# Presentation to Moody's on Pooled Corporates

August 22, 2008

ASSURED GUARANTY®

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# Executive Summary

# Executive Summary
## Key Objectives

- **Moody's has indicated its concern with potential losses that could be generated from Assured's $42 billion pooled corporate portfolio due to unforeseen correlation risk**

- **Assured has undertaken an exhaustive analysis of the portfolio (168 transactions) to assess the impact of increased correlation**

- **Assured has utilized both probabilistic and deterministic models to assess and stress the correlation risk**

- **Due to the extreme granularity of the portfolio, the significant credit enhancement and the high attachment points, the data shows that the pooled corporate portfolio can withstand unprecedented levels of defaults and correlation without generating losses for Assured**

- **Given the granularity of the portfolio of underlying credits as well as the diversity among representative industries, the probability of a catastrophic loss on the pooled corporate portfolio is consistent with Assured's Aaa financial strength rating**

# Executive Summary
## Pooled Corporates

- **Assured had $42.8 billion of direct pooled corporate exposure as of June 30, 2008**
  - $27.0 billion corporate loans
  - $4.2 billion market value CDOs
  - $3.9 billion US/European bank & insurance TruPS
  - $3.9 billion US/European mortgage and REIT TruPS
  - $0.75 billion whole loan commercial real estate CDOs

- **Portfolio is highly rated**
  - Corporate loans
    - $6.9 billion rated “super” Aaa
    - $19.1 billion rated Aaa
    - $0.3 billion rated Aa
    - $0.7 billion rated A
  - Bank and insurance TruPS
    - $2.5 billion rated “super” Aaa
    - $0.8 billion rated Aaa
    - $0.6 billion rated Aa
  - Market value CDOs
    - $4.2 billion rated Aaa
  - Mortgage & REIT TruPS
    - $0.6 billion rated “super” Aaa
    - $1.3 billion rated Aaa
    - $1.7 billion rated Aa
    - $0.3 billion rated A

- **Moody’s has rated the entire portfolio excluding one $30 million exposure**

# Executive Summary
## Pooled Corporates

- **CDO technology is a financing technique, not an asset class**
- **Assured's pooled corporate exposure is very diverse creating protection against correlation risk**
  - Underlying assets are granular
  - Numerous industries are represented
- **Moody's recently published research supports the notion that losses are unlikely and catastrophic loss on Aaa pooled corporate transactions is highly improbable**
- **Certain sub-sectors of Assured's pooled corporate portfolio (US REIT TruPS transactions) are experiencing stress**
  - Stress scenarios yield no losses
- **Assured's multiple stress analyses show that Assured's pooled corporate portfolio would not incur loss under high correlation stress scenarios**

# Executive Summary
## Pooled Corporates

- **Portfolio characteristics**
  - Comprised of more than 4,000 individual credits
  - On aggregate basis, underlying obligor exposure is very granular
  - Significant diversity by industry, geography and vintage
  - Many transactions include structural protections that are not typically required by cash investors

- **Moody's report of August 1, 2008 includes the following statements which confirm the low risk nature of Assured's pooled corporate portfolio:**
  - Aaa-rated tranches can withstand some of the most stressful corporate credit scenarios in history
  - No Aaa-rated high yield CLO tranches have been impaired despite an economic recession that has caused substantial corporate credit losses
  - Most CLO asset collateral experienced lower downgrade rates and higher upgrade rates than like-rated corporate securities outside CLOs

# Executive Summary
## Pooled Corporates

- **Assured conducts multiple stress analyses to manage correlation risk consistently with its corporate risk management objectives**
- **Summary of stress analyses:**

| Stress Scenario | Conclusion |
|---|---|
| Using Assured's Portfolio Risk Model, measured the impact on Assured's total portfolio of increased correlation and extreme losses (well beyond Assured's Aaa stress assumptions) in the Pooled Corporate Book (See Slide 21). | Under extreme stress, including increasing defaults on high yield loans to 80% and increasing correlation across the Pooled Corporate Portfolio to as high as 60%, additional tail losses are in a manageable range. |
| Performed a correlation analysis on each of Assured's CLOs defaulting the largest obligors sequentially and calculating the stress each of Assured's CLO's can withstand today (See Slide 32). | Assured's CLOs can withstand the 182 largest obligors (representing 41% of total par) defaulting before taking a loss on any one transaction. To reach \$65 million of losses, the 266 largest obligors (representing more than 50% of total par) would have to default. |
| Modeled a scenario where the historical annual industry peak default rate occurred for each industry within 12 months of today in an average Assured CLO (See Slide 33). | CLO structures limit industry concentrations reducing correlation and resulting in zero loss despite a high default rate (~ 62%) and assuming Moody's stressed weighted average recovery rate (~ 48%). |
| Modeled a look through analysis combining Assured's top 100 CLO exposures into one CLO (See Slide 34). | Portfolio is extremely granular. No losses to Assured at average AAA attachment point despite a high default rate (~ 70%) and assuming Moody's stressed weighted average recovery rate (~ 48.4%). |
| Ran trigger breaching events on market value CDOs to quantify the impact of further price volatility in the market (See Slide 42). | Assured's ability to direct the liquidation and/or run-off of the portfolio allows for market value deals to convert to static CLOs producing similar results to our CLO stress cases. |
| Bank and Insurance TruPS stressed against the Moody's expected default rate and the saving and loans crisis (See Slide 52). | Assured's attachment point allows for defaults to reach on average 3.8x the 1980s S&L crisis, 2.6x Moody's expected rate and 2.2x Moody's current WARF rates. |
| REIT TruPS stressed to withstand 100% loss in homebuilders, residential mortgage REITs, CMBS and CDOs (See Slide 61). | Assured's attachment point can withstand all current defaults as well as 100% defaults in the highly stressed sectors without a dollar loss. |

# Pooled Corporates

# Pooled Corporates

1. **The corporate debt universe is extremely diverse**

2. **Historical default information show defaults occur over time even after periods of loose lending and all industries do not have peak defaults in the same year reducing correlation risk**

3. **Assured's portfolio is Aaa, has significant credit enhancement and minimal defaults.**
   - 49% of Assured's pooled corporate and other CDOs were originated at super senior levels

4. **Assured exercises discipline with sector selection and concentrations of assets and managers**

# Segments of the Pooled Corporate Market

- **Pooled corporates consist of multiple asset classes**
- **U.S. broadly syndicated market**
  - Approximately 1,100 unique issuers in the market totaling approximately $550 billion outstanding
  - Moody's publicly rates approximately 850 unique issuers
- **U.S. middle market**
  - Estimated at 15,000 issuers with over 1,200 transactions per year
  - Estimated to be a $1 trillion size market
- **U.S. high yield bond market**
  - Approximately 800 unique issuers in the market totaling approximately $900 billion
- **European broadly syndicated market**
  - Several hundred unique issuers in the market totaling approximately $120 billion outstanding
- **Assured has exposure to more than 4,000 unique issuers across pooled corporates resulting in significant diversity**

