



**Assured Guaranty Ltd.**  
Equity Investor Presentation  
June 30, 2013

**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 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, including changes in interest and foreign exchange rates, 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.
  - 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 exposures covered by 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. The Company has also reclassified the three transactions under the UBS agreement that are subject to a loss sharing reinsurance arrangement expected to be put in place by third quarter 2013. The total impact of the reclassification was a reduction in below investment grade exposure of \$2,019 million. Please see page 45 for details.
  - 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.

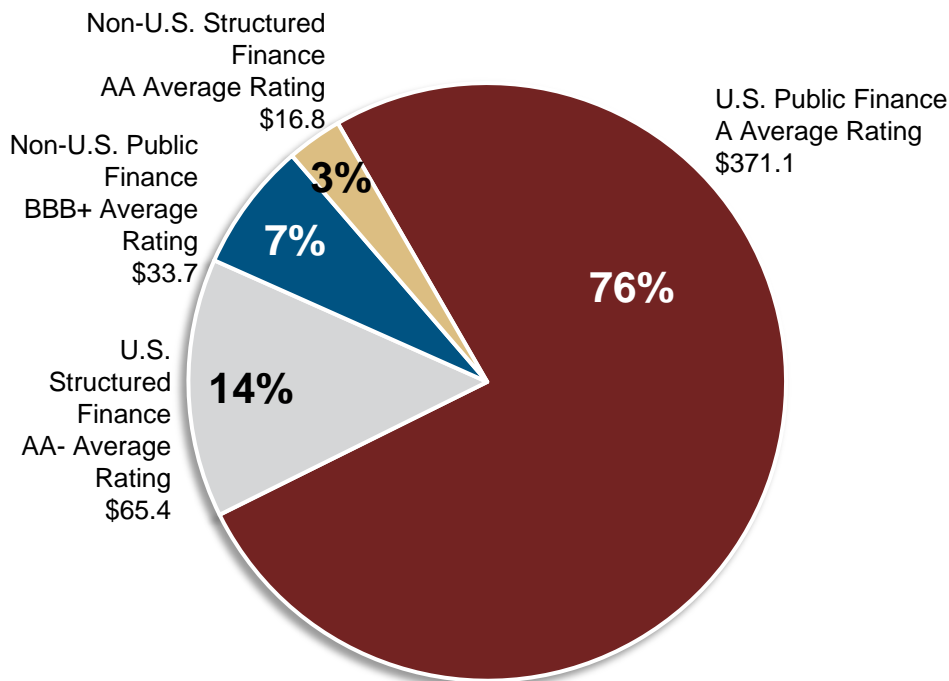
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## Consolidated Net Par Outstanding

As of June 30, 2013  
(\$ in billions)



**\$487.0 billion, A+ average rating**

- **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
  - Municipal Assurance Corp., launched on July 22, 2013, is rated AA+ (stable) by Kroll and AA- (stable) by S&P
- **Our insured portfolio is composed primarily of U.S. public finance exposures**
- **Our average insured portfolio rating has remained strong at A+**

# Year-to-Date Activity<sup>1</sup>



- Pursuant to a January 2013 \$200 million and a May 2013 \$115 million share repurchase authorization, the Company repurchased 11.5 million shares as of June 30, 2013 at an average price of \$21.26 per share
- Increased quarterly dividends to \$0.10 per share on February 7, 2013, up from \$0.09 in 2012
- Generated \$34 million of new business production (PVP)<sup>2</sup>
- Launched Municipal Assurance Corp. (MAC) as a municipal-only financial guarantor on July 22, 2013. MAC is licensed to provide financial guaranty insurance and reinsurance in 38 U.S. jurisdictions
- Agreed to final settlement with Flagstar in June 2013 awarding AGM \$105 million cash payment and full reimbursement of future RMBS claims
- Signed an agreement with UBS on May 6, 2013, resolving claims related to specified residential mortgage-backed securities (RMBS) transactions insured by AGM or AGC under financial guaranty insurance policies
- For loss mitigation and value creation purposes, purchased \$121 million of net par outstanding at 77% of par and terminated 45 policies covering approximately \$4.2 billion of net par outstanding while still collecting over 100% of expected premium
- During 3Q-13, wrapped the first public bond issue, since 2008, for a U.K. PPP transaction: £100 million bond issued by the “Sustainable Communities for Leeds (sc4l)” consortium to finance the redevelopment of the Little London, Beeston Hill and Holbeck areas in Leeds
- Also during 3Q-13, wrapped the second public bond issue, since 2008, for a U.K. PPP transaction: £63 million bond issued by Holyrood Student Accommodation PLC to finance the construction of postgraduate accommodation and associated facilities for the University of Edinburgh

1. As of June 30, 2013 unless otherwise noted

2. 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.

- The cumulative total (gross of reinsurance) of settlement receipts and commitments and R&W putback receipts was approximately \$3.5 billion.<sup>1</sup> 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, which was signed in April 2011. We have also signed agreements with Deutsche Bank in May 2012, with UBS in May 2013, and with Flagstar in June 2013.
- We have reached confidential agreements with other R&W providers and servicers in 4Q-12 and 2Q-13 on insured RMBS securitization transactions

(\$ in millions)	Future Net R&W Benefit as of			
	June 30, 2013	December 31, 2012	December 31, 2011	December 31, 2010
Bank of America / Countrywide <sup>2</sup>	\$263	\$367	\$598	\$1,050
Deutsche Bank included in agreement <sup>3, 4</sup>	139	160	-	-
UBS <sup>5</sup>	93	-	-	-
Other R&W <sup>6</sup>	469	843	1,052	621
<b>Total</b>	<b>\$964</b>	<b>\$1,370</b>	<b>\$1,650</b>	<b>\$1,671</b>

1. As of June 30, 2013. Includes future benefits covered under our agreements with Bank of America/Countrywide, Deutsche Bank and UBS.
2. As of June 30, 2013, Bank of America had placed approximately \$665 million 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, 2013, Deutsche Bank AG had placed approximately \$271 million of eligible assets in trust in order to collateralize the obligations of a reinsurance affiliate under the loss-sharing arrangements. 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.
5. Includes R&W assets in the agreement dated May 6, 2013.
6. Includes agreements reached in the fourth quarter of 2012 and second quarter of 2013.

### Current U.S. RMBS R&W Litigation Status

Counterparty	Current Status	Original Par Insured	Loans Putback (As of June 30, 2013)	Gross Par Outstanding (As of June 30, 2013)
Deutsche Bank	Complaint filed June 2010 related to a HELOC transaction.	\$353 million	\$40 million	\$22 million
GMAC	Complaints filed May 2012 on two HELOC transactions. GMAC and affiliates filed for bankruptcy; hearing on related disclosure statement scheduled for August 2013.	\$1,209 million	\$54 million	\$201million
Credit Suisse / DLJ Mortgage Capital	Complaint filed October 2011 on six alt-A transactions. Certain causes of action dismissed October 2012, but core claims remain. Oral argument on AGM / AGC appeal scheduled for October 2013.	\$567 million	\$2.2 billion	\$423 million

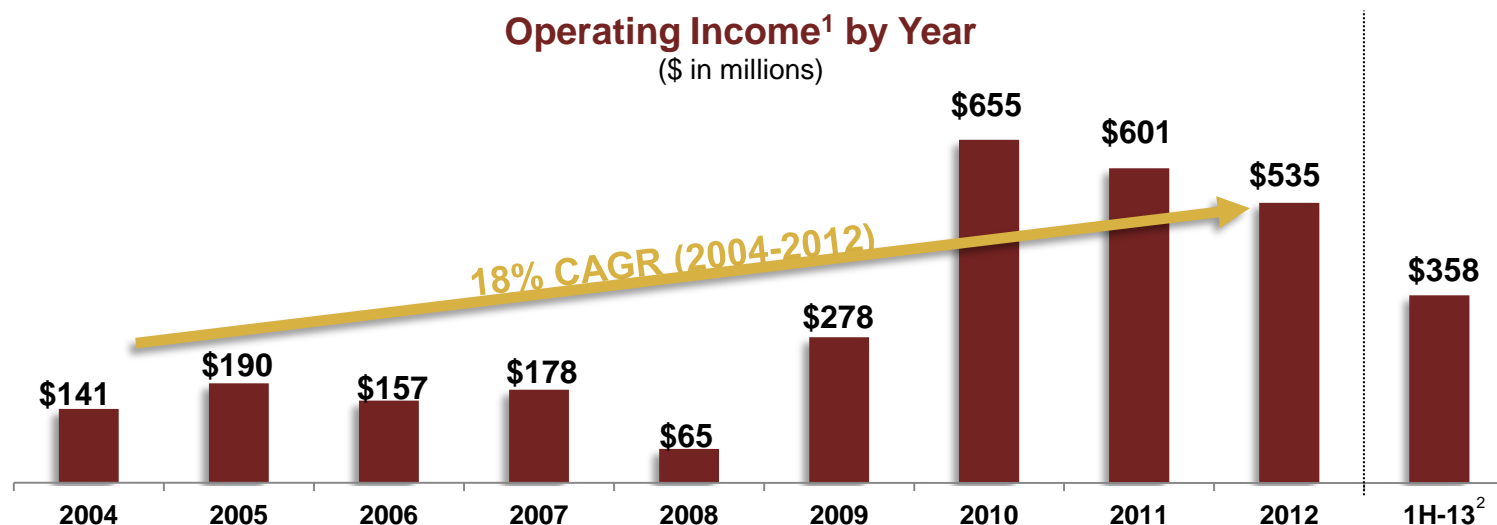


# Creating Value

## Track Record of Creating Shareholder Value



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



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

2. As of June 30, 2013

# Creating Value

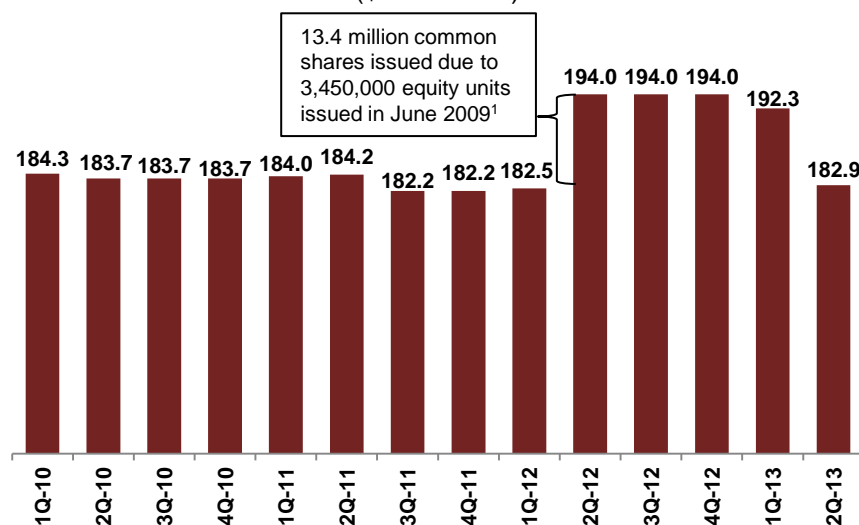
## Track Record of Creating Shareholder Value



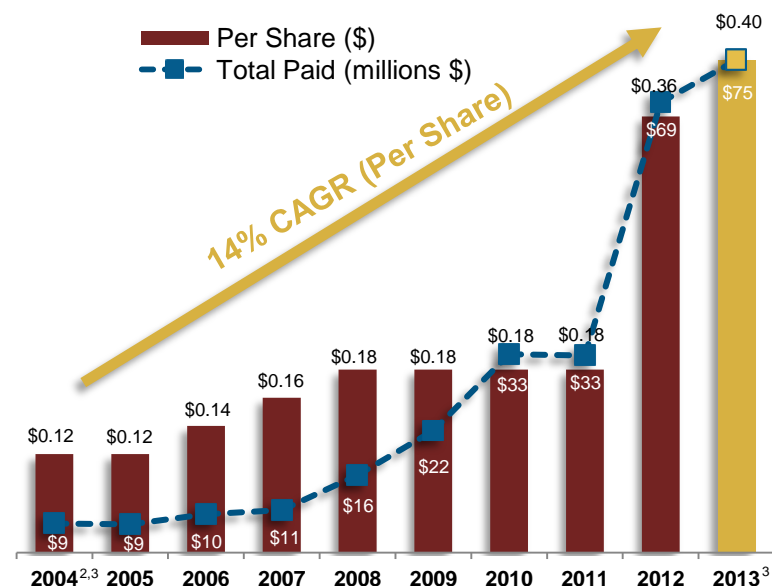
- In addition, we have returned capital to shareholders by declaring dividends and opportunistically repurchasing our common shares
  - Since the 2004 IPO, we have more than tripled our quarterly dividend to \$0.10 per share, or \$0.40 per share per year
  - Pursuant to a January 2013 \$200 million and a May 2013 \$115 million share repurchase authorization, the Company repurchased 11.5 million shares as of June 30, 2013 at an average price of \$21.26 per share

### Ending Share Count by Quarter

(\$ in millions)



