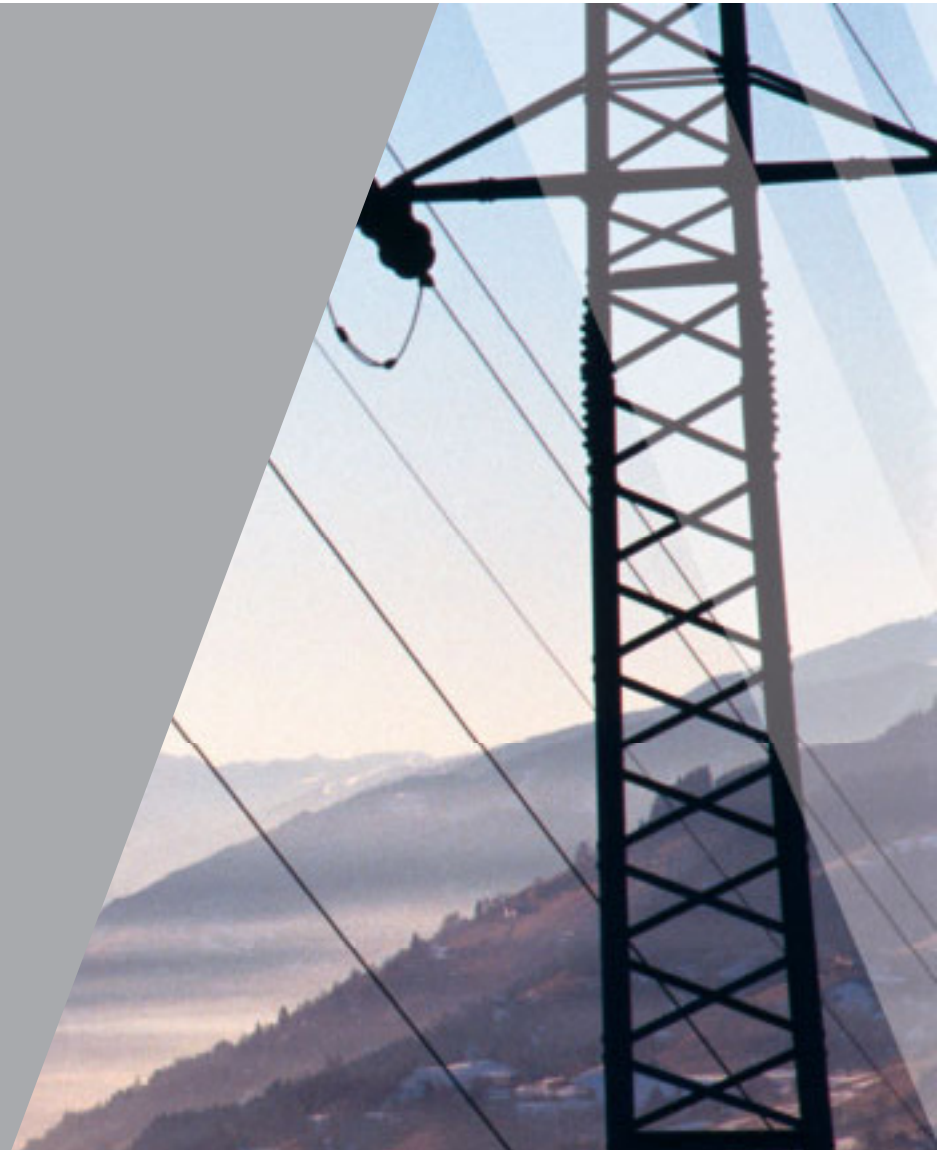
- This presentation contains information that includes or is based upon forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements give the expectations or forecasts of future events of Assured Guaranty Ltd. (“AGL” and, together with 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; (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 implicating 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”).