# Diversity of Exposure within Pooled Corporates

- **US and European Broadly Syndicated Loans**
  - Tend to be liquid securities with clarity on market price
  - Pricing data available through numerous third party pricing sources (e.g., Markit, Loan Pricing Corp.)
  - Typically 5 to 7 year maturities
  - Moody's publicly rates 850 obligors
- **US Middle Market Loans**
  - Loan facility size typically less than $150 million. Distribution is typically limited to less than 10 investors with the smaller transactions typically having less than 5 investors
  - Tend to have tighter covenants, more stringent reporting requirements and reduced access to the broader capital markets
  - Typically not publicly rated
  - Typically 3 to 5 year maturities
- **Bank TruPS**
  - Universe of over 8,500 Regional and Community Banks in the US
  - Highly regulated financial institutions
- **Insurance Sub Debt/TruPS**
  - Local and regional insurance companies providing basic personal and commercial lines
  - Highly regulated financial institutions
- **Commercial Mortgage and Equity REITs**
  - Operating company characteristics with geographic and asset type diversification

# Corporate HY Bond Default Rates by Industry (by year of default)

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- **The table below depicts the percentage of all HY Bonds (weighted by outstanding par amount) which defaulted between 1994 and 2007 by industry. The shaded boxes represent the peak default year for each industry.**
- **Conclusion: Inter-industry correlation is low. Consequently, not all industries have their peak defaults in the same year.**

| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Aerospace** | 2.47% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 6.59% | 2.92% | 10.80% | 2.77% | 2.31% | **14.68%** | 0.00% | 0.00% |
| **Broadcasting** | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 1.63% | 0.00% | 0.00% | 0.00% | 0.00% | **2.95%** | 0.00% |
| **Cable/Wireless Video** | 4.43% | 2.20% | 0.15% | 0.00% | 1.85% | 1.49% | 0.45% | 0.86% | **13.28%** | 0.79% | 4.09% | 0.00% | 0.00% | 0.00% |
| **Chemicals** | 0.00% | 1.96% | 0.00% | 0.00% | 0.00% | 0.00% | 3.44% | **6.73%** | 2.86% | 4.48% | 0.29% | 0.00% | 0.00% | 0.00% |
| **Consumer Products** | 0.00% | 4.28% | 0.00% | 0.64% | 2.21% | 8.74% | **11.53%** | 10.70% | 3.79% | 5.35% | 2.50% | 1.13% | 1.65% | 0.00% |
| **Diversified Media** | 0.00% | 0.00% | 5.63% | 0.00% | 1.91% | 1.27% | **12.44%** | 9.34% | 3.31% | 0.28% | 0.00% | 0.00% | 0.00% | 1.18% |
| **Energy** | 0.00% | 1.41% | 0.57% | 0.00% | 0.69% | **11.70%** | 0.33% | 0.27% | 2.85% | 0.00% | 0.53% | 0.00% | 0.00% | 0.00% |
| **Financial** | 0.00% | 16.49% | 4.54% | 3.17% | 5.52% | 2.19% | 5.41% | **22.94%** | 13.93% | 3.91% | 0.00% | 1.77% | 3.65% | 0.00% |
| **Food and Drug** | 6.11% | 11.43% | 0.95% | 0.00% | 20.80% | 7.44% | **23.89%** | 3.51% | 2.50% | 1.68% | 0.00% | 6.53% | 0.00% | 0.00% |
| **Food/Tobacco** | 0.00% | 7.52% | 1.43% | **16.37%** | 0.60% | 8.01% | 15.05% | 8.74% | 1.12% | 7.69% | 3.60% | 0.00% | 0.44% | 0.43% |
| **Forest Products/Containers** | 0.00% | 0.34% | **2.66%** | 0.00% | 0.64% | 0.00% | 2.61% | 1.94% | 0.49% | 0.00% | 1.30% | 1.36% | 2.13% | 0.60% |
| **Gaming/Leisure** | **7.84%** | 4.95% | 1.83% | 0.71% | 1.62% | 5.78% | 3.77% | 1.04% | 0.41% | 0.32% | 3.71% | 0.00% | 0.30% | 1.15% |
| **Healthcare** | 0.00% | 1.32% | 0.00% | 0.64% | 0.92% | **10.98%** | 4.93% | 1.72% | 0.39% | 9.98% | 0.00% | 0.81% | 0.00% | 0.85% |
| **Housing** | 0.00% | **7.10%** | 0.00% | 0.00% | 0.00% | 0.86% | 3.52% | 5.54% | 2.58% | 0.00% | 0.00% | 0.00% | 0.65% | 0.77% |
| **Information Tech** | 3.37% | **6.95%** | 0.00% | 0.00% | 0.00% | 1.08% | 5.60% | 6.07% | 2.26% | 1.56% | 0.00% | 0.00% | 0.00% | 0.00% |
| **Manufacturing** | 0.00% | 3.04% | 0.67% | 1.40% | 0.00% | 4.30% | 8.35% | **11.04%** | 3.60% | 2.50% | 2.24% | 2.11% | 0.10% | 0.00% |
| **Metals/Minerals** | 0.00% | 0.00% | 0.00% | 0.00% | 4.02% | 4.26% | 10.86% | **13.72%** | 10.00% | 6.51% | 4.09% | 2.30% | 0.49% | 0.00% |
| **Retail** | **11.98%** | 9.88% | 1.15% | 5.93% | 1.62% | 8.45% | 10.05% | 1.88% | 11.61% | 0.92% | 0.80% | 0.65% | 0.00% | 1.21% |
| **Service** | 0.00% | 0.00% | 3.79% | 1.98% | 0.65% | 6.49% | 3.40% | **10.44%** | 5.71% | 2.13% | 0.00% | 0.00% | 0.57% | 0.00% |
| **Transportation** | 0.00% | 9.98% | 4.51% | 2.09% | 1.00% | 4.56% | 2.66% | **16.41%** | 2.46% | 2.70% | 0.00% | 2.66% | 4.93% | 1.12% |
| **Utility** | 0.00% | 0.00% | 2.91% | 0.83% | 0.00% | 0.00% | 0.70% | 0.96% | 1.32% | 4.89% | 0.00% | **11.76%** | 0.00% | 0.00% |
| **Wireless Telecom** | 0.00% | 0.00% | 2.64% | 0.93% | 1.09% | 4.06% | 4.85% | 7.73% | **12.08%** | 8.61% | 0.44% | 0.00% | 0.00% | 0.00% |
| **Wireline Telecom** | 0.00% | 0.00% | 0.00% | 0.00% | 0.26% | 0.62% | 4.55% | **26.30%** | 19.54% | 0.94% | 0.00% | 0.00% | 0.00% | 0.00% |
| **Average** | **1.57%** | **3.86%** | **1.45%** | **1.51%** | **1.97%** | **4.01%** | **6.30%** | **7.50%** | **5.52%** | **2.96%** | **1.13%** | **1.99%** | **0.78%** | **0.32%** |