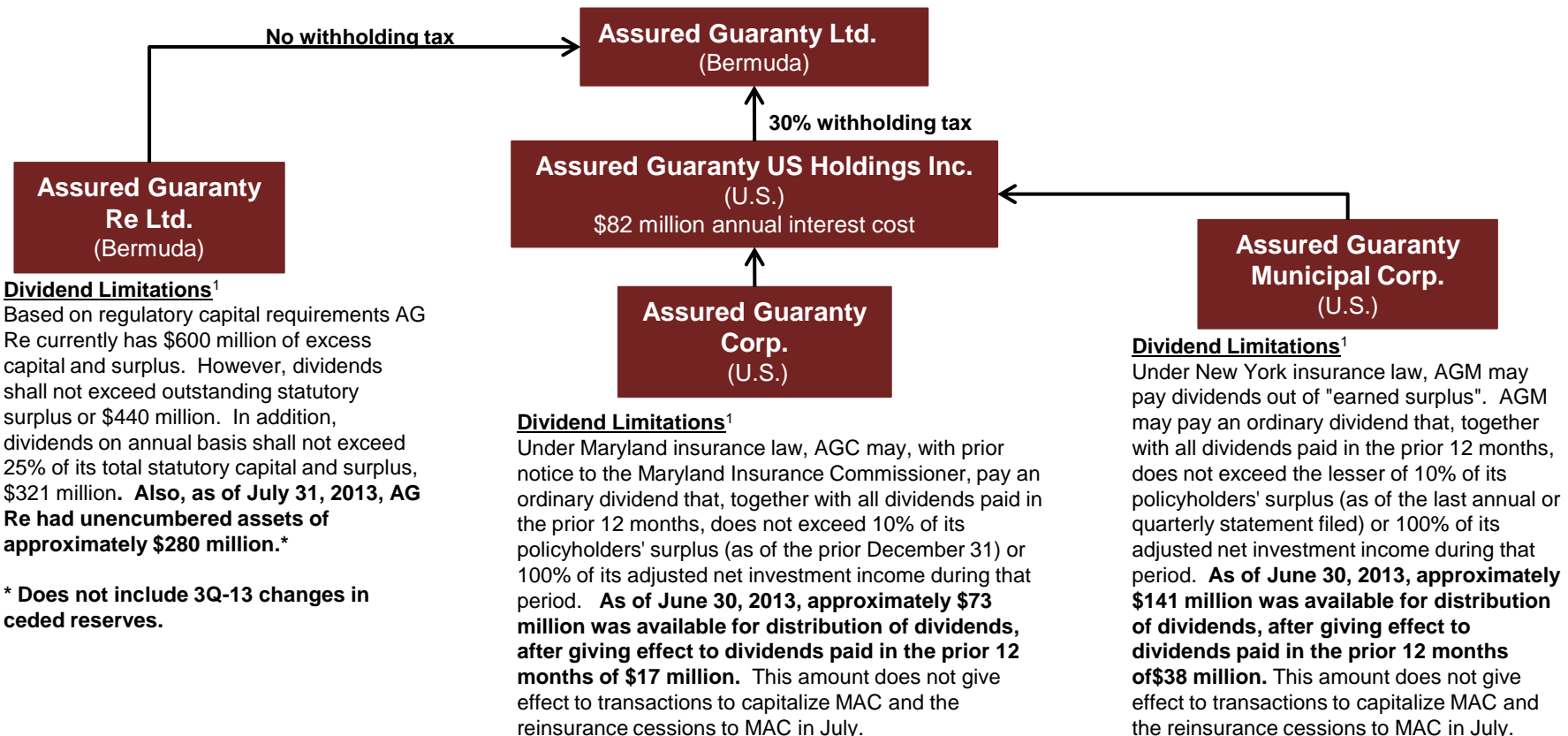
### Dividends



1. Equity units are no longer outstanding.
2. In 2004, dividends were paid following our April IPO.
3. The amount shown is the quarterly dividend, annualized.

# Creating Value

## Simplified Corporate Structure & Dividend Limitations<sup>1</sup>



### Other Considerations:

- **Standard & Poor's:** AGL is \$400-\$500 million above the AAA capital level<sup>2</sup> as of June 12, 2013
- **Moody's:** Although has yet to provide a capital adequacy model, Moody's rates AGM and AGC has having strong capital adequacy at the high Aa and A levels, respectively<sup>3</sup>

1. Represents simplified corporate structure and dividend capacity as of June 30, 2013. Please see our Form 10-K for the year ended December 31, 2012 for a discussion of the dividend limitations to which we are subject under applicable U.S. and Bermuda law, including the New York Insurance Law and the Code of Maryland Regulations.

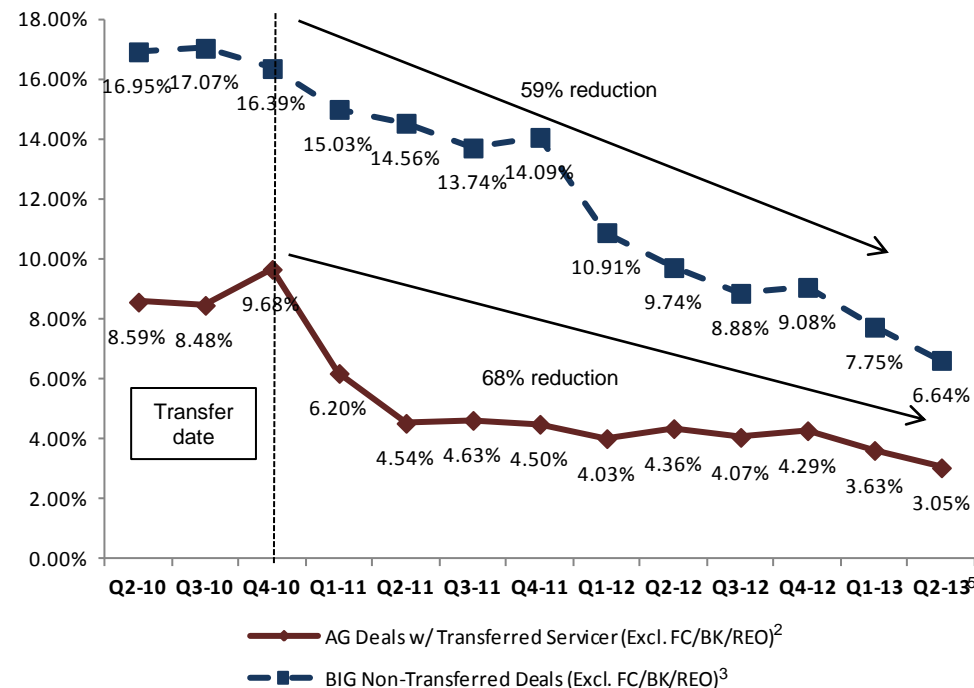
2. S&P's "Assured Guaranty Ltd. Operating Companies" released June 12, 2013

3. Moody's "Credit Opinion: Assured Guaranty Municipal Corp." & "Credit Opinion: Assured Guaranty Corp." released January 23, 2013

- In December 2010, we transferred servicing on 6 second-lien transactions, which have since shown material improvement when compared to other BIG non-transferred transactions
  - Delinquencies have been reduced by 68% (from 9.7% to 3.1%) vs. the BIG non-transferred reduction of 59% (from 16.4% to 6.6%)
- As of June 30, 2013, the servicing of approximately \$2.8 billion of mortgage loans had been transferred to a new servicer and another \$1.7 billion of mortgage loans were subject to special servicing arrangements.<sup>4</sup>

### Delinquency Trend Comparison<sup>1</sup>

Dec-10 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.

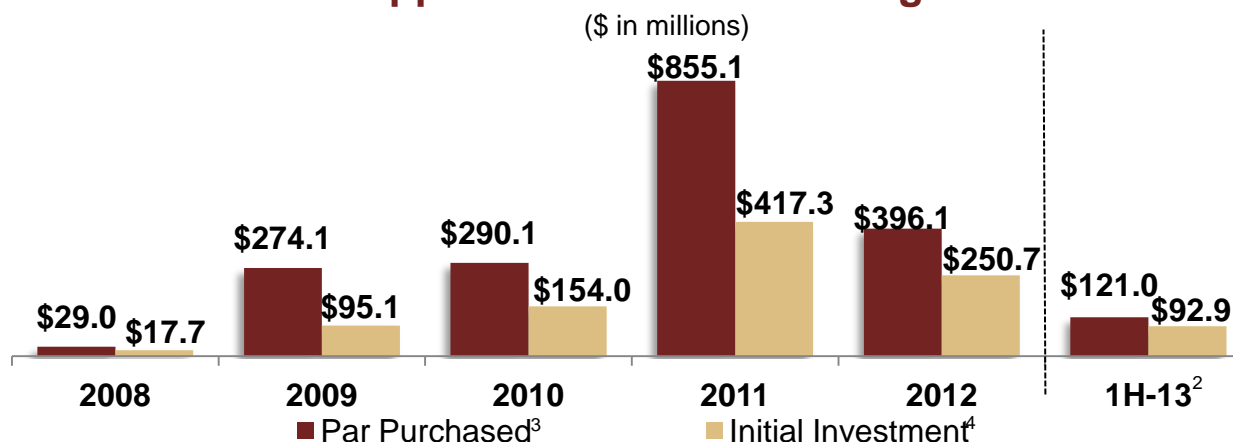
3. BIG non-transferred deals composite includes certain BIG transactions available in CoreLogic (formerly Loan Performance).

4. The June 30, 2013 net insured par of the transactions impacted by the servicing transfers was \$2.4 billion and the net insured par of the transactions subject to special servicing was \$0.9 billion.

5. 2Q-13 represents delinquency data as of Jun-13 distribution.

- **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 \$2.0 billion of par on insured securities through June 30, 2013 with an initial purchase price of approximately \$1.0 billion; \$1.6 billion of par remains outstanding
- **Targeted purchases are BIG securities on which claims are expected to be paid**
  - 82% of all purchases are for RMBS securities
  - Since the start of the program, 72% of purchased insured par has benefited AGM, 28% has benefited AGC
- **Purchasing wrapped bonds has increased adjusted book value<sup>1</sup> because the amount of reserves released and the ongoing principal and interest from the bonds are expected to be greater than the purchase price**

### Wrapped Bond Purchase Program



1. Please see the appendix for an explanation of this non-GAAP financial measure and a reconciliation to GAAP book value  
 2. As of June 30, 2013.  
 3. Par at the time of purchase.  
 4. 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 \$21 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 which carry a disproportionate rating agency capital charge**

### Completed <sup>1</sup>Terminations Since January 1, 2011

(\$ in millions)

	<u># of Policies</u>	<u>Net Par</u>	<u>Estimated Rating Agencies Model Benefit</u>
Pooled Corporates	100	\$13,189	\$10-\$60
Other	43	3,976	200-400
RMBS	31	961	0-3
Infrastructure	31	2,885	60-140
<u>Muni</u>	<u>6</u>	<u>99</u>	<u>0-2</u>
<b>Totals</b>	<b><u>211</u></b>	<b><u>\$21,110</u></b>	<b><u>\$300-\$600</u></b>

1. Through June 30, 2013

- **Penetration in the U.S. public finance market**
  - Municipal Assurance Corp. (“MAC”)
- **U.S. structured finance business activity**
- **International business activity**
- **Underwriting and pricing discipline**
- **Reinsurance platform**

# Creating Value

## New Business Production

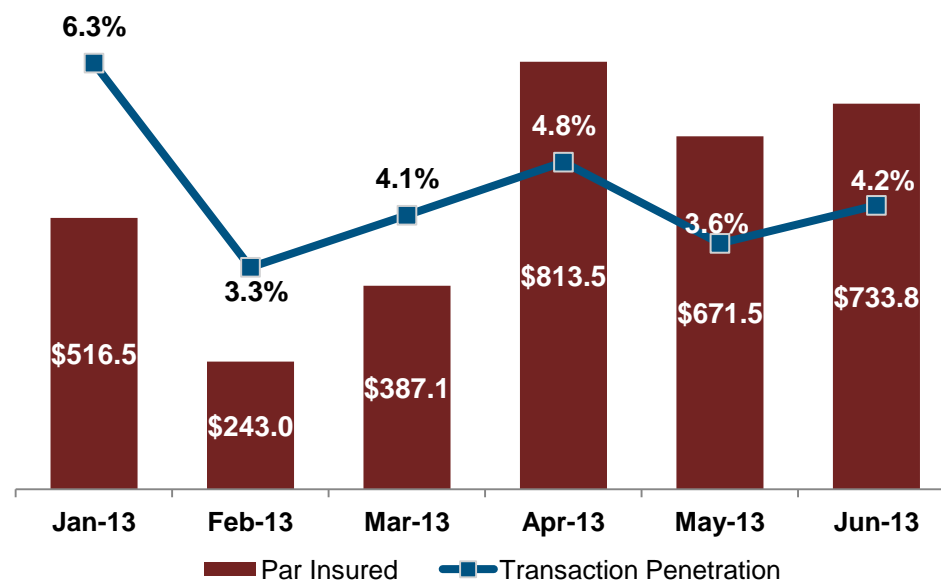
## Penetration in the U.S. Public Finance Market



- **We are focused on building demand for our guaranties, both in the primary and the secondary markets**
  - Secondary market policies totaled 95 in 2Q-13
- **The low interest rate environment and ratings uncertainty has put some pressure on market penetration**
  - Moody's downgrade in January 2013
  - Industry penetration was 30.1% of A-rated transactions in 2Q-13, up from 29.0% in 1Q-13
  - Industry par penetration for all transactions with underlying A ratings increased to 14.0% in 2Q-13, up from 7.9% in 1Q-13
- **Industry penetration for smaller deals remains strong at 9.5% of all transactions under \$25 million in 2Q-13**