Conventions and Non-GAAP Financial Measures

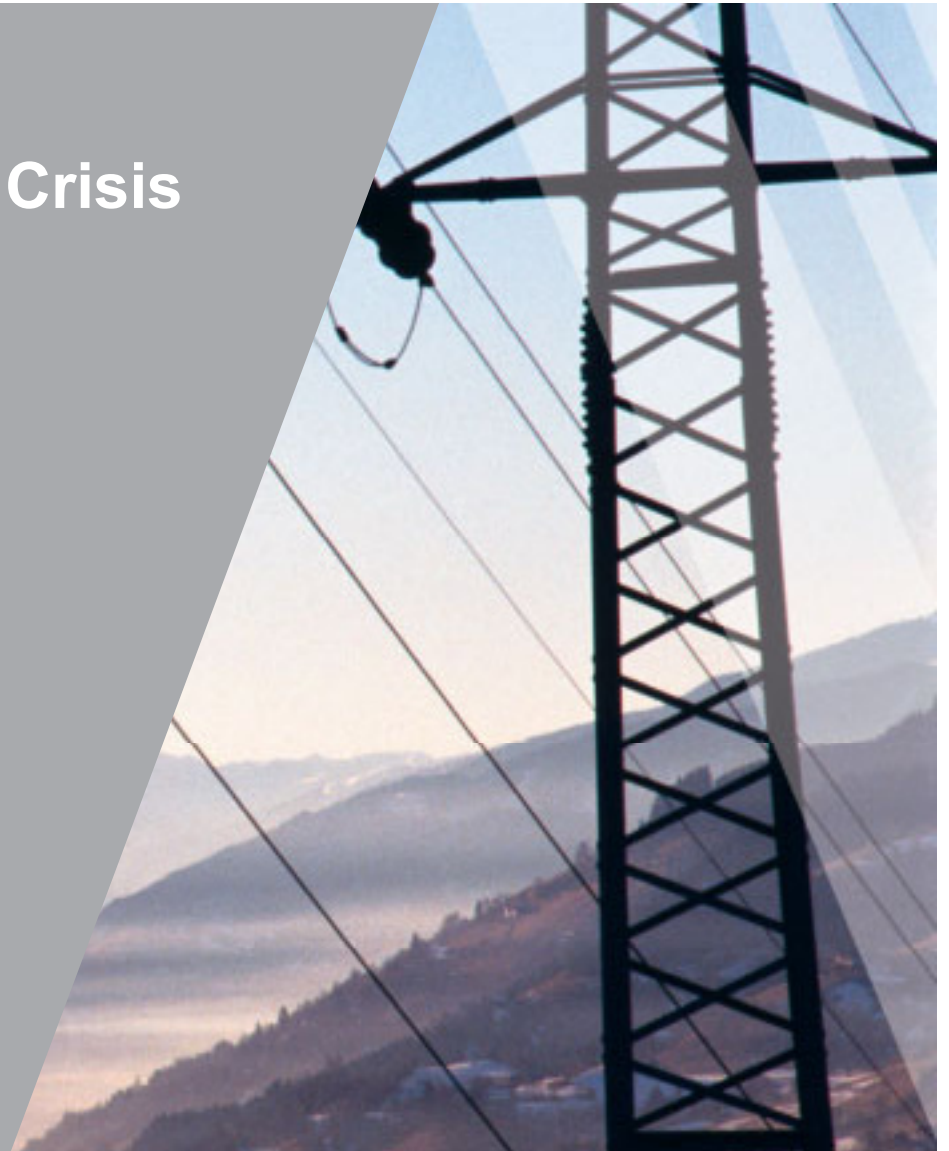


- Unless otherwise noted, the following conventions are used in this presentation:
 - Ratings on our insured portfolio and on bonds purchased pursuant to loss mitigation or risk management strategies are Assured Guaranty's internal ratings. Although the Company's ratings scale is similar to that used 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.
- 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 and Chief Executive Officer



Creating Value Through the Crisis



SINCE THE FINANCIAL CRISIS OF 2008:

+\$1.8B

INCREASE IN CLAIMS-PAYING RESOURCES.

-29%

REDUCTION IN INSURED LEVERAGE.

+\$2.8B

RMBS RECOVERIES TO DATE.

+8000

NEW MUNICIPAL TRANSACTIONS INSURED.

+\$1.8B

POSITIVE OPERATING EARNINGS.

+47%

GROWTH OF UNEARNED PREMIUM RESERVES TO \$5.6 BILLION.

\$13B

TOTAL CLAIMS-PAYING RESOURCES AS OF 6.30.2012.

We run our business by the numbers. Assured Guaranty: The definition of financial strength. **ASSURED
GUARANTY®**

Assured Guaranty Municipal Corp. and Assured Guaranty Corp. and Affiliates, New York, New York. Except as noted, period is 1.1.08 – 6.30.12.

Strategic Approach to Creating Value



Throughout the financial crisis, we strived to create value for both shareholders and policyholders by:

- **Writing new business that met our underwriting criteria**
- **Deploying strategies to mitigate risk**
- **Creating rating agency capital to preserve ratings**

Strategic Approach to Creating Value



Based on market assessment and rating agency uncertainty, we focused on:

- **Writing new business (PVP¹);**
- **Monetizing representation and warranty (R&W) claims through putbacks or agreements;**
- **Purchasing wrapped bonds to mitigate losses;**
- **Negotiating terminations of insured transactions to reduce insured leverage;**
- **Reassuming ceded portfolios to increase future earnings**

1. PVP is a non-GAAP financial measure. Please see the Appendix for the definition and a reconciliation to gross written premiums.