Source: JPMorgan

# Corporate HY Bond Default Rates By Industry (by new issue year)

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- **The table below depicts the percentage of all HY Bonds issued during each year between 1995 and 2005 which had defaulted as of May 2008, e.g. 43.4% of the HY Bonds issued in 1998 in the Aerospace industry have defaulted as of May 2008. The shaded boxes represent the peak default year for each industry. Annual numbers may be skewed due to small sample sizes.**
- **Conclusion: Periods of significant liquidity/loose lending (i.e., 1998-99) do not result in higher than expected inter-industry correlation**

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Aerospace** | 0.00% | 16.70% | 28.60% | **43.40%** | 1.20% | 0.00% | 32.40% | 0.00% | 0.00% | 11.30% | 0.00% |
| **Broadcasting** | 0.00% | 5.10% | 1.70% | 13.20% | 0.00% | 0.00% | 0.00% | 0.00% | **24.70%** | 0.00% | 0.00% |
| **Cable/Wireless Video** | 33.50% | 42.20% | 42.50% | 54.80% | 44.20% | **59.10%** | 7.50% | 0.00% | 0.00% | 0.00% | 0.00% |
| **Chemicals** | 16.50% | **59.10%** | 56.20% | 47.80% | 7.10% | 42.10% | 0.00% | 10.30% | 0.00% | 0.00% | 0.00% |
| **Consumer Products** | 9.90% | 43.40% | **48.00%** | 47.80% | 42.90% | 0.00% | 19.40% | 7.50% | 6.40% | 0.00% | 1.40% |
| **Diversified Media** | 17.80% | 0.00% | 17.10% | **30.00%** | 11.30% | 0.00% | 0.00% | 0.00% | 1.30% | 0.00% | 0.00% |
| **Energy** | 2.40% | 9.80% | **24.70%** | 16.80% | 7.20% | 6.40% | 1.80% | 6.90% | 0.00% | 0.00% | 0.00% |
| **Financial** | 0.00% | 10.00% | **29.70%** | 13.40% | 28.80% | 0.00% | 26.30% | 0.00% | 0.00% | 12.00% | 0.00% |
| **Food and Drug** | 30.20% | 22.80% | 18.20% | 0.00% | 0.00% | 0.00% | 50.20% | **69.70%** | 0.00% | 0.00% | 0.00% |
| **Food/Tobacco** | 31.70% | 27.70% | 49.50% | 44.00% | 33.00% | **100.00%** | 0.00% | 0.00% | 2.70% | 2.70% | 0.00% |
| **Forest Products** | 12.50% | 25.40% | 39.40% | 4.50% | 28.40% | **59.40%** | 7.90% | 4.50% | 6.40% | 6.10% | 5.20% |
| **Gaming/Leisure** | 5.50% | **42.20%** | 14.30% | 11.30% | 5.50% | 8.90% | 0.00% | 0.00% | 5.40% | 1.40% | 0.00% |
| **Healthcare** | 4.40% | **45.50%** | 35.20% | 24.10% | 0.00% | 0.00% | 4.90% | 2.80% | 0.00% | 1.70% | 0.00% |
| **Housing** | **54.50%** | 10.50% | 24.00% | 2.70% | 12.50% | 39.60% | 24.80% | 14.60% | 0.90% | 6.80% | 0.00% |
| **Information Tech** | **54.10%** | 0.00% | 36.20% | 32.30% | 7.90% | 0.00% | 7.20% | 0.00% | 0.00% | 0.00% | 0.00% |
| **Manufacturing** | 17.50% | 34.30% | 39.50% | 50.80% | **57.00%** | 46.00% | 17.20% | 0.00% | 5.20% | 2.40% | 0.00% |
| **Metals/Minerals** | 40.00% | 35.20% | **69.20%** | 63.50% | 59.30% | 0.00% | 0.00% | 7.10% | 0.00% | 0.00% | 0.00% |
| **Retail** | 4.20% | 27.20% | 18.80% | 10.10% | **62.40%** | 0.00% | 41.10% | 0.00% | 0.00% | 6.90% | 7.80% |
| **Service** | 26.90% | **44.80%** | 16.70% | 26.00% | 20.60% | 0.00% | 7.20% | 0.00% | 0.00% | 0.00% | 0.00% |
| **Transportation** | 44.40% | 27.80% | 42.70% | **58.90%** | 29.00% | 0.00% | 35.00% | 40.10% | 5.20% | 15.60% | 0.00% |
| **Utility** | 0.00% | 7.50% | 8.50% | 7.70% | 33.00% | 40.40% | **55.40%** | 0.00% | 20.70% | 17.30% | 0.00% |
| **Wireless Telecom.** | 52.20% | 22.00% | 38.50% | 48.70% | 18.20% | **57.00%** | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| **Wireline Telecom** | 67.90% | 32.90% | 71.60% | 62.80% | **74.70%** | 74.60% | 46.10% | 0.00% | 0.00% | 0.00% | 0.00% |

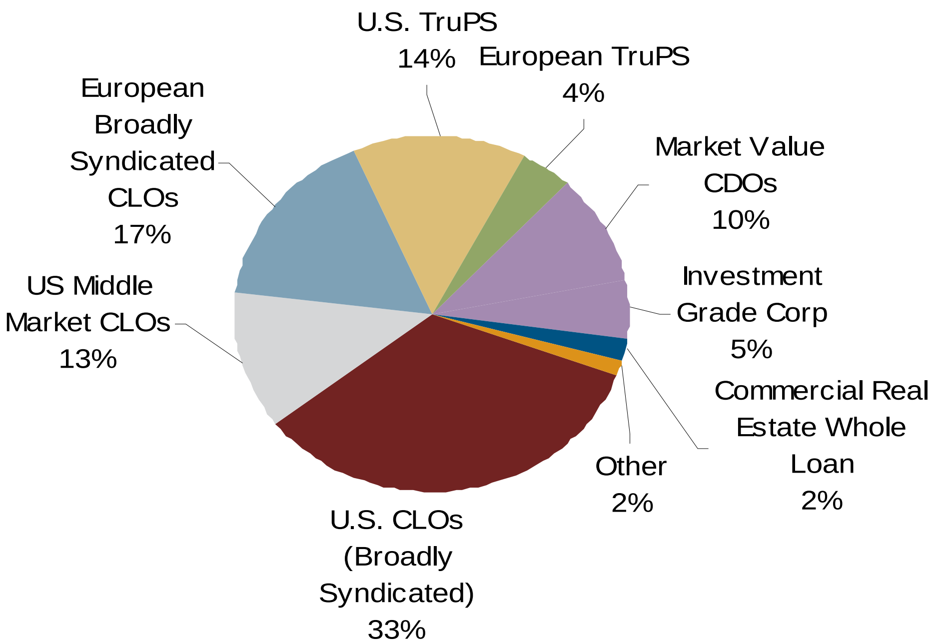


Source: JPMorgan.