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

(\$ in millions)



Total Par Issued	\$26,410	\$23,280	\$31,240	\$36,130	\$28,450	\$24,610
Total Transactions Issued	872	974	937	1,136	1,264	952

1. Source: SDC database, adjusted for underlying rating. As of June 30, 2013.



# Creating Value

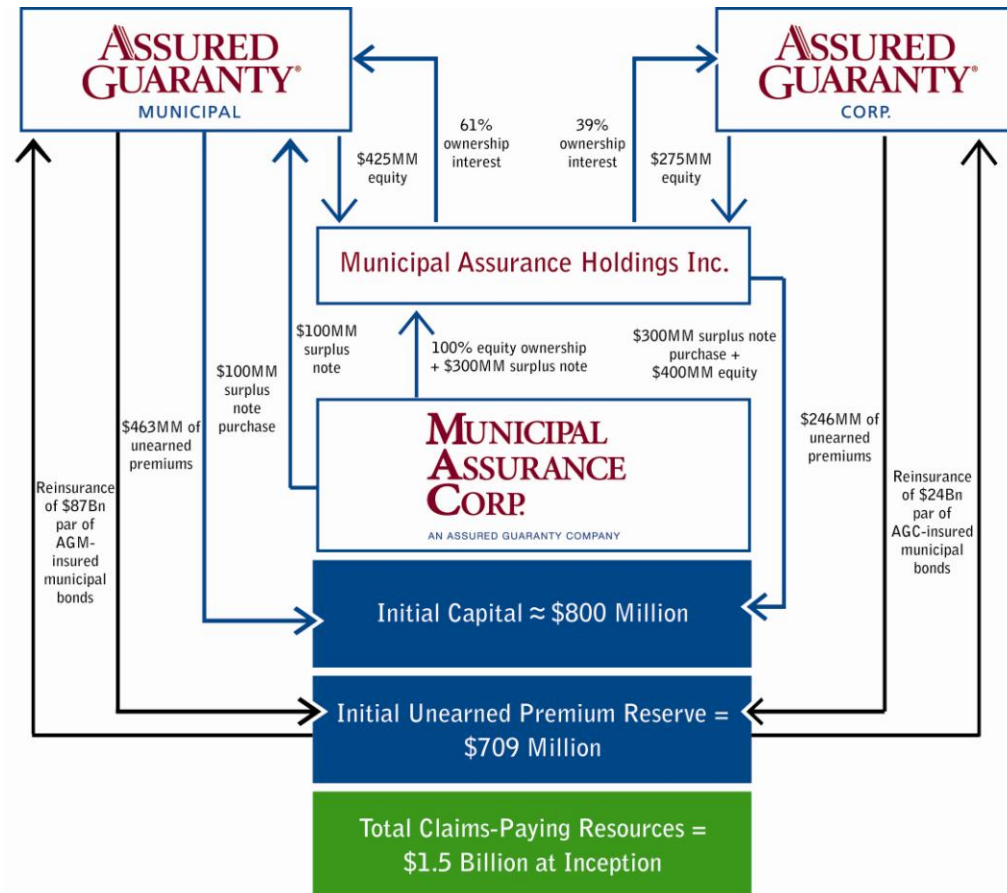
## New Business Production Municipal Assurance Corp.



- **New municipal only bond insurance company**
  - MAC is licensed in 37 states and the District of Columbia
- **\$1.5 billion in claims-paying resources**
- **AGM ceded \$87 billion in par and AGC ceded \$24 billion in par to MAC**

<b>Municipal Assurance Corp.<sup>1</sup></b> <b>(\$ in billions)</b>	<b>As of</b> <b>July 22, 2013</b>
Net par outstanding	\$111
Total investment portfolio	\$1.5
Total assets	\$1.5
Unearned premium reserve	\$0.7
Claims paying resources	\$1.5

### Capitalization of MAC<sup>1</sup>



1. All numbers are presented on a statutory basis except for par amounts, which are presented on a GAAP basis. Initial capital contributions are pretax.

# Creating Value

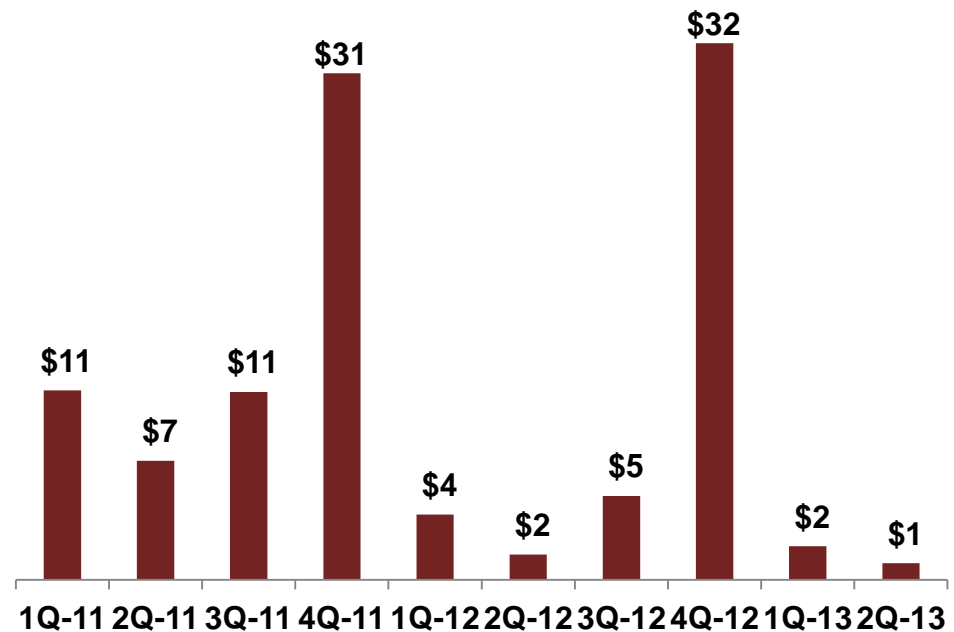
## New Business Production

### U.S. Structured Finance Business Activity



- 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 PVP<sup>1</sup> (\$ 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

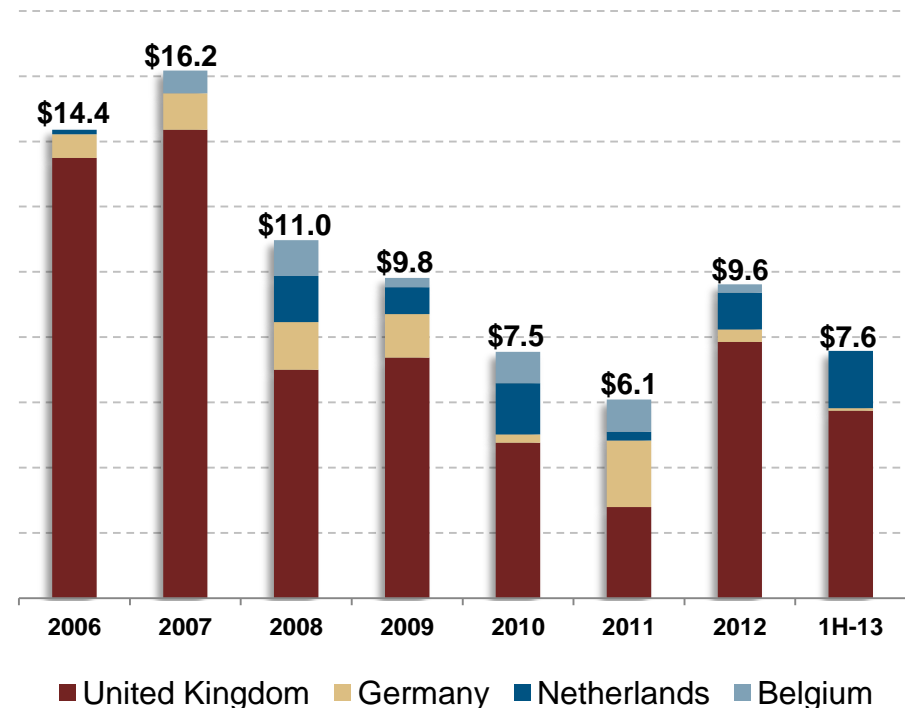
New Business Production  
International Business Activity



- During 3Q-13, wrapped the first public bond issue, since 2008, for a U.K. PPP transaction: £100 million bond issued by the “Sustainable Communities for Leeds (sc4l)” consortium to finance the redevelopment of the Little London, Beeston Hill and Holbeck areas in Leeds
- Also during 3Q-13, wrapped the second public bond issue, since 2008, for a U.K. PPP transaction: £63 million bond issued by Holyrood Student Accommodation PLC to finance the construction of postgraduate accommodation and associated facilities for the University of Edinburgh
- 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 Market Issuance<sup>1</sup>

(\$ in billions)



1. Source: [www.infra-deals.com](http://www.infra-deals.com). Includes social infrastructure and transportation sectors.

# Creating Value

## New Business Production

### Underwriting and Pricing Discipline



- Our focus on underwriting discipline and pricing has continued throughout the financial crisis as our average rating for new business remains unchanged
- New business written reflects the current economic environment
  - Low interest rate environment
  - Tighter credit spreads in the bond market
  - Ratings recalibration by Moody's in 2010

### Gross Par Written for 2Q-13 and 2Q-12

	Quarter Ended June 30, 2013		Quarter Ended June 30, 2012	
	Gross Par Written	Avg. Rating <sup>1</sup>	Gross Par Written	Avg. Rating <sup>1</sup>
<b>Sector:</b>				
U.S. public finance	\$2,276	A-	\$4,670	A-
Non-U.S. public finance	-	-	35	BBB-
<b>Total public finance</b>	<b>\$2,276</b>	<b>A-</b>	<b>\$4,705</b>	<b>A-</b>
U.S. structured finance	-	-	-	-
Non-U.S. structured finance	-	-	-	-
<b>Total structured finance</b>	<b>\$-</b>	<b>-</b>	<b>\$-</b>	<b>-</b>
<b>Total gross par written</b>	<b>\$2,276</b>	<b>A-</b>	<b>\$4,705</b>	<b>A-</b>

1. Internal average rating

# Creating Value

## New Business Production

### Reinsurance Platform



- **Reassumption of previously ceded business 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 \$19.2 billion of par in 2012
- **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>2</sup>

As of June 30, 2013

(\$ in millions)	Net Par Outstanding
<b>American Overseas Re</b> (formerly RAM Re)	\$8,971
<b>Tokio Marine</b>	7,634
<b>Radian</b>	4,897
<b>Syncora</b>	4,031
<b>Mitsui</b>	2,176
<b>Others</b>	2,383
<b>Total</b>	<b>\$30,092</b>

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.

# Underlying Value

## Selected Company Assets and Liabilities



### Selected Company Assets and Liabilities

As of June 30, 2013

(\$ in millions, except per share)

Total investment portfolio	\$10,637
Cash	143
Premiums receivable, net of ceding commissions payable	915
Salvage and subrogation recoverable	331
Ceded unearned premium reserve	510
Unearned premium reserve	4,812
Expected loss to be paid, net of expected recoveries to be collected	774
Debt	827
Reinsurance payable	188
<b>Total investment portfolio and cash, per share</b>	<b>\$58.90</b>
<b>Expected loss to be paid, net of expected recoveries, per share</b>	<b>\$4.23</b>
<b>Debt, per share</b>	<b>\$4.52</b>

- **Investment portfolio comprises 64% of our total assets, of which 90% is invested in fixed income securities**
  - Highly rated, with 75% of fixed maturity and short-term investments rated AA or higher; average rating of AA-
  - Very liquid with over \$1.0 billion invested in short-term investments and cash
  - Overall duration of portfolio is 4.9 years
- **Deferred revenue comprises 40% of our total liabilities**
  - Liability diminishes over time as the portfolio amortizes