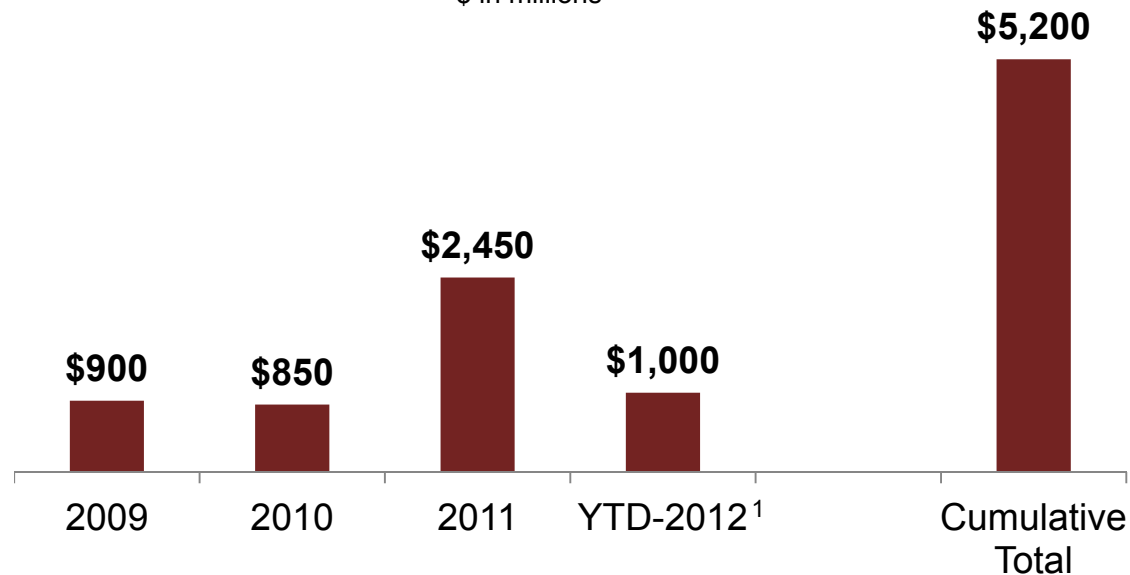
Shareholder Value Creation



Including PVP, monetization of R&W claims, the wrapped bond purchase program, the re-assumption transactions and negotiated terminations, we created approximately \$5.2 billion in pre-tax shareholder value from January 1, 2009 through 2Q-12, or an average of \$350 million per quarter or \$1.5 billion per year.

Approximate Shareholder Value Creation

\$ in millions



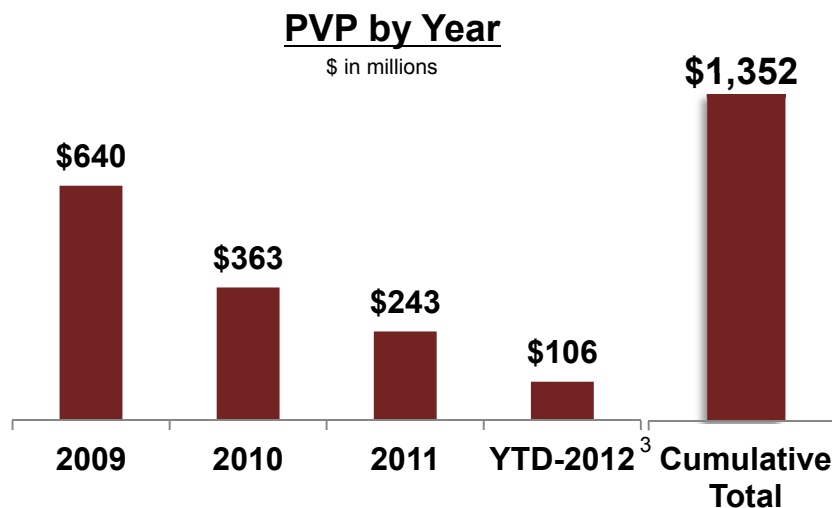
1. Through June 30, 2012

Creating Value

New Business Production



- **We have written approximately \$1.4 billion of PVP¹ since 2009 while maintaining our underwriting principles and risk management approach despite the difficult environment**
- **New business production increases the unearned premium reserve and adjusted book value²**
 - Most new business production is in U.S. public finance issuances, which pay upfront premiums, thereby increasing our investment portfolio and investment income
 - U.S. structured business typically pays quarterly or annual installments, which helps generate future cash flows



1. PVP is a non-GAAP financial measure. Please see the Appendix for the definition and a reconciliation of PVP to GWP.

2. Adjusted book value is a non-GAAP financial measure. Please see the Appendix for the definition and a reconciliation of adjusted book value to GAAP book value.