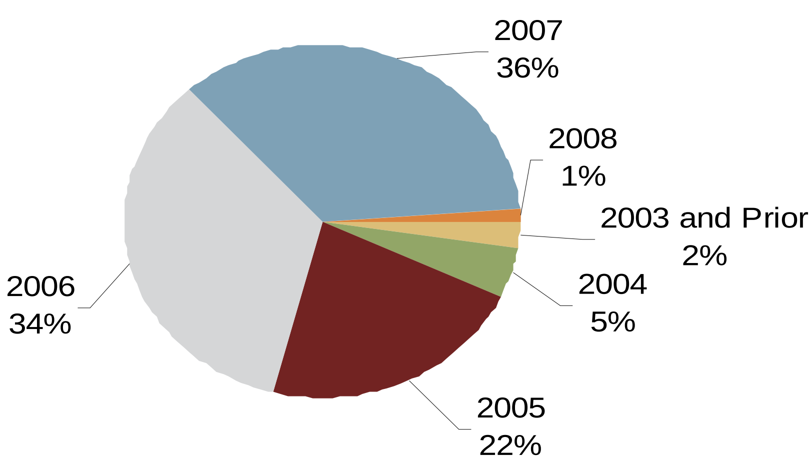
# Assured's Pooled Corporate Exposure
## Asset Type and Vintage

- **Assured's exposures demonstrate significant asset class diversity among pooled corporates**
- **Pooled corporates are a financing technique, not an asset class**

**Exposure by Asset Type**
**$42.8 billion**




**Exposure by Vintage**
**$42.8 billion**



# Significant Credit Enhancement, Aaa Rating and Minimal Defaults across Portfolio

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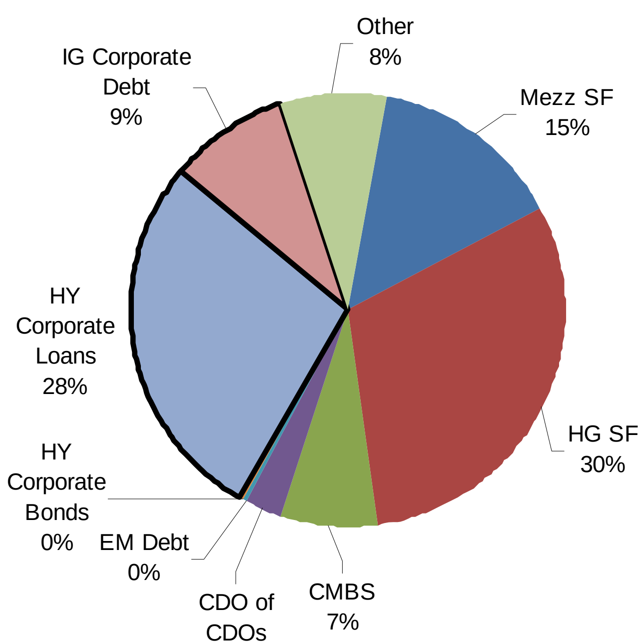
| Assured's Direct Pooled Corporates | Q2 2008 Net Par Outstanding ($ mm) | % of Total | Current Average Moody's Rating | Initial Hard C/E[1] | Q2 2008 Hard C/E | Estimated Value of Excess Spread | Current Total Credit Enhancement | Current Defaulted Securities (%) |
|---|---|---|---|---|---|---|---|---|
| **US Mortgage and REIT TruPS CDOs** | | | | | | | | |
| US Mortgage and REIT TruPS | 2,571 | 6.0% | Aa1 | 50.0% | 45.7% | 6.8% | 52.5% | 12.1% |
| **Subtotal - US Mortgage and REIT TruPS** | **2,571** | **6.0%** | **Aa1** | **50.0%** | **45.7%** | **6.8%** | **52.5%** | **12.1%** |
| **All Other US Pooled Corporates** | | | | | | | | |
| US Broadly Syndicated CLOs | 14,460 | 33.8% | Aaa | 31.1% | 30.7% | 6.9% | 37.6% | 0.7% |
| US Middle Market CLOs | 5,412 | 12.6% | Aa1 | 42.6% | 34.5% | 6.6% | 41.0% | 2.2% |
| Market Value CDOs | 4,245 | 9.9% | Aaa | 38.6% | 36.8% | N/A | 36.8% | N/A |
| US Bank and Insurance TruPS | 3,442 | 8.0% | Aaa | 47.2% | 45.6% | 8.2% | 53.7% | 4.5% |
| Investment Grade Corp CDOs | 2,337 | 5.5% | Aaa | 28.7% | 29.6% | N/A | 29.6% | 0.1% |
| Commercial Real Estate (2) | 755 | 1.8% | Aaa | 49.0% | 48.9% | 2.6% | 51.4% | 0.0% |
| Other (3) | 654 | 1.5% | Aa1 | 31.4% | 31.0% | N/A | 31.0% | 1.1% |
| **Subtotal - All Other US Pooled Corporates** | **31,304** | **73.1%** | **Aaa** | **36.1%** | **34.2%** | **5.3%** | **39.5%** | **1.2%** |
| **Non-US Pooled Corporates** | | | | | | | | |
| Eur Mortgage & REIT TruPS | 1,309 | 3.1% | Aaa | 36.6% | 36.8% | 7.9% | 44.7% | 0.0% |
| Eur Bank and Insurance TruPS | 465 | 1.1% | Aa2 | 47.3% | 48.5% | 7.7% | 56.2% | 0.0% |
| Eur Broadly Syndicated CLOs | 7,158 | 16.7% | Aaa | 39.0% | 39.2% | 6.1% | 45.3% | 0.4% |
| **Subtotal - Non-US Pooled Corporates** | **8,932** | **20.9%** | **Aaa** | **39.1%** | **39.4%** | **6.4%** | **45.8%** | **0.3%** |
| **Grand Total** | **$ 42,808** | **100.0%** | **Aaa** | **37.6%** | **36.0%** | **5.6%** | **41.6%** | **1.7%** |

1. C/E: Credit Enhancement
2. Commercial Real Estate consists primarily of whole loans
3. Other pooled corporates include 2 CDOs of CDOs ($370mm – 1 defeased by cash and AAA credit cards and the other matures in 9/08) and 3 HY CBOs ($284mm – 2 of 3 CBOs were pre-IPO).