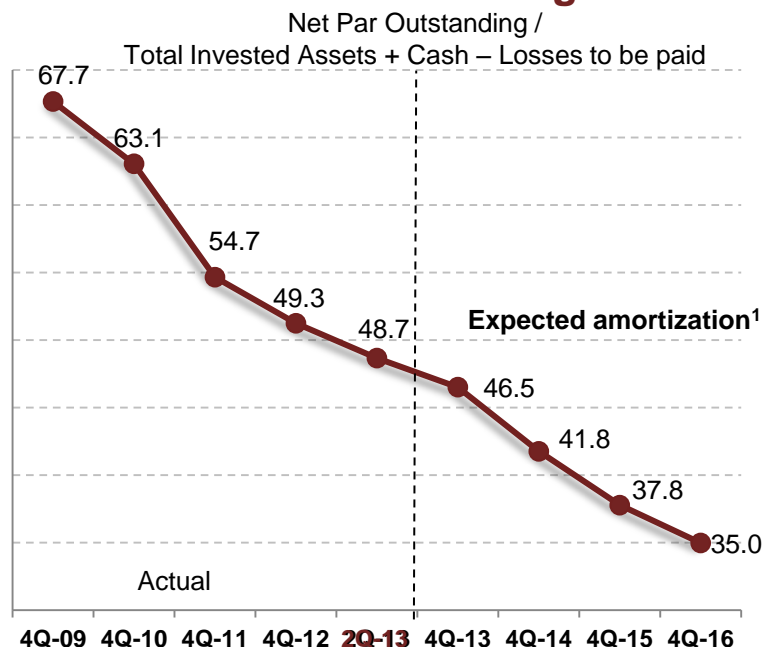
# Underlying Value

## Deleveraging While Maintaining Total Invested Assets



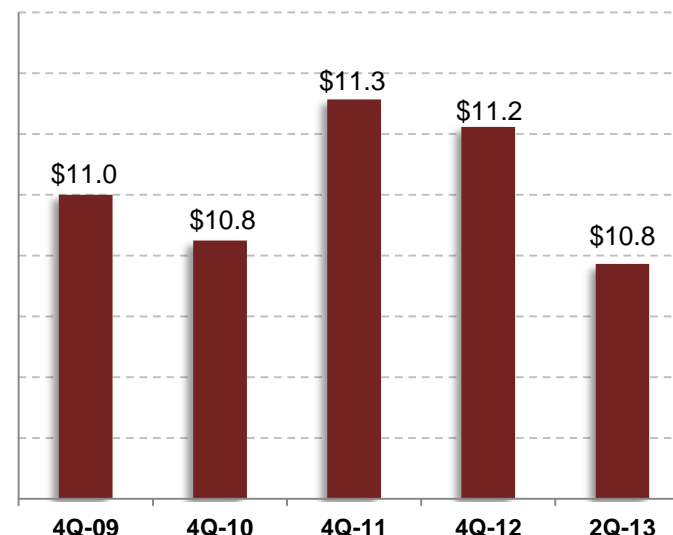
- **Our net par outstanding to total invested assets and cash net of losses to be paid has declined from 68:1 in 4Q-2009 to 49:1 as of 2Q-2013, putting us in a stronger capital position**
  - Deleveraging should continue in the near term as new business is not expected to replace the amortization of the structured finance portfolio
- **Deleveraging has occurred while year-end total invested assets and cash has remained comparable to those of prior years**

### Portfolio Leverage



### Total Invested Assets and Cash<sup>2</sup>

(\$ in billions)



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

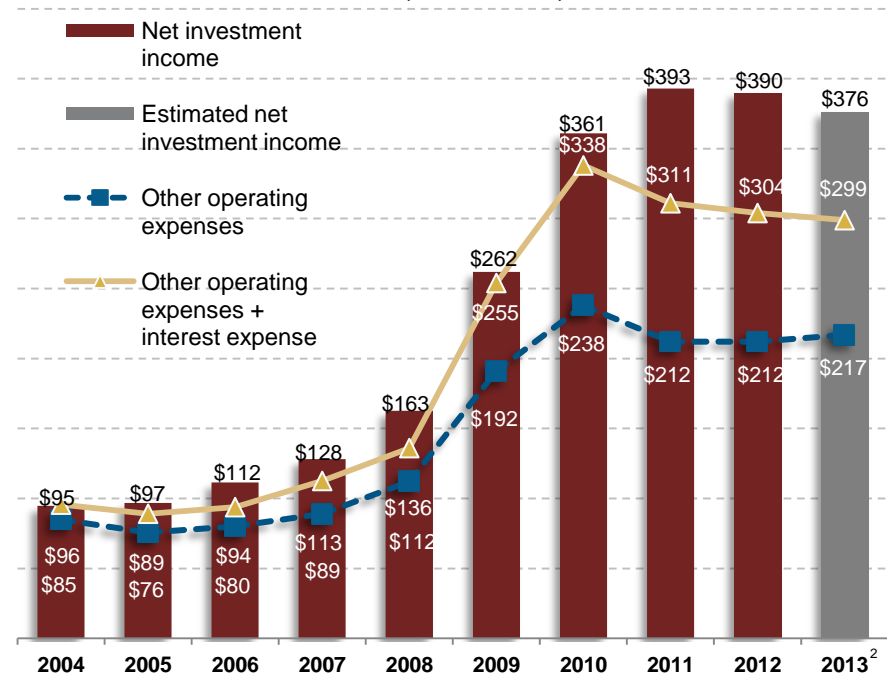
# Underlying Value

## Investment Income Generates Capital



- Investment income is higher than the combination of operating and interest expenses, a spread that fosters capital growth

**Investment Income<sup>1</sup>**  
(\$ in millions)



- Investment income used in calculating operating income, a non-GAAP financial measure. For an explanation of operating income, please refer to the appendix.
- The amounts shown are the YTD-2013 amounts annualized, after adjusting for \$6.3 million of other operating expenses for retirement eligible employees absorbed in first quarter costs.



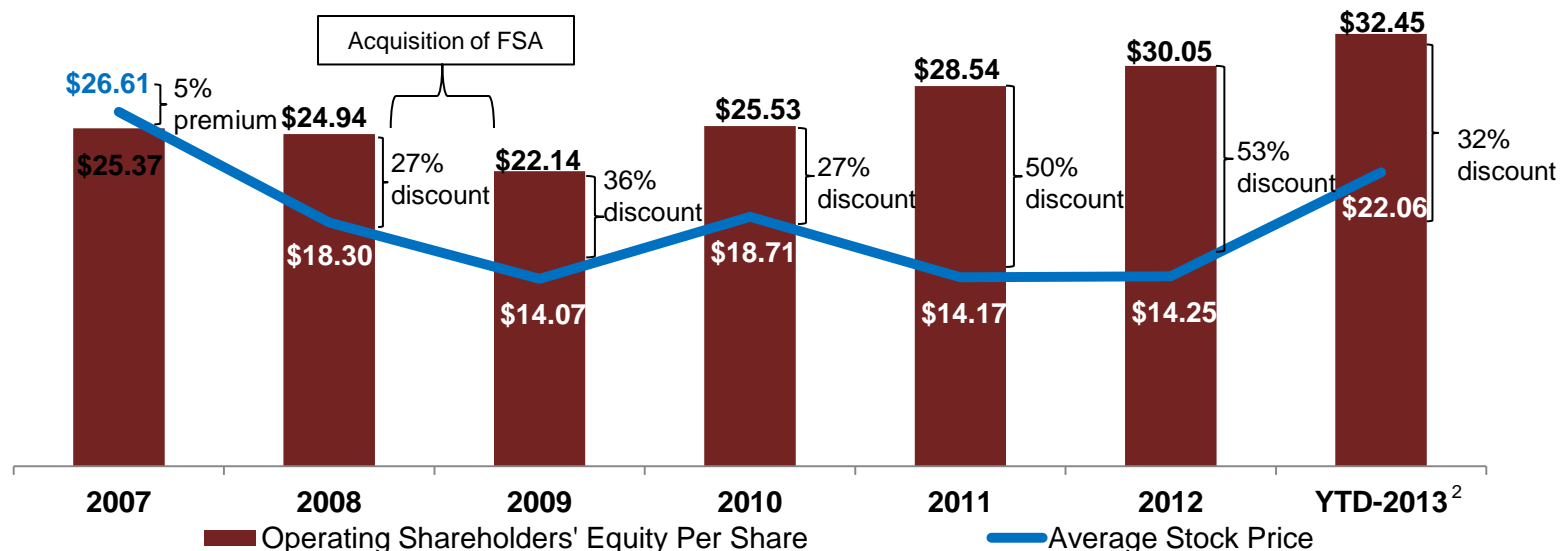
# Underlying Value

## Historical Growth



- Despite the financial crisis that began in 2007, operating shareholders' equity per share<sup>1</sup> has increased 28% and grown at a 5% CAGR during this period
- Shares have traded at a discount to operating shareholders' equity per share, due 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<sup>1</sup>



1. Operating shareholders' equity is a non-GAAP measure. For a definition of operating shareholders' equity, please review the Appendix.

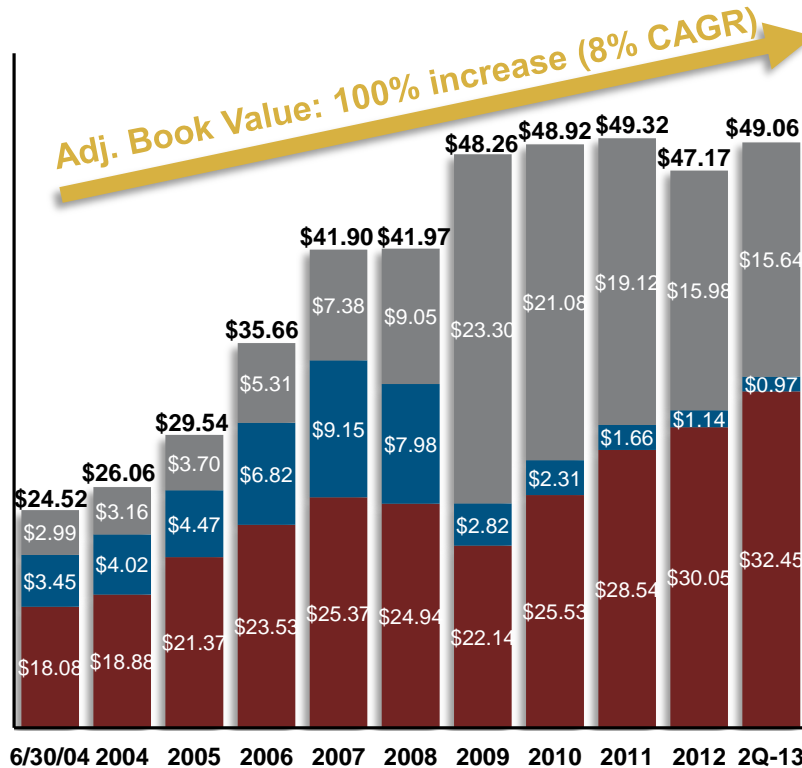
2. YTD-2013 is average closing share price through June 30, 2013.

# Underlying Value

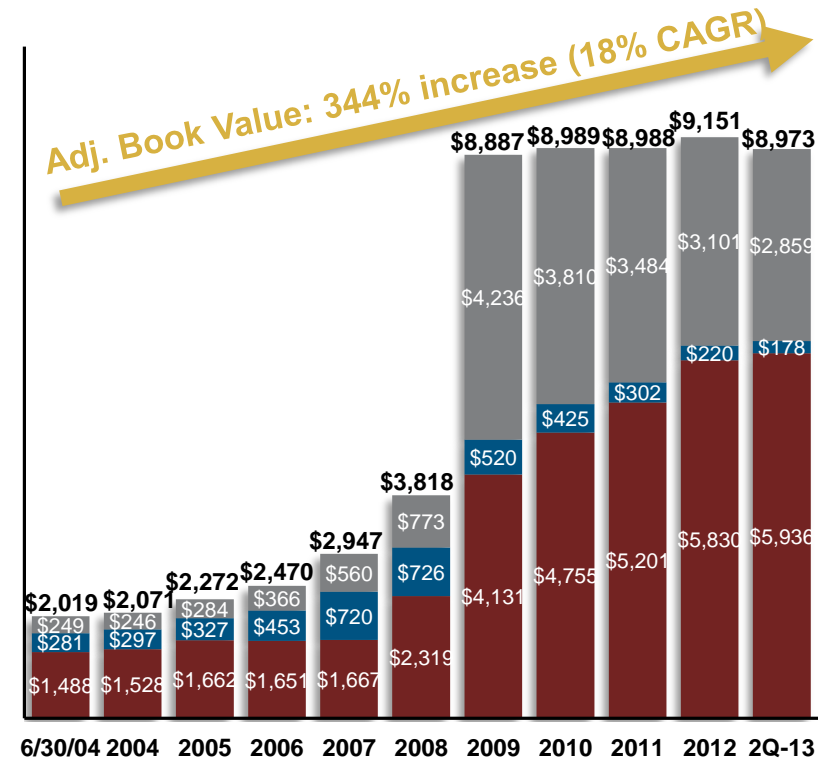
## Historical Growth



### Adjusted Book Value<sup>1</sup> per Share



### Adjusted Book Value<sup>1</sup> (\$ 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 financial guaranty variable interest entities ("FG VIEs") where the Company is determined to be the control party through rights under our financial guaranty insurance contracts. For those FG 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.

# Financial Results

June 30, 2013



# Second Quarter 2013 Operating Results

(Excluding Consolidation of VIEs)



(\$ in millions, except per share data)	Quarter Ended June 30,		% Change vs. 2Q-12
	2013	2012	
<b>Net earned premiums and credit derivative revenues<sup>1</sup></b>	\$218	\$269	(19)%
<b>Net investment income<sup>2</sup></b>	94	97	(3)%
<b>Total revenues included in operating income</b>	309	367	(16)%
<b>Loss &amp; LAE and incurred losses on credit derivatives<sup>3</sup></b>	96	122	(21)%
<b>Total expenses included in operating income</b>	170	205	(17)%
<b>Operating income</b>	98	114	(14)%
<b>Operating income per diluted share</b>	<b>0.52</b>	<b>0.61</b>	<b>(15)%</b>
<b>Operating ROE<sup>4</sup></b>	<b>6.5%</b>	<b>8.5%</b>	<b>(2.0) pp</b>
<b>After-tax gain (loss) on derivatives</b>	\$28	\$160	(83)%
<b>Net income (loss)</b>	219	377	(42)%
<b>Net income (loss) per diluted share</b>	<b>1.16</b>	<b>2.01</b>	<b>(43)%</b>

NM = Not meaningful pp = percentage points

1. Included \$15 million and \$16 million related to consolidation FG VIEs that was eliminated during quarters ended June 30, 2013 and 2012, respectively, in GAAP reported results due to consolidation.