3. Through June 30, 2012

Creating Value

Monetization of R&W Asset



(\$ in millions)	Future Net R&W Benefit as of		
	2010	2011	2Q-12
Future net R&W benefit (at the beginning of the year)	\$1,210.7	\$1,670.7	\$1,649.8
Economic development	649.1	1,038.5	96.4
R&W recovered ^{1,2,3,4}	(189.1)	(1,059.4)	(292.6)
Total	\$1,670.7	\$1,649.8	\$1,453.6
Outstanding from BofA agreement ²	-	589.1	503.7
Outstanding from DB agreement ³	-	-	168.5
R&W benefits other than from agreements	\$1,670.7	\$1,060.7	\$781.4

Total R&W Recovered	
R&W Recovered	\$1,541
Remaining on BofA agreement	504
Remaining on DB agreement	168
Paid or to be paid to the Company	\$2,213
Paid in trust ¹	\$609
Total R&W Recovered¹	\$2,822

1. The putbacks flow through the transaction waterfalls and do not necessarily benefit us on a direct dollar-for-dollar basis.
2. As of June 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 June 30, 2012, Deutsche Bank AG had placed approximately \$282.7 million of eligible assets in trust in order to collateralize the obligations of a reinsurance affiliate under 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 covered by the Deutsche Bank agreement announced May 10, 2012.

Creating Value

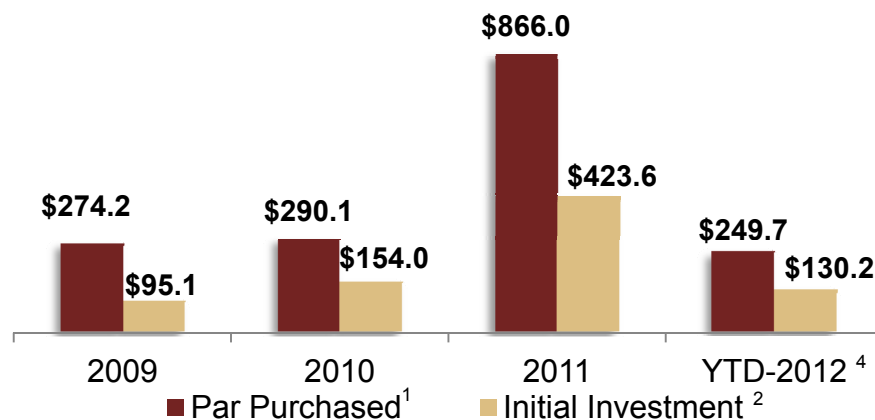
Bond Purchases for Loss Mitigation



- **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 \$1.7 billion of par on insured securities through June 30, 2012 with an initial purchase price of approximately \$814 million
- **We target BIG securities on which claims are expected to be paid**
 - 82% of all purchases consist of RMBS securities

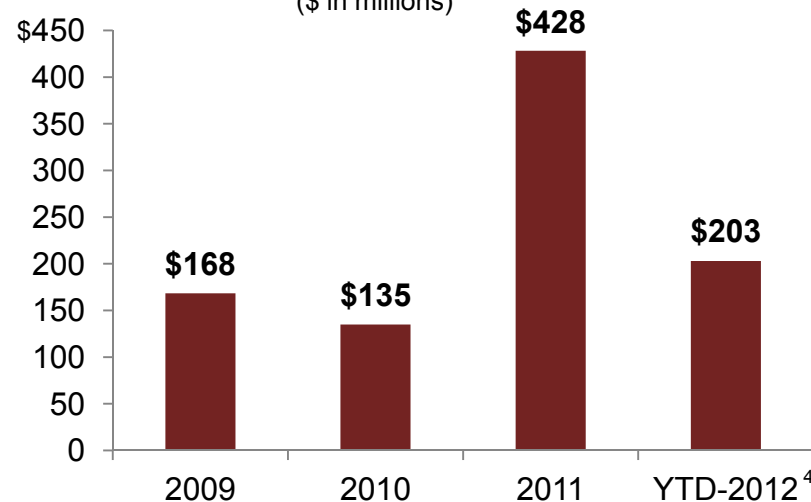
Wrapped Bond Purchase Program

(\$ in millions)



Value Created by Year³

(\$ in millions)



1. Par at the time of purchase.

2. Cost of purchase.

3. Value creation is calculated based on the amount of reserves Assured Guaranty releases, plus our estimate of future performance of the transaction, minus the cost of purchasing the insured security.