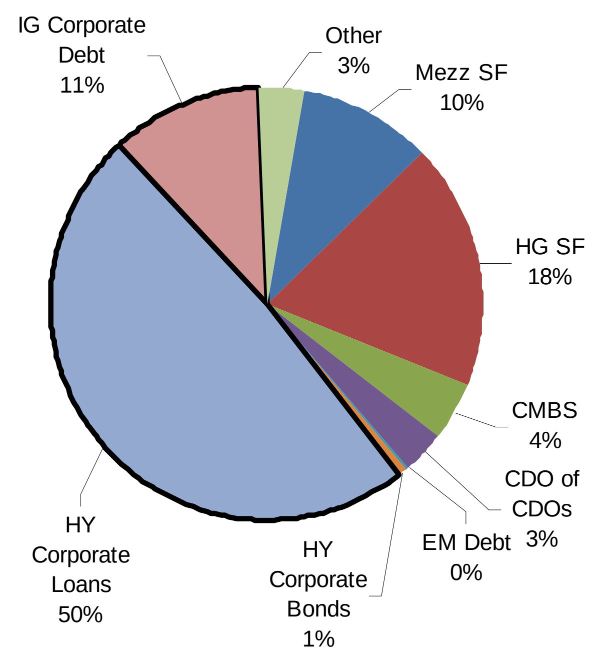
# CDO Issuance Overview – 2006 and 2007 – Assured Exercised Discipline With Sector Selection

- **2006 and 2007 issuance of CDOs of structured finance, CMBS and CDOs of CDOs represented 55% and 36% of the total CDO market**
- **Assured did not participate in these sectors as they did not satisfy our risk and underwriting criteria due to leverage and correlation risks**

**2006 CDO Market**
**Total Issuance = $388 billion**




**2007 CDO Market**
**Total Issuance = $491 billion**



# Risk Tolerance within Sectors

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- **Assured manages asset volatility by limiting size, increasing attachment points and explicit sector selection**
  - Assured's pooled corporate portfolio is heavily weighted towards low volatility sectors
  - Assured requires higher levels of credit enhancement in sectors it views as volatile
  - For certain sectors, Assured will only attach at super senior levels
- **Assured executed 49% of all pooled corporates and other CDOs at super senior levels, with Aaa/AAA rated securities below Assured's exposure**

**Asset Type in Order of Expected Stability[1]**

More Stable

| | Q2 Net Par Outstanding ($mm) | % of Total Net Par Outstanding | Average Moody's Rating | Q2 2008 Hard Credit Enhancement | % of Exposure Underwritten at Supersenior | Current Defaulted Securities (%) |
|---|---|---|---|---|---|---|
| Investment Grade Corp. | 2,337 | 5.5% | Aaa | 29.6% | 92.7% | 0.1% |
| US Broadly Syndicated CLOs | 14,460 | 34.3% | Aaa | 30.7% | 37.5% | 0.7% |
| Eur Broadly Syndicated CLOs | 7,158 | 17.0% | Aaa | 39.7% | 59.8% | 0.4% |
| US Middle Market CLOs | 5,412 | 12.8% | Aa1 | 34.5% | 4.1% | 2.2% |
| Market Value CDOs | 4,245 | 10.1% | Aaa | 36.8% | 0.0% | NM |
| US Bank and Insurance TruPS | 3,442 | 8.2% | Aaa | 45.6% | 86.2% | 4.5% |
| Whole Loan Commercial Real Estate CDOs | 755 | 1.8% | Aaa | 48.9% | 100.0% | 0.0% |
| Eur Bank Mortg, REIT and Insurance TruPS | 1,774 | 4.2% | Aa1 | 39.9% | 100.0% | 0.0% |
| US Mortg and REIT TruPS | 2,571 | 6.1% | Aa1 | 45.7% | 100.0% | 12.1% |
| **Pooled Corporates** | **42,155** | **100.0%** | **Aaa** | **36.1%** | | **1.7%** |

Less Stable

(1) Does not include Other Pooled Corporates which include 2 CDOs of CDOs ($370mm – 1 defeased by cash and AAA credit cards and the other matures in 9/08) and 3 HY CBOs ($284mm – 2 of 3 CBOs were pre-IPO).

# Steps Taken by Assured To Avoid Undue Concentration

- **We assess not only the potential for the first dollar of loss, but the last.  Our goal is to avoid large losses and volatile risks.**
- **Steps taken to manage risk concentration:**
  - Excluded Sectors
    - ABS CDOs (mezzanine and high grade)
    - CDO^2
    - CMBS CDOs
    - Mezzanine tranches of CDOs
    - HY Synthetic Corporate tranches
    - LCDS (Loan Credit Default Swap) tranches
    - IG Synthetic tranches lower than super senior
  - Assets
    - Conducted overlap analysis for all TruPS and Index transactions.  Required removal of specific credits (e.g., home builders) to limit exposure.
  - Managers
    - Aggregate manager exposure is an integral part of Assured underwriting process
    - Assured has a proprietary manager scoring methodology
    - No manager managing more than $1.2 billion of assets subject to reinvestment

# Manager Exposures

- **Increased loss based on manager failure is highly remote**
  - CDO managers have no funding requirements for the CDOs they manage.  Consequently, the value of the underlying loans is not dependent on actions of the CDO manager in the same way the value of mortgages are dependent on actions of a servicer
  - Upon credit deterioration, manager’s ability to trade is restricted and/or terminated
- **After reinvestment period, manager responsibilities substantially end.  Cash payments on collateral are under control of trustee.  The largest manager exposures are predominantly static.**

# Stress Modeling
## Deterministic Approach

- **Monte Carlo simulations are typically used to model pooled corporate transactions**
  - Assured models the entire company using the Portfolio Risk Model
    - Portfolio Risk Model indicates Assured's pooled corporate exposure does not generate material tail losses
  - Modeled top 100 underlying obligors as a single CLO to assess potential losses for Assured
  - Modeling Assured's pooled corporate portfolio as a single transaction does not provide meaningful results
    - Portfolio is very granular and diverse (4000+ credits, average size less than 1%, very high diversity score)
    - Structural features of individual transactions are not reflected in model