2. Included \$1 million and \$(4) million of adjustments to GAAP reported amounts that was related primarily to consolidation of FG VIEs that was eliminated during the quarter ended June 30, 2013 and 2012, respectively.

3. Included \$34 million and \$4 million of adjustments to GAAP reported amounts that was related primarily to consolidation of FG VIEs that was eliminated during the quarters ended June 30, 2013 and 2012, respectively.

4. ROE calculations represent annualized returns.

# Loss Expense Accounting<sup>1</sup> and Economic Loss Development



- **Loss expense included in operating income does not necessarily represent the Company's economic loss development in a period**
  - All losses must be calculated on a transaction by transaction basis, and each transaction's expected loss estimate, net of R&W estimated recoveries, is compared with the deferred premium reserve of that transaction. When the expected loss exceeds the deferred premium revenue, a loss is recognized in operating income for the amount of such excess
  - A portion of loss expense is the recognition of previous economic loss development that had not yet breached unearned premium reserve
- **Management uses economic loss development to evaluate credit impairments or improvements**
  - Economic loss development calculates the expected change in future losses due to change in delinquencies, interest rates, loss severities and loss mitigation and other factors that affect ultimate loss experience, excluding the effects of deferred premium revenue

(\$ in millions, except per share data)	2Q-13	2Q-12
<b>Loss expense (benefit) on FG and CDS included in operating income:</b>		
Before tax	\$96	\$121
After tax	80	97
Per diluted share	0.42	0.52
<b>Economic loss development unfavorable (favorable)</b>		
Before tax	\$87	\$89
After tax	79	73
Per diluted share	0.42	0.39

1. Please see the appendix for an explanation of operating income, a non-GAAP financial measure that includes loss expense accounting, and a reconciliation to net income.

# Portfolio Overview

June 30, 2013



# Four Discrete Operating Companies With Separate Capital Bases



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

As of June 30, 2013

(\$ in millions)	Assured Guaranty Municipal Corp.	Assured Guaranty Corp.	Assured Guaranty Re Ltd. <sup>1</sup>	Municipal Assurance Corp. <sup>2</sup>	Eliminations <sup>3</sup>	Consolidated
<b>Claims-paying resources</b>						
Policyholders' surplus	\$ 1,798	\$ 904	\$ 1,055	\$ 75	\$ (300)	\$ 3,532
Contingency reserve	1,655	891	-	-	-	2,546
<b>Qualified statutory capital</b>	<b>3,453</b>	<b>1,795</b>	<b>1,055</b>	<b>75</b>	<b>(300)</b>	<b>6,078</b>
Unearned premium reserve	1,944	723	943	-	-	3,610
Loss and loss adjustment expense reserves <sup>4, 5</sup>	214	174	255	-	-	643
<b>Total policyholders' surplus and reserves</b>	<b>5,611</b>	<b>2,692</b>	<b>2,253</b>	<b>75</b>	<b>(300)</b>	<b>10,331</b>
Present value of installment premium <sup>5</sup>	416	290	211	-	-	917
Standby line of credit/stop loss	200	200	-	-	-	400
Excess of loss reinsurance facility	435	435	-	-	(435)	435
<b>Total claims-paying resources</b>	<b>\$ 6,662</b>	<b>\$ 3,617</b>	<b>\$ 2,464</b>	<b>\$ 75</b>	<b>\$ (735)</b>	<b>\$ 12,083</b>
Net par outstanding <sup>6</sup>	\$ 260,148	\$ 87,241	\$ 116,092	-	\$ (1,720)	\$ 461,761
Net debt service outstanding <sup>6</sup>	\$ 391,974	\$ 128,420	\$ 183,921	-	\$ (3,567)	\$ 700,748
<b>Ratios:</b>						
Net par outstanding to qualified statutory capital	75:1	49:1	110:1	N/A		76:1
Capital ratio <sup>7</sup>	114:1	72:1	174:1	N/A		115:1
Financial resources ratio <sup>8</sup>	59:1	36:1	75:1	N/A		58:1

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, which it has renamed Municipal Assurance Corp. ("MAC"), from Radian Asset Assurance Inc. ("Radian") on May 31, 2012. As of June 30, 2013, MAC has not written any business. In July 2013, MAC was launched as a new US municipal only bond insurance company with \$1.5 billion in claims-paying resources and capitalized to approximately \$800 million through cash and securities. In 2009, AGC issued a \$300 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.

3. Reserves are reduced by approximately \$0.9 billion for benefit related to representation and warranty recoverables.

4. Includes financial guaranty insurance and credit derivatives.

5. 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).

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

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



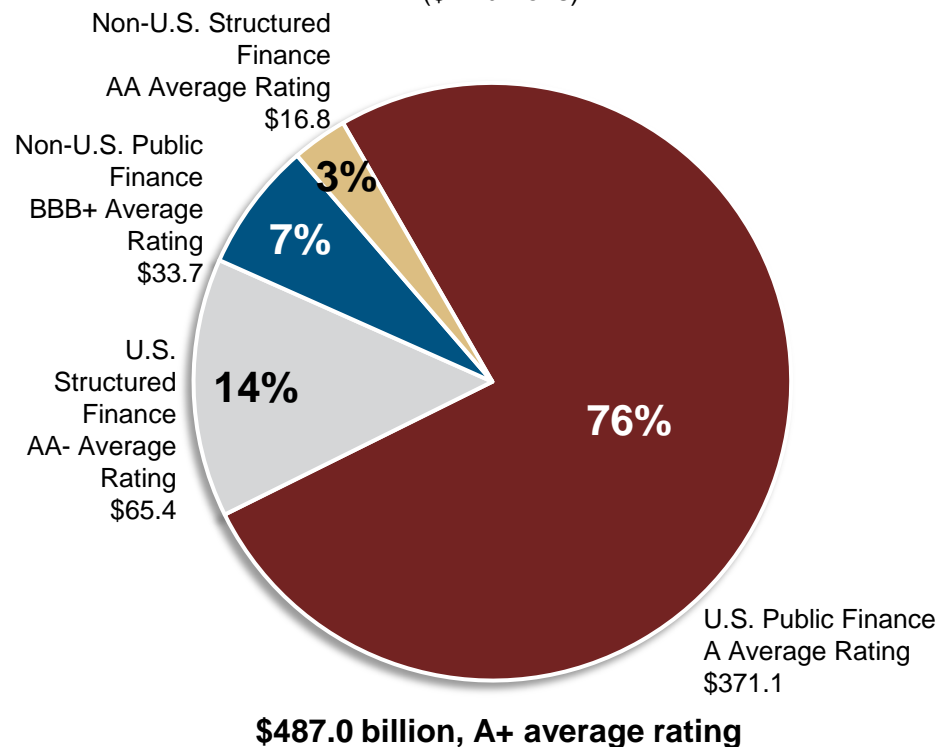
# Net Par Outstanding By Sector



- **Assured Guaranty's portfolio is largely concentrated in U.S. public finance**
  - 76% U.S. public finance
  - 14% U.S. structured finance
  - 11% International
- **Our portfolio has an A+ average internal credit rating**
  - 4.4% below investment grade
- **U.S. RMBS is our largest BIG exposure**
  - \$9.6 billion (44% of total BIG) is U.S. RMBS (includes \$1.4 billion purchased for loss mitigation)
  - Plus \$923 million of triple-X life securitization transactions with assets invested in RMBS (includes \$200 million purchased for loss mitigation)

## Consolidated Net Par Outstanding

As of June 30, 2013  
(\$ in billions)

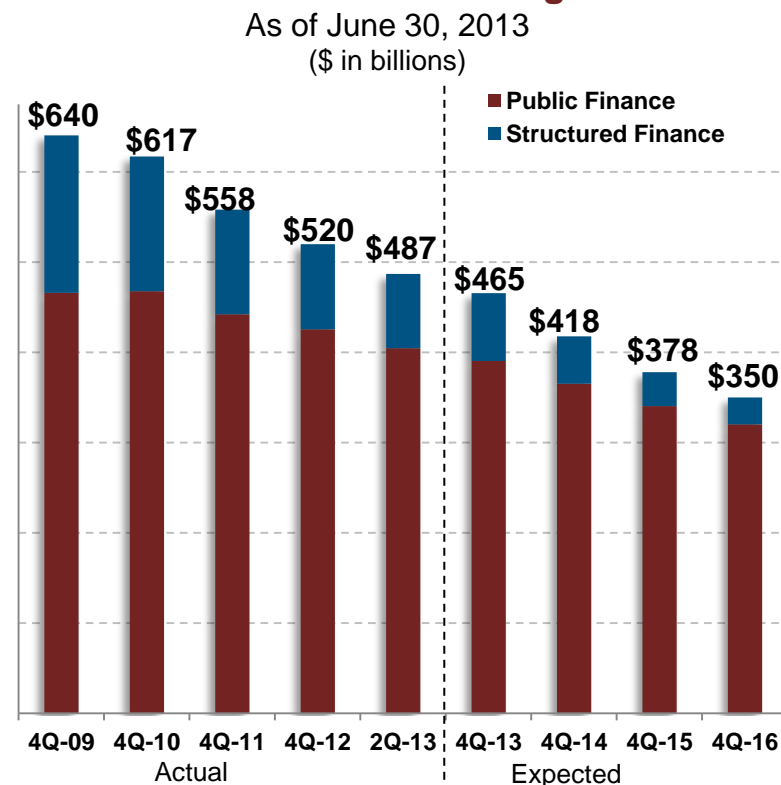




# Net Par Outstanding Amortization

- **Amortization of the portfolio reduces rating agency capital charges, but also embedded future earned premiums**
- **Public finance exposure amortizes at a steady rate**
  - \$405 billion outstanding
  - 4% expected to amortize by the end of 2013; 10% by the end of 2014; 21% by the end of 2016
- **Structured finance exposure amortizes quickly**
  - \$82 billion outstanding
  - 9% expected to amortize by the end of 2013; 36% by the end of 2014; 64% by the end of 2016
- **New business originations, either through direct, reinsurance or reassumption, will increase future premiums**

## Consolidated Net Par Outstanding Amortization<sup>1</sup>



1. Represents the future expected amortization of current net par outstanding as of June 30, 2013. 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.

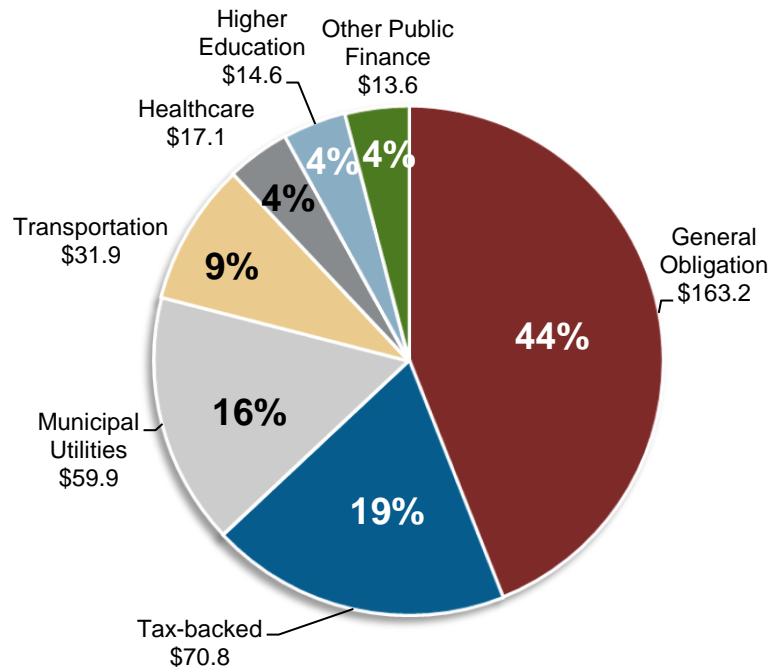
# U.S. Public Finance

## Net Par Outstanding



### U.S. Public Finance

As of June 30, 2013  
(\$ in billions)



**\$371.1 billion, A average rating**

- **U.S. public finance net par outstanding is \$371.1 billion, which is 76% of our total as of June 30, 2013**
- **Our U.S. public finance portfolio has performed well despite increased financial pressure on municipal obligors caused by the recession**
  - Out of approximately 10,000 direct U.S. public finance obligors, we expect future losses to be paid, net of recoveries, on less than a dozen. In 2Q-13 we made payments on only four.
- **General obligation, tax-backed and municipal utilities represent 79% of U.S. public finance net par outstanding**
  - 60% of total net par outstanding

# Selected Defaulted U.S. Municipal Exposures



- **Jefferson County filed Chapter 9 plan of adjustment with bankruptcy court in July 2013. The bankruptcy court approved Jefferson County's disclosure statement and related solicitation procedures in August 2013. Jefferson County will solicit voters of creditors for its plan of adjustment. Plan confirmation is expected to be completed by year-end 2013. The current plan is expected to be within current Assured Guaranty reserves.**
- **Judge Klein declared Stockton eligible for bankruptcy in April 2013**
- **Harrisburg cannot file for bankruptcy under the receiver without the consent of the Commonwealth**

<b>Selected Defaulted U.S. Municipal Exposures</b>	<b>Net Par Outstanding</b>	<b>Internal Rating</b>
<b>Jefferson County Sewer</b>	<b>\$464 million</b>	<b>D</b>
<b>Stockton<sup>1</sup></b>	<b>\$155 million<sup>1</sup></b>	<b>D</b>
<b>Harrisburg</b>	<b>\$92 million</b>	<b>B-</b>