4. Through June 30, 2012

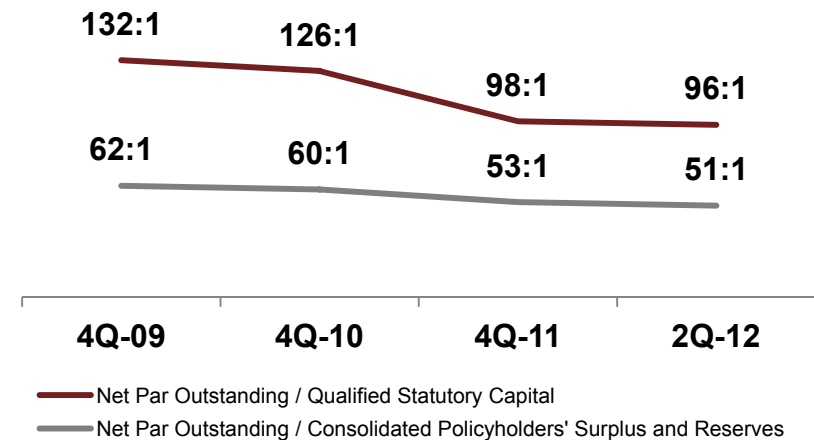
Creating Value

Terminations to Decrease Insured Leverage

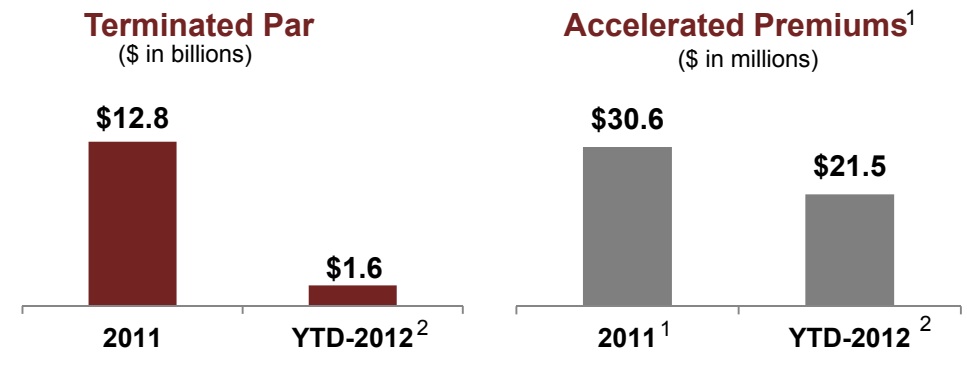


- Since January 1, 2011, we have agreed with beneficiaries of our policies to terminate insurance coverage on approximately \$14 billion of net par outstanding to reduce our leverage and potentially relieve rating agency capital charges
- Terminations also accelerated over \$50 million of expected future premiums¹
- Targeted terminations of insurance on investment grade securities for which claims are not expected but which carry a disproportionately high rating agency capital charge

Leverage Ratios Continue to Decline



Completed Terminations



1. 2011 premium amount excludes the impact of terminations negotiated with two counterparties; under those transactions, Assured Guaranty agreed to make payments in order to terminate the insurance coverage.