- **Deterministic Models: Used to evaluate event risk not captured in simulation models.**
  - Overlap of underlying obligor analysis of CLO portfolio
  - Overlap analysis between broadly syndicated and middle market CLOs
  - Overlap analysis among Bank and Insurance TruPS
  - Overlap analysis among REIT TruPS
  - Large obligor analysis: default largest underlying obligors until Assured pays a claim
    - Conducted for each: CLOs, Bank & Insurance TruPS and REIT TruPS
  - Industry concentration analysis for CLOs: default entire industries to assess impact on portfolio

# Portfolio Stress Testing

- Using Portfolio Risk Model, we assessed the effect of increased severity, correlation and default probability within Assured's overall pooled corporate portfolio on the tail losses in Assured's entire portfolio. Results of extreme stress testing are manageable and would emerge over a long period of time.
- Stress Test 1 – Severity of loss stressed from 7% to 17.5% for CLOs and from 15% to 37.5% for TruPS. More information withdrawn for proprietary purposes
- Stress Test 2 – Same as Stress Test 1, with correlation stressed from 30% to 45%. Given diversity of pool by asset, structure and geography, 45% implies extreme level of overlap from one pool to another
- Stress Test 3 – Same as Stress Test 2, with all transactions downgraded 3 notches (one letter grade)

| | Standard | Stress Test 1 | Stress Test 2 | Stress Test 3 |
|---|---|---|---|---|
| **Portfolio Quality** | **As is** | **As is** | **As is** | **Downgraded 3 notches** |
| **Loss Severity for AAA CLO** | **7%** | **17.5%** | **17.5%** | **17.5%** |
| **Loss Severity for AAA TruPS** | **15%** | **37.5%** | **37.5%** | **37.5%** |
| **Intra-sector correlation between deals of same vintage, different collateral manager** | **30%** | **30%** | **45%** | **45%** |
| **Addition to 99.99% tail losses ($3.4 billion under standard assumptions)** | [Proprietary data omitted] | | | |

# CLO Sector

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# Assured CLO Overview

- **Moody's recent research affirms the ratings stability of CLOs in difficult economic cycles**
- **Performance data in respect of corporate bonds and loans is extensive and reliable, dating from the 1920s through many economic cycles**
- **CLOs have numerous strengths and Assured is significantly conservative in its underwriting approach**
- **Assured's portfolio is extremely granular by industry, vintage, geography and obligor in broadly syndicated US, broadly syndicated Euro and US middle market loans.**
- **Assured stressed the CLO portfolio on a macro level by industry and on an asset by asset level, with no losses**

# CLO Performance History
# Commentary from Moody's Report of Aug. 1st

- "[B]reak-even default analysis on a typical CLO transaction . . . show[s] that typical investment-grade CLO tranches, **especially Aaa tranches**, can withstand some of the most stressful corporate credit scenarios in history". (Page 1)
- No Aaa high yield CBOs or high yield CLOs have been impaired, despite an economic recession that has caused substantial corporate credit stress. (Page 4) No Aaa, Aa, or single-A CLO tranches have experienced a loss. (Page 2)
- "Most CLO asset collateral came from a well diversified pool of industries and had experienced lower downgrade rates and higher upgrade rates than like-rated corporate securities outside CLOs . . . ." (Page 1)
- Despite the solid growth of CLOs in the last several years, the industry distribution of their assets has not materially changed over the last decade. (Page 7)
- "[O]ver the last several years the average credit quality of CLOs has weakened slightly whereas their diversity has strengthened." (Page 9)
- Despite strong performance, CLO structures have improved since the last credit cycle with significantly lower bond baskets, lower portfolio concentration limits, haircuts on deep discount and Caa obligations, as well as reinvestment diversion tests. (Page 11)

# Industry Distributions for Underlying Assets in CLOs
## Reduced risk in most sensitive asset classes

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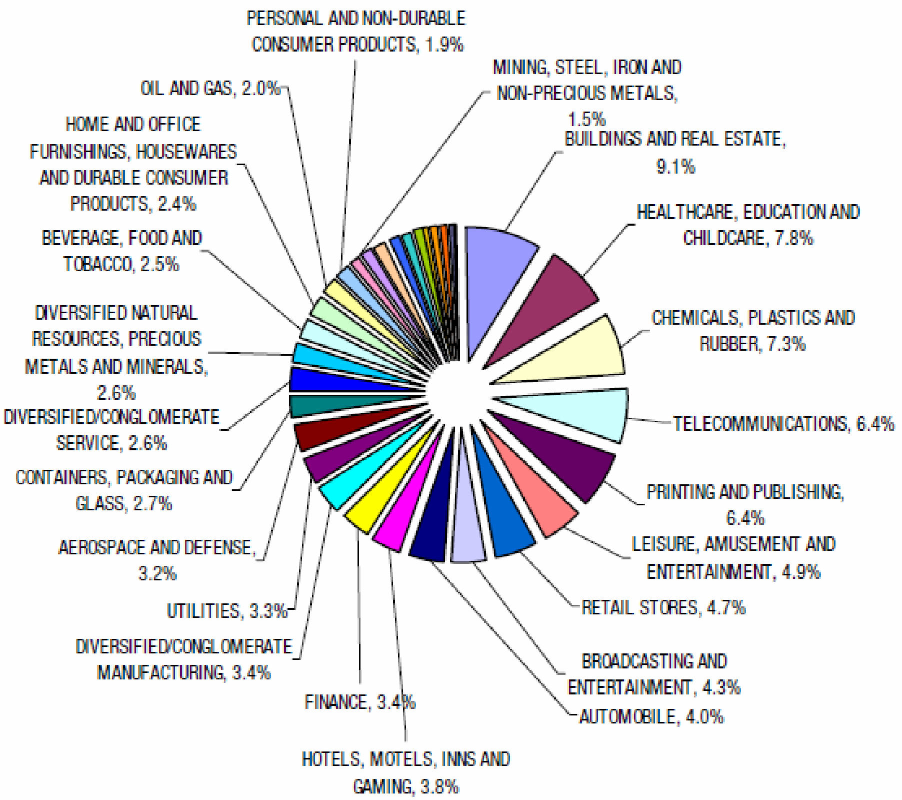
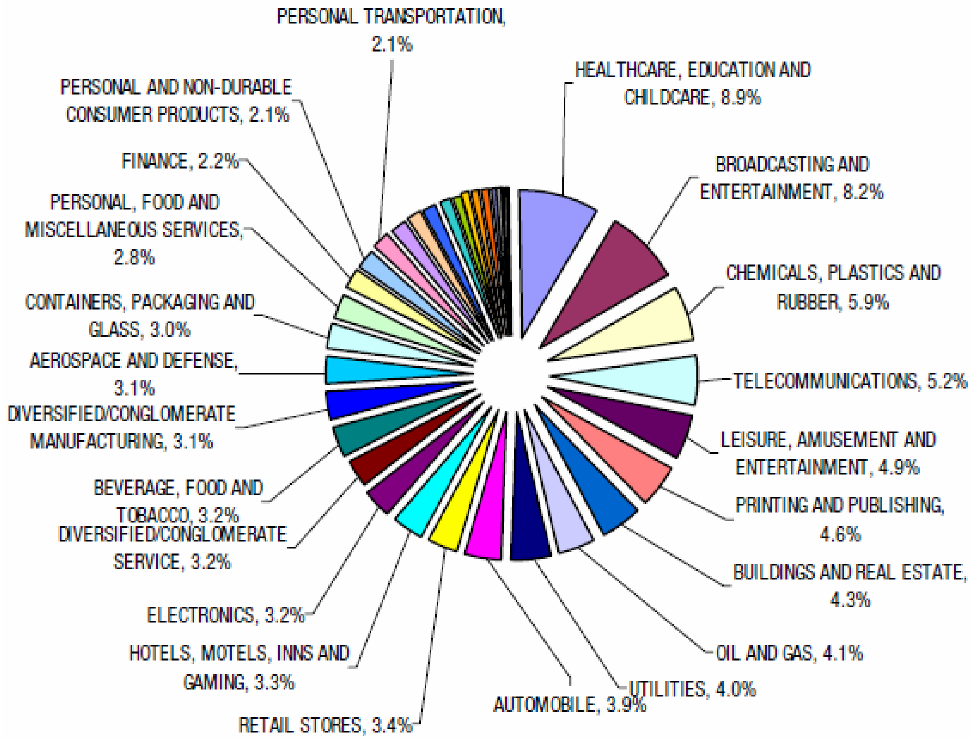
- CLOs' exposure to Building/Real Estate and Banking and Finance sectors, which are the most sensitive industries in the current subprime credit crisis, declined from 9.1% during 1997-2000 to 4.3% during 2004-2006. Source: Moody's Report of August 1st