1. \$34.7 million purchased, 22% owned

(\$ in millions)

## Detroit Exposure by Par and Exposure Type

Municipal Utility Exposure	Net Par Outstanding	Internal Rating
Water	\$793	BBB
Sewer	<u>\$1,040</u>	BBB
<b>Total</b>	<b>\$1,833</b>	

General Obligation or General Fund Exposures <sup>1</sup>	Net Par Outstanding	Internal Rating
General Obligation Unlimited Tax	\$146	CCC
Certificates of Participation	<u>\$175</u>	D
<b>Total</b>	<b>\$321</b>	

- **Municipal utilities exposure is \$1,040 million of sewer revenue bonds and \$793 million of water revenue bonds for service areas that extend beyond the City limits, which are secured by a lien on “special revenues”**
  - The principal of and interest on the water revenue bonds are secured by a lien on the net revenues of the water supply system. In fiscal year 2012, net revenues covered debt service on first and second lien bonds 1.18 times.
  - The principal of and interest on the sewer revenue bonds are secured by a lien on the net revenues of the sewage disposal system. In fiscal year 2012, net revenues covered debt service on first and second lien bonds 1.36 times.
- **The average annual debt service of Assured Guaranty’s Detroit general obligation unlimited tax exposure during the next 10 years is \$15.3 million and for the general fund certificates of participation is \$12.4 million per year**

1. Assured Guaranty had paid \$2 million in the second quarter of 2013.

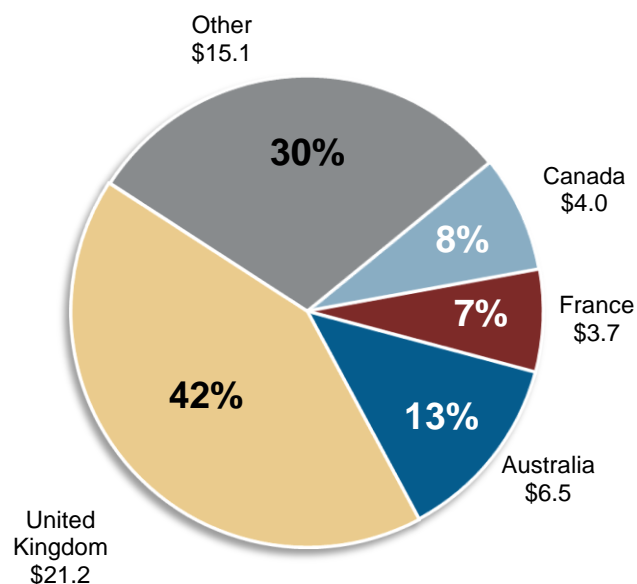
# Consolidated International Finance

## International Public and Structured Finance Net Par Outstanding



### International Finance

As of June 30, 2013  
(\$ in billions)



**\$50.5 billion, A average rating**

- **International exposure is 67% public finance and 33% structured finance**
- **Approximately 74% of international structured exposure is to pooled corporates**
  - 85% are rated A or higher
- **Direct sovereign debt is limited to:**
  - Poland \$243 million

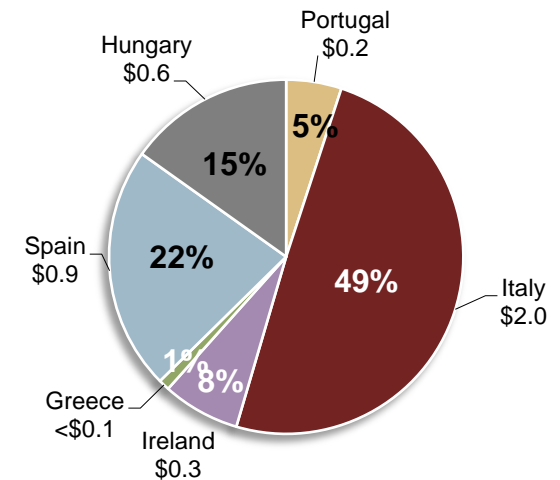
# Insured Obligations Within Troubled Eurozone Countries<sup>1</sup>



- Approximately 44%, or \$1.9 billion, of net par outstanding of exposure to troubled Eurozone countries is to structured finance transactions
- M6 Toll Road is a 58km dual carriage motorway from Budapest south towards the Croatian border
  - 100% availability paid by the Minister of Economy and Transport, representing the Hungarian government
- Spanish exposures are linked to the regional governments of Valencia, Castile La Mancha, and Catalunya

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

As of June 30, 2013  
(\$ in billions)



**\$4.2 billion, A- average rating**

### BIG Exposures to Troubled Eurozone Countries

(\$ in millions)					
Name or Description	Country	Internal Rating	Expected Maturity	Net Par Outstanding	
M6 (Hungary) - Refinancing – Senior	Hungary	BB	2025	377	
Valencia Fair	Spain	BB-	2026, 2027	250	
Autovia de la Mancha, S.A.	Spain	BB-	2031, 2033	142	
FHB 9.75% 2016	Hungary	BB	2016, 2019	123	
OTP 4.48% 2012	Hungary	BB+	2019	85	
Metro de Porto, Portugal	Portugal	B+	2028, 2030	56	
Metro Lisboa Rail Equip Lease	Portugal	B+	2025	24	
Metropolitano De Lisboa	Portugal	B+	2016	21	
Caminhos de Ferro Portugueses, EP	Portugal	B+	2013, 2014, 2015	16	
Catalunya, Generalitat De (Spain)	Spain	BB-	2015	10	
Gleneagles Funding Limited	Ireland	BB	2037	7	
Universidades De Generalidad De Valencia <sup>2</sup>	Spain	BB-	2013, 2017, 2020, 2022	6	
OTP Mortgage Bank Ltd.	Hungary	BB+	2019	5	
CACSA	Spain	BB-	2019, 2021, 2025	3	
Rome Airport - Aeroporti Di Roma	Italy	BB+	2015	2	
FHB Land Credit and Mortgage Bank	Hungary	BB	2013	1	
<b>Total</b>				<b>\$1,128</b>	

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

2. On December 15, 2013, \$1.6 million (28% of the deal's total NPO) is expected to mature.

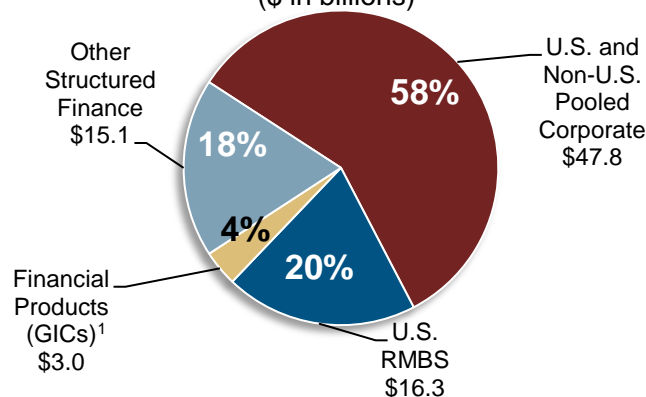
# Structured Finance Exposures

## Net Par Outstanding



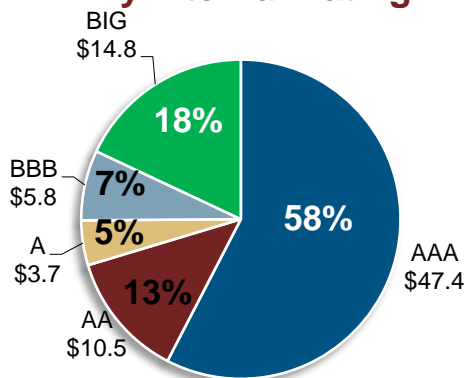
### By Type

As of June 30, 2013  
(\$ in billions)



**\$82.2 billion, AA- average rating**

### By Internal Rating



- **We expect Assured Guaranty's global structured finance insured portfolio (\$82.2 billion as of June 30, 2013) to amortize rapidly — 36% by year-end 2014 and 64% by year-end 2016.**
  - \$47.8 billion in global pooled corporate obligations expected to be reduced by 46% by year-end 2014 and by 74% by year-end 2016
  - \$16.3 billion in U.S. RMBS expected to be reduced by 27% by year-end 2014 and by 56% by year-end 2016
- **Assured Guaranty and AGM's total structured finance exposures of \$240.9 billion at December 31, 2007 have declined by \$158.7 billion to \$82.2 billion through June 30, 2013, a 66% reduction, or approximately \$29 billion per year.**

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. As of June 30, 2013, the aggregate accreted balance of the guaranteed investment contracts ("GICs") was approximately \$2.9 billion. As of the same date, with respect to the assets supporting the GIC business, the aggregate accreted principal balance was approximately \$4.4 billion, the aggregate market value was approximately \$4.2 billion and the aggregate market value after agreed reductions was approximately \$3.2 billion. Cash and net derivative value constituted another \$0.4 billion of assets.

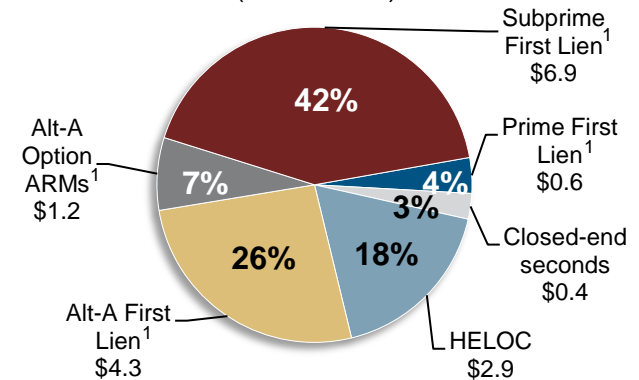
# Consolidated U.S. RMBS



- **Our \$16.3 billion U.S. RMBS portfolio is amortizing on a dollar basis and as a percentage of the portfolio**
  - Total U.S. RMBS has declined from \$29.2 billion at December 31, 2009 to \$16.3 billion at June 30, 2013, a \$12.9 billion or 44% reduction
- **Our loss reserving methodology is driven by our assumptions on several factors with a key variable on new delinquencies:**
  - Conditional default rate
  - Conditional prepayment rate
  - Loss severity
- **We have significantly mitigated ultimate losses**
  - R&W putbacks, litigation and agreements
  - Wrapped bond purchases
  - Terminations

## U.S. RMBS by Exposure Type

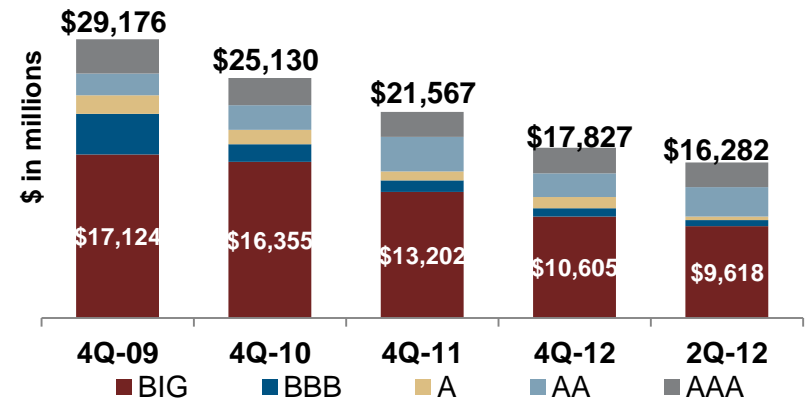
As of June 30, 2013  
(\$ in billions)



**\$16.3 billion**  
(3.3% of net par outstanding)

## By Internal Rating

Net Par Outstanding from December 31, 2009 to June 30, 2013



1. The Company has reclassified certain net par outstanding from below investment grade to investment grade due to reinsurance agreements or arrangements.