2. As of June 30, 2012.

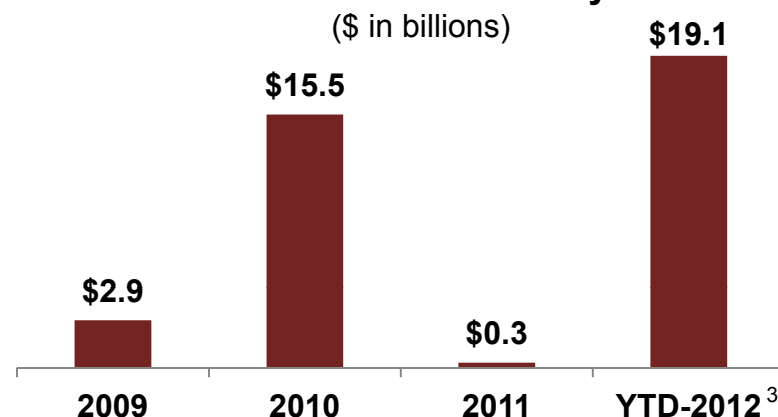
Creating Value

Reinsurance Platform

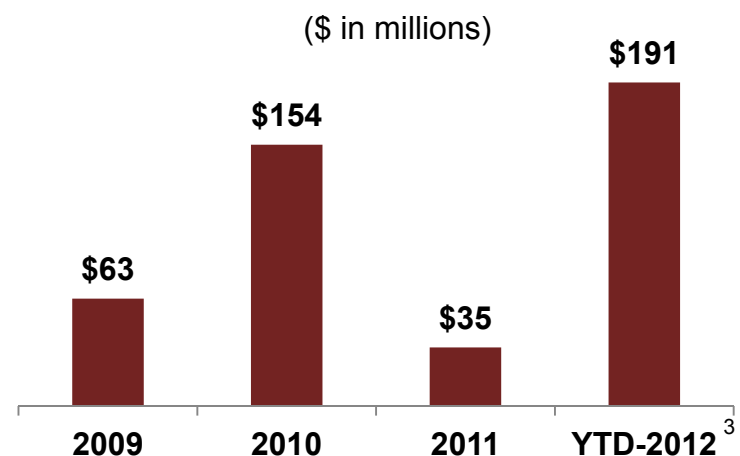


- Since January 1, 2009, we have reassumed approximately \$38 billion of par previously ceded to other insurers; reassumed reinsurance increases the unearned premium reserve and adjusted book value¹, similar to new business production
- Reassumed premiums totaled \$443 million since January 1, 2009 through June 30, 2012
- YTD-2012³, we have reassumed portfolios of \$6.2 billion of public finance par from Tokio Marine and \$12.9 billion from Radian, and received approximately \$191 million of total premium²
- High-quality portfolios from inactive companies are of interest
 - Public finance as well as high-quality structured finance business (e.g., performing pooled corporate, commercial receivables)

Reassumed Portfolios by Par



Reassumed Premiums²



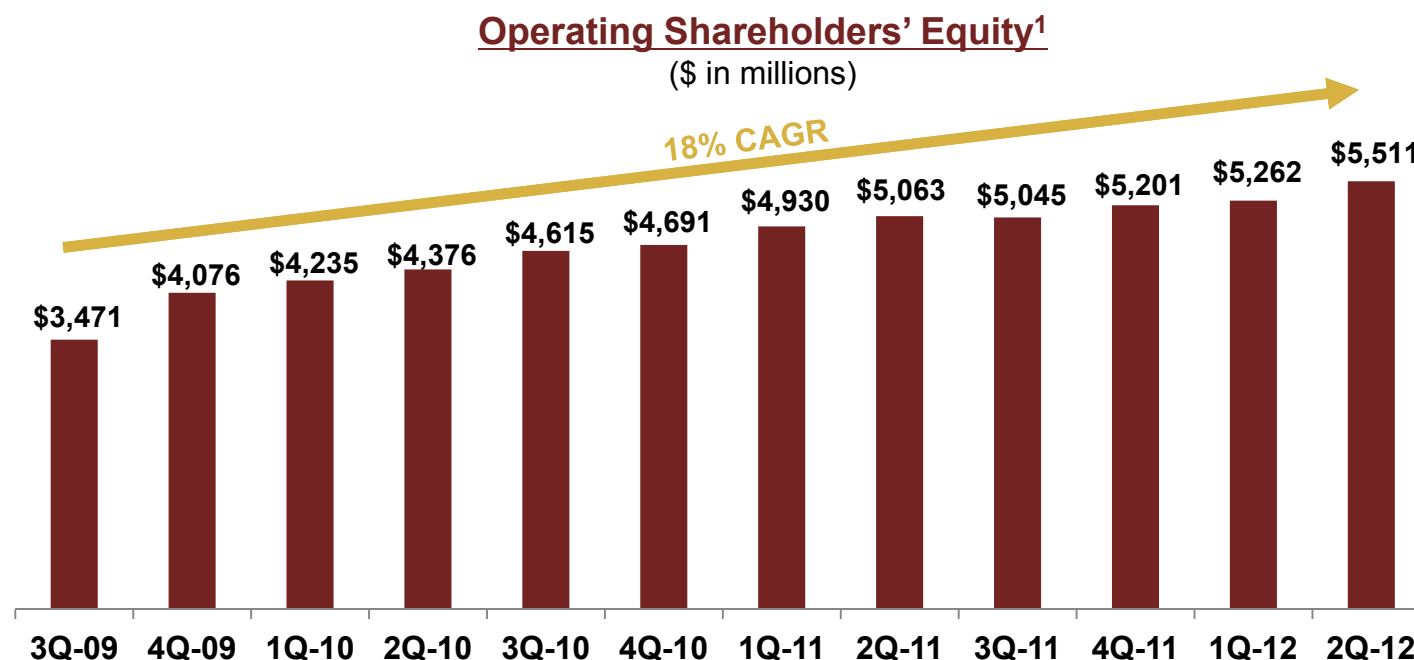
1. Please see the Appendix for an explanation of this non-GAAP financial measure and a reconciliation to GAAP book value
 2. Includes unearned premium reserve, present value of installment premium and commutation premiums. Commutation premiums also includes small benefit/deduction for assumed business cancelled.
 3. Through June 30, 2012.
 4. Includes financial guaranty contracts and contracts written in credit derivative form.