**For CLOs Issued During 1997-2000**




**For CLOs Issued During 2004-2006**



# Overview/Strengths of CLO Structures

- **Backed predominantly by first priority senior secured assets (historically high recovery rates)**
- **Diversification across industries and obligors**
  - The average Assured CLO has an obligor concentration of less than 1%
  - The average CLO allows for a maximum of 10% exposure to any one industry
- **CLOs are rated, underwritten and credit enhanced to account for every flexibility provided to the manager, despite the inability of the manager to utilize all such flexibilities at once.  Consequently, CLO structures are more conservative than a static portfolio would warrant**
- **Non-investment grade assets generate significant excess spread that provides additional credit enhancement to senior classes of debt during times of credit stress**
- **Substantial history of corporate defaults and recoveries through numerous credit cycles provides evidence supporting strong performance for Aaa CLOs**
- **Strong control rights generally for the Aaa rated notes**

# Assured's CLO Underwriting

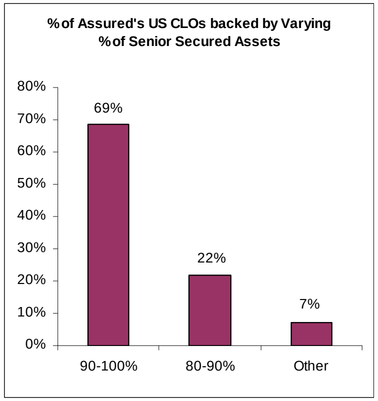
- **Consistently attach at very senior attachment levels**
  - 49% of Assured's pooled corporates and other CDOs were originated at super senior attachment points
  - 100% rated by Moody's excluding one $30 million exposure. Require multiple agencies to rate to ensure additional 3rd party review of documents, modeling and credit committee review
- **Due diligence with every manager**
- **Counsel reviews all documentation**
- **Senior underwriter underwrites and heavily negotiates each transaction**
- **All deals independently modeled and analyzed**
- **Assured demands significantly better credit terms than typical cash investors**
  - Control of acceleration, removal of the manager "for cause", approve appointment of a replacement manager and consent over material amendments
  - Incorporate overcollateralization event of default at the highest level achievable under rating agency models (typically between 100% and 118%)
  - Appropriate credit enhancement for particular asset mix, with focus on limiting structured finance flexibility
- **Each deal is presented to credit committee**
- **Upon execution, deal is managed by independent surveillance team**

# Overview of Assured's CLO Portfolio

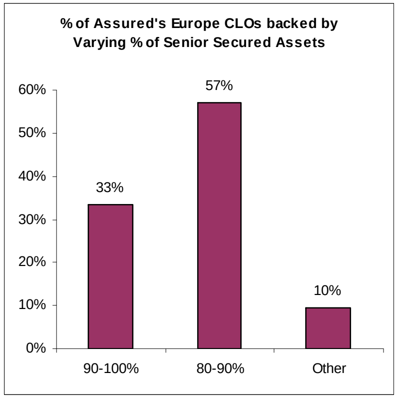
- **Strong Performance**
  - Minimal defaults across CLO portfolios, with less than 1% of assets defaulted
  - As of Q2 2008, only one CLO was failing an overcollateralization pay down test
  - No Assured CLO has been downgraded based on performance of collateral or manager

| Assured's Direct CLOs | # of Deals | Q2 2008 NPO ($ mm) | % of Total CLOs | Average Moody's Rating | Initial Hard Credit Enhancement | Q2 2008 Hard Credit Enhancement | Est. Value of Excess Spread | Total Credit Enhancement | Current Defaulted Securities (%) |
|---|---|---|---|---|---|---|---|---|---|
| US Broadly Synd CLOs | 66 | 14,460 | 53.5% | Aaa | 31.1% | 30.7% | 6.9% | 37.6% | 0.7% |
| US Mid Mkt CLOs | 19 | 5,412 | 20.0% | Aa1 | 42.6% | 34.5% | 6.6% | 41.1% | 2.2% |
| Eur Broadly Synd CLOs | 20 | 7,158 | 26.5% | Aaa | 39.0% | 39.2% | 6.1% | 45.3% | 0.4% |
| **Total CLOs** | **105** | **27,030** | **100.0%** | **Aaa** | **35.5%** | **33.7%** | **6.6%** | **40.4%** | **0.9%** |
| | | | | | | | | | |
| **AGL Total Pooled Corp** | **191** | **42,808** | | | | | | | |
| **As % Total Pooled Corp** | **55.0%** | **63.1%** | | | | | | | |

- **Primarily 1st Lien Loan Collateral -** Weighted average 1st lien loans in Assured's US CLOs is 90% and Assured's European CLOs is 88%




Average Hard Credit Enhancement = 32%




Average Hard Credit Enhancement = 40%

# Assured's Modeling Assumptions

- **Assured's recovery assumptions are significantly more conservative than historical recovery rates**

[Proprietary data omitted]

| Recovery Rates - US | Historical(1) | Assured |
|---|---|---|
| Secured Secured Loans | 87% | |
| Senior Unsecured Loans/2nd Lien | 60.5% | |
| Senior Unsecured Bonds | 40% | |
| Subordinated Bonds | 28% | |

[Proprietary data omitted]

(1) See Moody's Global Credit Policy, June 2008, "Strong Loan Issuance in Recent Years Signals Low Recovery Prospects for Loans and Bonds of Defaulted U.S. Corporate Issuers".