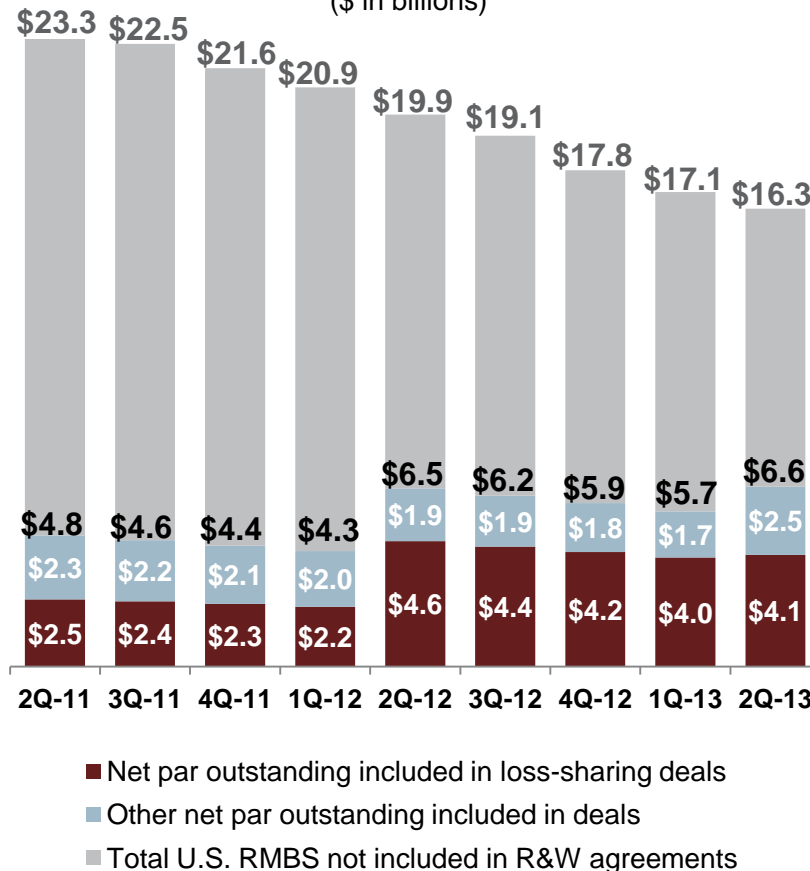


# U.S. RMBS Exposure Loss-sharing Arrangements



## Net Par Outstanding Included in R&W Agreements by Quarter

(\$ in billions)



- **41% of total U.S. RMBS is included in R&W agreements**
- **25% of total U.S. RMBS is included in loss-share arrangements**
- **Counterparties include Bank of America, Deutsche Bank, UBS, Flagstar, as well as other confidential agreements**
  - Bank of America agreed to reimburse 80% of paid losses on first lien transactions up to a lifetime collateral loss cap of \$6.6 billion
  - Deutsche Bank agreed to reimburse 0% - 85% of losses on financial guaranty contracts and increase the equivalent of a first loss provision for certain CDS in an amount ranging from 0% - 100% of losses on certain securities, with certain corridors of unreimbursed losses
  - UBS agreed to reimburse 85% of future claims with no ceiling
  - Flagstar agreed to reimburse 100% of future losses

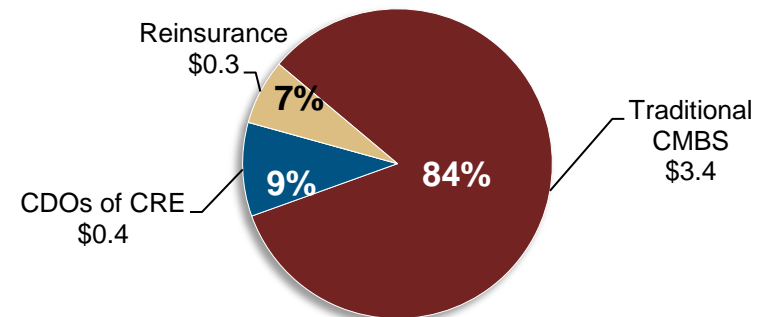
# U.S. CMBS Exposure



- **We have three types of U.S. commercial mortgage-backed securities (CMBS) transactions**
  - Traditional CMBS - \$3.4 billion
  - Collateralized debt obligations (“CDOs”) of commercial real estate (“CRE”) - \$376 million
  - We also have assumed par of \$255 million
- **We have maintained a conservative underwriting stance on CMBS**
  - Low levels of CMBS historically
  - Focus on senior exposures and whole loans
  - AGM did not underwrite CMBS
- **Our portfolio was largely triple-A at underwriting and remains highly rated as of June 30, 2013**
  - Most deals written with triple-A rating at inception with high attachment points
  - One deal was single-A at underwriting
  - Approximately 99% of traditional direct U.S. CMBS exposure had internal rating of AAA as of June 30, 2013

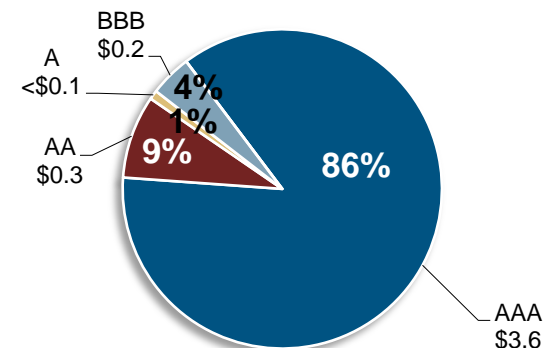
## U.S. CMBS by Exposure Type

As of June 30, 2013  
(\$ in billions)



**\$4.0 billion**  
**(0.8% of total net par outstanding)**

## By Internal Rating



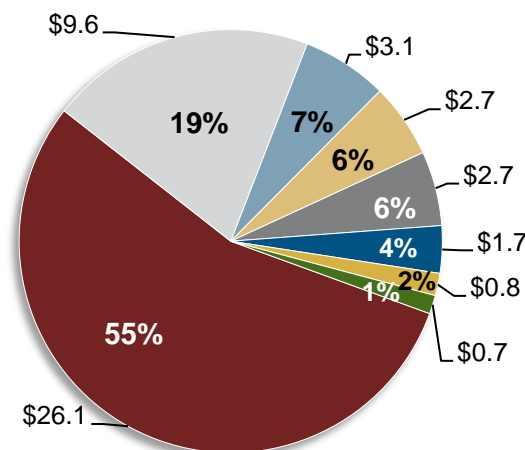
# Direct Pooled Corporate Obligations



- **Our direct pooled corporate exposure is highly rated and well protected**
  - 84.2% rated AAA
  - Average credit enhancement (“CE”) of 30.7%,
- **9% expected to amortize by the end of 2013; 46% by the end of 2014; 74% by the end of 2016**
- **Within our direct pooled corporate exposure, our \$5.2 billion of Trust Preferred Securities (“TruPS”) CDO is diversified by region and collateral type**
  - Includes more than 1,400 underlying issuers
  - All our exposure at the CDO level is to the most senior debt tranche
  - Weighted average rating of BB+, weighted average adjusted CE<sup>2</sup> of 36.1%

## Direct Pooled Corporate Obligations By Asset Class

As of June 30, 2013  
(\$ in billions)



**\$47.4 billion, AAA average rating**

- CLOs/CBOs<sup>1</sup>
- Synthetic investment grade pooled corporates
- Market value CDOs of corporates
- Synthetic high yield pooled corporates
- TruPS - Banks and insurance
- TruPS - U.S. mortgage and REITs
- TruPS - European mortgage and REITs
- Other pooled corporates

1. CLOs are collateralized loan obligations. CBOs are collateralized bond obligations.

2. Adjusted CE (Credit Enhancement) is the amount of collateral par above senior liabilities (and shown as a percentage of total collateral) with adjustments made for restructured collateral (to reflect expected reduced cashflow) and for non-performing collateral; U.S. Mortgage & Real Estate TruPS CDOs also include an adjustment to reflect overhedging and outstanding hedge termination payments obligations.

# Below Investment Grade Exposures

## Net Par Outstanding by Category



- The majority of our BIG exposures in categories 2 and 3 are in structured finance – specifically RMBS
- Category 1 BIG are transactions that show sufficient deterioration to make lifetime losses possible but none are expected, was \$7.5 billion at June 30, 2013

### Financial Guaranty Insurance and Credit Derivatives Surveillance Categories<sup>1</sup>

(\$ in millions)	June 30, 2013 <sup>2</sup>	December 31, 2012 <sup>2</sup>
<b>Category 1</b>		
U.S. public finance	\$3,389	\$3,290
Non-U.S. public finance	992	2,293
U.S. structured finance	2,158	2,687
Non-U.S. structured finance	942	984
Total Category 1	7,481	9,254
<b>Category 2</b>		
U.S. public finance	659	500
Non-U.S. public finance	898	-
U.S. structured finance	4,205	4,550
Non-U.S. structured finance	49	57
Total Category 2	5,811	5,107
<b>Category 3</b>		
U.S. public finance	882	813
Non-U.S. public finance	-	-
U.S. structured finance	6,535	7,295
Non-U.S. structured finance	923	923
Total Category 3	8,340	9,031
<b>BIG Total</b>	<b>\$21,632</b>	<b>\$23,392</b>

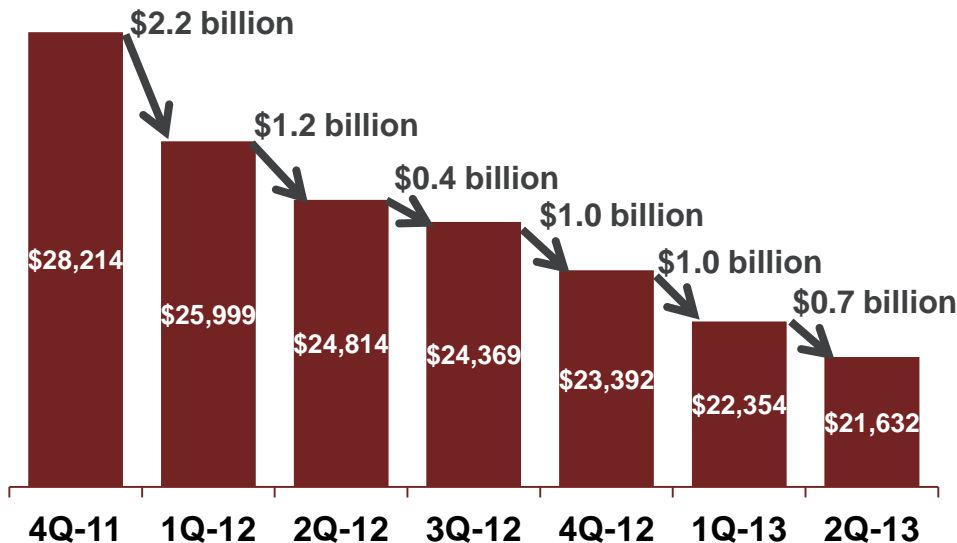
1. Assured Guaranty's surveillance department is responsible for monitoring our portfolio of credits and maintains a list of BIG credits. BIG Category 1: Below investment grade transactions showing sufficient deterioration to make lifetime losses possible, but for which none are currently expected. Transactions on which claims have been paid but are expected to be fully reimbursed (other than investment grade transactions on which only liquidity claims have been paid) are in this category. BIG Category 2: Below investment grade transactions for which lifetime losses are expected but for which no claims (other than liquidity claims) have yet been paid. BIG Category 3: Below investment grade transactions for which lifetime losses are expected and on which claims (other than liquidity claims) have been paid. Transactions remain in this category when claims have been paid and only a recoverable remains.
2. Securities purchased for loss mitigation purposes represented \$1,193 million and \$1,133 million of gross par outstanding as of June 30, 2013 and December 31, 2012, respectively. In addition, under the terms of certain credit derivative contracts, the Company has obtained the underlying collateral of transactions and recorded it in invested assets in the consolidated balance sheets. Such amounts totaled \$219 million and \$220 million in gross par outstanding as of June 30, 2013 and December 31, 2012, respectively.

# BIG Exposure Decline



- Since 4Q-11, BIG net par outstanding has declined by \$6.6 billion<sup>1</sup>
- FX change (weakness of the U.S. dollar) has contributed only \$93 million to the decrease in BIG net par outstanding since 4Q-11
- 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)	Full Year 2012	1Q-13	2Q-13
<b>Beginning BIG par</b>	<b>\$28,214</b>	<b>\$23,392</b>	<b>\$22,354</b>
Amortization / Paid	(4,049)	(864)	(693)
BofA Settlement Reclassification	(1,452)	-	-
DB Settlement Reclassification	(330)	-	-
UBS Settlement Reclassification	-	(237)	-
FX Change	+48	(37)	(104)
Terminations	-	-	(135)
Removals / Upgrades	(711)	(33)	(224)
Additions / Downgrades	+1,672	+133	434
<b>Total Decrease</b>	<b>(4,822)</b>	<b>(1,038)</b>	<b>(722)</b>
<b>Ending BIG par</b>	<b>\$23,392</b>	<b>\$22,354</b>	<b>\$21,632</b>

1. The Company has reclassified certain net par outstanding from below investment grade to investment grade due to reinsurance agreements or arrangements. Please see page 3 for details.

# BIG Exposures > \$250 Million



(\$ in millions)

## BIG Exposures Greater Than \$250 Million as of June 30, 2013

Type <sup>1</sup>	Name or Description	Net Par Outstanding	Internal Rating	Current Credit Enhancement	60+ Day Delinquencies <sup>2</sup>
PF	Skyway Concession Company LLC	\$ 1,134	BB	-	-
PF	Reliance Rail Finance Pty. Limited	611	BB	-	-
SF	Deutsche Alt-A Securities Mortgage Loan 2007-2	593	CCC	0.0%	25.5%
SF	Ballantyne Re Plc (includes \$199.8 million purchased, 40% owned) <sup>3</sup>	500	CC	N/A	-
SF	MABS 2007-NCW (includes \$42.1 million purchased, 8% owned) <sup>3</sup>	498	B	18.3%	56.5%
PF	Jefferson County Alabama Sewer	464	D	-	-
SF	Orkney Re II, Plc	423	CCC	N/A	-
PF	Puerto Rico Aqueduct & Sewer Authority	384	BB+	-	-
PF	M6 Duna Autopalya Koncesszios Zartkoruen Mukodo Reszvenytarsasag	377	BB	-	-
SF	Option One 2007-FXD2	344	CCC	4.4%	28.6%
SF	Private Residential Mortgage Transaction	342	CCC	3.9%	26.4%
PF	Louisville Arena Authority Inc.	337	BB	-	-
SF	Countrywide HELOC 2006-I	328	CCC	0.0%	5.1%
PF	Detroit (City of) Michigan	321	C+	-	-
SF	Private Residential Mortgage Transaction	306	B	14.2%	25.2%
SF	Deutsche Alt-A Securities Mortgage Loan 2007-3	303	B	0.2%	19.7%
SF	MortgageIT Securities Corp. Mortgage Loan 2007-2	302	B	4.3%	21.1%
SF	Private Residential Mortgage Transaction	292	CCC	4.3%	24.2%
SF	Taberna Preferred Funding IV, LTD	292	CCC	22.7%	-
SF	Private Residential Mortgage Transaction	289	CCC	-	30.2%
PF	Cross City Tunnel Motorway Finance Limited	284	BB	-	-
SF	Taberna Preferred Funding III, LTD	271	CCC	15.8%	-
SF	AAA Trust 2007-2 (includes \$127.8 million purchased, 48% owned) <sup>3</sup>	268	CCC	7.8%	35.2%
SF	Countrywide HELOC 2006-F (includes \$117.6 million purchased, 45% owned) <sup>3</sup>	261	CCC	0.0%	11.2%
SF	Nomura Asset Accept. Corp. 2007-1 (includes \$0.9 million purchased, 0.4% owned) <sup>3</sup>	257	CCC	0.0%	39.2%
PF	Valencia Fair	250	BB-	-	-
	<b>Total</b>	<b>\$10,031</b>			

1. "PF" signifies a public finance transaction and "SF" signifies a structured finance transaction.