Creating Value

Increase in Operating Shareholders' Equity



- Operating income¹ has remained positive throughout the financial recession, totaling over \$1.6 billion since July 1, 2009, which is evidence of the strength of our earnings stream
- Operating income impacts our operating shareholders' equity¹, which we define to be stated book value after adjustments including for mark-to-market movements
- Loss mitigation activity can significantly influence quarterly operating income, such as the Bank of America agreement, which affected 1Q-11 earnings and loss development.



1. Operating income and operating shareholders' equity are non-GAAP financial measures. Please see the Appendix for an explanation of these terms and a reconciliation to their closest GAAP measure.

Planning for the Next 12-18 Months



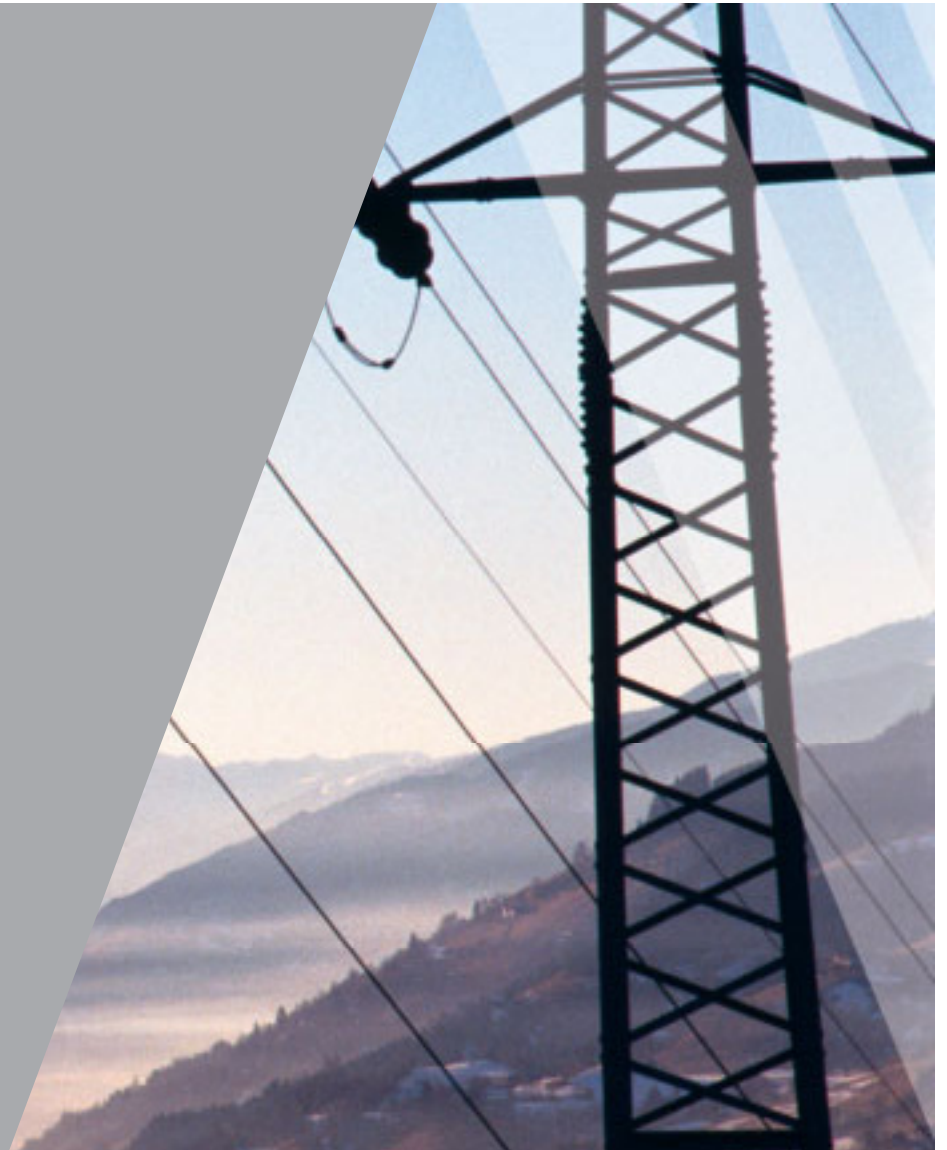
The Next 12-18 Months



While we will continue to focus on insuring high-quality U.S. public finance business in accordance with our underwriting criteria, due to current market conditions, we will also focus on creating shareholder value using the following strategies:

- **Continue to pursue our rights against R&W counterparties and achieve settlements**
- **Reassume previously ceded par and unearned premium reserves to benefit future earnings**
- **Purchase wrapped bonds to mitigate losses**
- **Initiate terminations to reduce capital charges**
- **Implement strategies to manage our capital and create long term value**

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

PVP¹ – Reconciliation to Gross Written Premiums ("GWP")



(\$ in millions)

	Three Months Ended June 30		% Change versus 2Q-11
	2012	2011	
Consolidated new business production analysis:			
Present value of new business production ("PVP")			
Public finance - U.S.:			
Primary markets	\$44.2	\$36.0	23%
Secondary markets	2.8	8.8	(68)%
Public finance - non-U.S.			
Primary markets	1.1	-	NM
Secondary markets	-	-	NM
Structured finance - U.S.	1.5	7.1	(79)%
Structured finance - non-U.S.	-	-	NM
Total PVP	49.6	51.9	(4)%
Less: PVP of credit derivatives	-	-	NM
PVP of financial guaranty insurance	49.6	51.9	(4)%
Less: Financial guaranty installment premium PVP	2.9	5.9	(51)%
Total: Financial guaranty upfront GWP	46.7	46.0	2%
Plus: Financial guaranty installment PVP adjustment ²	(16.0)	(29.0)	45%
Total GWP	\$30.7	\$17.0	81%

NM = Not meaningful

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

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 Net Income (Loss) to Operating Income



(\$ in millions, except per share data)

Reconciliation of Consolidated Net Income (Loss) to Operating Income

	<u>2Q-12</u>	<u>2Q-11</u>
Net income (loss)	\$376.5	\$(43.1)
Less: Realized gains (losses) on investments, after tax	(4.8)	(2.8)
Less: Non-credit impairment unrealized fair value gains (losses) on credit derivatives, after tax	159.4	(73.6)
Less: Fair value gains (losses) on committed capital securities, after tax	2.9	0.4
Less: Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and loss adjustment expense reserves, after tax	3.7	3.8
Less: Effect of consolidating financial guaranty VIEs, after tax	<u>101.3</u>	<u>(114.3)</u>
Operating income	<u>\$114.0</u>	<u>\$143.4</u>

Per Diluted Share

	<u>2Q-12</u>	<u>2Q-11</u>
Net income (loss)	\$2.01	\$(0.23)
Less: Realized gains (losses) on investments, after tax	(0.03)	(0.01)
Less: Non-credit impairment unrealized fair value gains (losses) on credit derivatives, after tax	0.85	(0.40)
Less: Fair value gains (losses) on committed capital securities, after tax	0.01	-
Less: Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and loss adjustment expense reserves, after tax	0.02	0.02
Less: Effect of consolidating financial guaranty VIEs, after tax	<u>0.54</u>	<u>(0.62)</u>
Operating income	<u>\$0.61</u>	<u>\$0.76</u>

Appendix

Reconciliation of GAAP Book Value to Adjusted Book Value



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

(dollars in millions, except per share amounts)

	As of :			
	June 30, 2012		December 31, 2011	
	Total	Per share	Total	Per share
Shareholders' equity	\$ 4,724.1	\$ 24.36	\$ 4,651.6	\$ 25.52
Less after-tax adjustments:				
Effect of consolidating financial guaranty VIEs	(339.3)	(1.75)	(405.2)	(2.22)
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(862.2)	(4.44)	(498.0)	(2.74)
Fair value gains (losses) on committed capital securities	28.8	0.15	35.0	0.19
Unrealized gain (loss) on investment portfolio excluding foreign exchange effect	386.2	1.99	318.4	1.75
Operating shareholders' equity	\$ 5,510.6	\$ 28.41	\$ 5,201.4	\$ 28.54
After-tax adjustments:				
Less: Deferred acquisition costs	170.9	0.88	174.1	0.95
Plus: Net present value of estimated net future credit derivative revenue	258.2	1.33	302.3	1.66
Plus: Net unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed	3,516.1	18.13	3,658.0	20.07
Adjusted book value¹	\$ 9,114.0	\$ 46.99	\$ 8,987.6	\$ 49.32

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

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