2. 60+ day delinquencies are defined as loans that are greater than 60 days delinquent and all loans that are in foreclosure, bankruptcy or REO divided by net par outstanding.

3. Represents amounts of gross par that were purchased or obtained as part of loss mitigation strategies and recorded as part of the investment portfolio.

N/A stands for not applicable

# Appendix

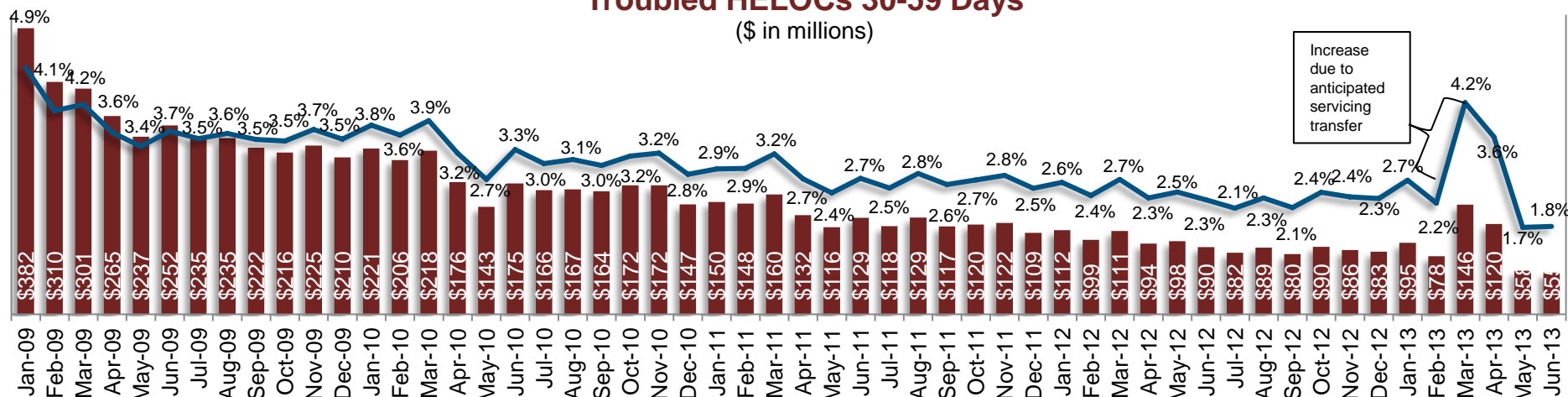




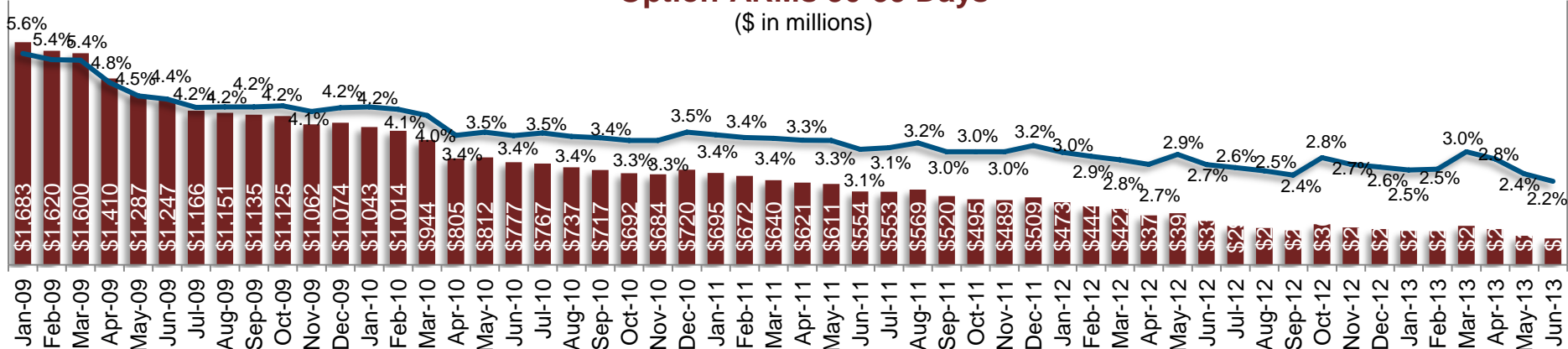
# HELOC and Option-ARM Delinquencies For Financial Guaranty Direct Transactions Originated 2005-2008<sup>1,2</sup>



**Troubled HELOCs 30-59 Days**  
(\$ in millions)



**Option-ARMs 30-59 Days**  
(\$ in millions)



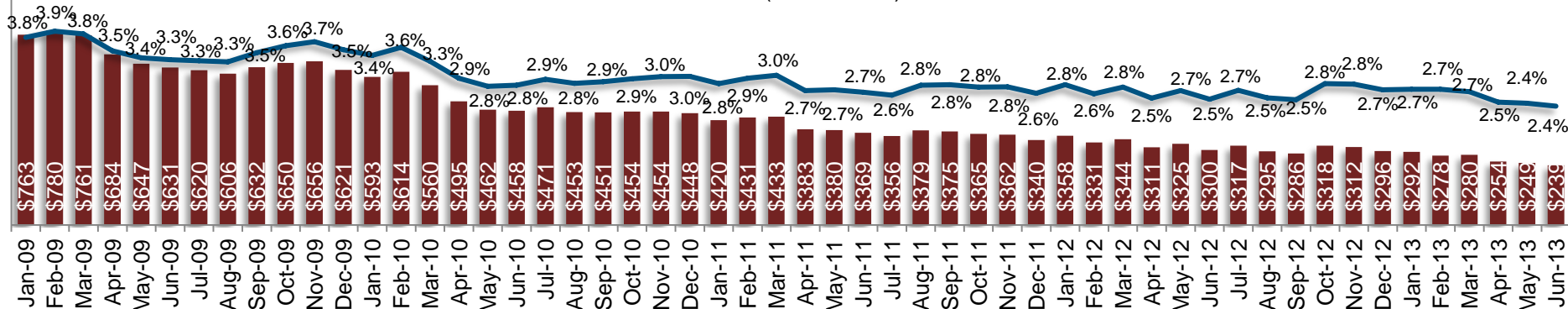
1. Assured Guaranty has not insured any U.S. RMBS since 2008.
2. Reflects actual AGC and AGM direct data.



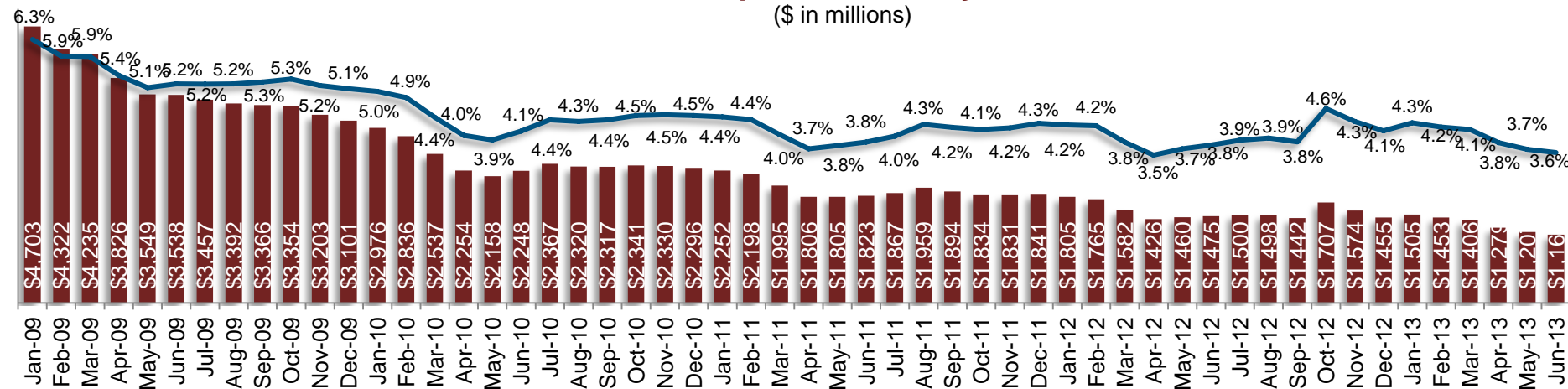
# Alt-A and Subprime 30-59 Day Delinquencies For Financial Guaranty Direct Transactions Originated 2005-2008<sup>1</sup>



**Alt-A 30-59 Days**  
(\$ in millions)



**Subprime 30-59 Days<sup>2</sup>**  
(\$ in millions)



1. Reflects actual AGC and AGM direct data.

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

# 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<sup>1</sup> to Gross Written Premiums (GWP) & Operating Income<sup>1</sup> to Net Income (Loss)



(\$ in millions, except per share data)

	Three Months Ended June 30,		% Change versus 2Q-12	Reconciliation of Consolidated Operating Income to Net Income (Loss)		
	2013	2012			2Q-13	2Q-12
<b>Consolidated new business production analysis:</b>				<b>Operating income</b>	<b>\$98</b>	<b>\$114</b>
Present value of new business production (PVP)				Plus after-tax adjustments:		
Public finance - U.S.:	\$15	\$47	(68)%	Realized gains (losses) on investments	2	(4)
Public finance - non-U.S.	-	1	(100)%	Non-credit impairment unrealized fair value gains (losses) on credit derivatives	28	160
Structured finance - U.S.	1	2	(50)%	Fair value gains (losses) on committed capital securities	(2)	3
Structured finance - non-U.S.	-	-	-	Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves	(3)	3
<b>Total PVP</b>	<b>16</b>	<b>50</b>	<b>(68)%</b>	Effect of consolidating FG VIEs	96	101
				<b>Net income (loss)</b>	<b>\$219</b>	<b>\$377</b>
PVP of financial guaranty insurance	16	50	(68)%	<b>Per Diluted Share</b>		
Less: Financial guaranty installment premium PVP	-	3	(100)%		<b>2Q-13</b>	<b>2Q-12</b>
Total: Financial guaranty upfront gross written premiums ("GWP")	16	47	(66)%	<b>Operating income</b>	<b>\$0.52</b>	<b>\$0.61</b>
Plus: Financial guaranty installment GWP <sup>2</sup>	6	(16)	NM	Plus after-tax adjustments:		
<b>Total GWP</b>	<b>\$22</b>	<b>\$31</b>	<b>(29)%</b>	Realized gains (losses) on investments	0.01	(0.03)
				Non-credit impairment unrealized fair value gains (losses) on credit derivatives	0.15	0.85
				Fair value gains (losses) on committed capital securities	(0.01)	0.01
				Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves	(0.01)	0.02
				Effect of consolidating FG VIEs	0.50	0.54
				<b>Net income (loss)</b>	<b>\$1.16</b>	<b>\$2.01</b>

NM = Not meaningful

1. For an explanation of PVP and operating income, non-GAAP financial measures, please refer to the preceding pages of 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 GAAP Book Value to Adjusted Book Value<sup>1</sup>



### Reconciliation of Shareholders' Equity (GAAP Book Value) to Adjusted Book Value<sup>1</sup>

(\$ in millions, except per share amounts)

	As of :			
	June 30, 2013		December 31, 2012	
	Total	Per share	Total	Per share
<b>Shareholders' equity</b>	<b>\$ 4,484</b>	<b>\$ 24.52</b>	<b>\$ 4,994</b>	<b>\$ 25.74</b>
Less after-tax adjustments:				
Effect of consolidating FG VIEs	(226)	(1.23)	(348)	(1.79)
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(1,424)	(7.78)	(988)	(5.09)
Fair value gains (losses) on committed capital securities	15	0.08	23	0.12
Unrealized gain (loss) on investment portfolio excluding foreign exchange effect	183	1.00	477	2.45
<b>Operating shareholders' equity</b>	<b>\$ 5,936</b>	<b>\$ 32.45</b>	<b>\$ 5,830</b>	<b>\$ 30.05</b>
After-tax adjustments:				
Less: Deferred acquisition costs	163	0.89	165	0.85
Plus: Net present value of estimated net future credit derivative revenue	178	0.97	220	1.14
Plus: Net unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed	3,022	16.53	3,266	16.83
<b>Adjusted book value<sup>1</sup></b>	<b>\$ 8,973</b>	<b>\$ 49.06</b>	<b>\$ 9,151</b>	<b>\$ 47.17</b>

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

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# Equity Investor Presentation

## June 30, 2013