# Assured's Stress Default Assumptions

- **Assured's underwriting assumptions for default rates significantly exceed actual experience for the worst historical 10 year period**

[Proprietary data omitted]

# Overlap Analysis: Assured’s CLO Portfolio

- **Approximately 2500 unique obligors**
- **No obligor represents more than 1% of exposure**
- **Obligors appear on average in 6 deals out of 104**
- **The average obligor size is slightly less than 0.04%**

[Proprietary data omitted]

# Overlap Analysis: Assured's CLO Portfolio

- **Minimal overlap between broadly syndicated and middle market loan transactions**

**[Proprietary data omitted]**

# Stress Case: Correlation Across Assured's CLOs

- **Analysis Undertaken:**
  - Reviewed **every** CLO transaction from the direct business (105 deals, ~2,500 unique credits, US/€)
  - Downloaded from Intex the current assets included in each Assured CLO
  - Sorted current assets to rank them from largest to smallest based on aggregate notional exposures
  - Tested correlation by defaulting obligors one at a time beginning with the largest exposure until loss occurred on a CLO
- **Results**
  - [Proprietary data omitted]

# Stress Case: Peak Industry Default Scenario

**Worst Case Portfolio**

| **Industry** | **Peak Default Year** | **Default Rate(1)** | **Portfolio %** |
|---|---|---|---|
| Food/Tobacco | 2000 | 100.0% | 12% |
| Wireline Telecom | 1999 | 74.7% | 12% |
| Food and Drug | 2002 | 69.7% | 8% |
| Metals/Minerals | 1997 | 69.2% | 8% |
| Retail | 1999 | 62.4% | 5% |
| Forest Products | 2001 | 59.4% | 5% |
| Chemicals | 2000 | 59.1% | 4% |
| Cable/Wireless Video | 2000 | 59.1% | 4% |
| Transportation | 1996 | 58.9% | 3% |
| Wireless Telecom. | 1998 | 57.0% | 3% |
| Manufacturing | 1999 | 57.0% | 3% |
| Utility | 1998 | 55.4% | 3% |
| Housing | 2000 | 54.5% | 3% |
| Information Technology | 2001 | 54.1% | 3% |
| Consumer Products | 1995 | 48.0% | 3% |
| Healthcare | 1997 | 45.5% | 3% |
| Service | 1996 | 44.8% | 3% |
| Aerospace | 1996 | 43.4% | 3% |
| Gaming/Leisure | 1998 | 42.2% | 3% |
| Diversified Media | 1998 | 30.0% | 3% |
| Financial | 1997 | 29.7% | 3% |
| Broadcasting | 2003 | 24.7% | 3% |
| Energy | 1997 | 24.7% | 2% |
| **Weighted avg Default Rate** | | **61.6%** | |

- Tested correlation by assuming peak industry default rates from '95 to '05 (See Slide 13) (inclusive of telecom bubble, housing bubble, commodity bubble and 9/11) occurring in the same calendar year
- Assumed modeled CLO had the maximum allowable industry concentrations in the highest defaulting industries
- An assumed 61.6% default rate is equivalent to the Moody's expected default rate for a WARF of 6012 (Caa1/Caa2). The average CLO has a significantly lower WARF of 2300.

  [Proprietary data omitted]

(1) Represents the percentage of all HY Bonds issued during the indicated year which have defaulted as of May 2008. E.g. 43.4% of the HY Bonds issued in 1998 in the Aerospace industry have defaulted as of May 2008. Annual numbers may be skewed due to small sample sizes

# Stress Case: CDO of Assured's Top 100 CLO Obligors

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| Industry | % of Top 100 CLO Exposures |
|---|---|
| Healthcare, Education & Childcare | 11.1% |
| Broadcasting and Entertainment | 11.0% |
| Printing and Publishing | 10.7% |
| Utilities | 7.7% |
| Diversified/Conglomerate Srvce | 6.7% |
| Telecommunications | 5.7% |
| Automobile | 5.1% |
| Chemicals, Plastics & Rubber | 4.9% |
| Retail Stores | 4.3% |
| Buildings and Real Estate | 4.2% |
| Hotels, Motels, Inns & Gaming | 3.7% |
| Personal, Food & Misc Services | 3.0% |
| Oil and Gas | 2.8% |
| Electronics | 2.5% |
| Leisure, Amusement, Entertainment | 2.4% |
| Personal Transportation | 2.2% |
| Diversified/Conglomerate Manufacturing | 1.9% |
| Div Natrl Res, Prec Mtls & Mnrls | 1.9% |
| Prsnl & Non-Drbl Consmr Prdt Mfg | 1.3% |
| Beverage, Food & Tobacco | 1.0% |
| Aerospace and Defense | 0.9% |
| Cargo Transport | 0.8% |
| Ecological | 0.8% |
| Containers, Packaging & Glass | 0.8% |
| Insurance | 0.7% |
| Grocery | 0.6% |
| Finance | 0.6% |
| | 100.0% |

- Modeled a look through analysis combining Assured top 100 CLO obligors into one CLO
- Portfolio is extremely granular
- Initial WARF notched from 3120 to 5175 before running Monte Carlo model
- Diversity of portfolio is 49
- An assumed 70% default rate is 1.65x the Moody's expected default rate of 42.31% for a transaction with a 3120 WARF (B2/B3)

[Proprietary data omitted]

| Rating | % of Top 100 CLO Exposures |
|---|---|
| Baa3 | 2% |
| B1 | 19% |
| B2 | 23% |
| B3 | 17% |
| Ba1 | 2% |
| Ba3 | 16% |
| Caa1 | 17% |
| Caa2 | 2% |
| Ca | 2% |

# Market Value CDO Sector

# Overview/Strengths of Market Value CDO Structures

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- **Historical Performance**
  - Prior credit cycle: No tranche rated Aa2 or above ever downgraded
  - Recent liquidity crisis (Feb 2008) tested the market value CDO structure with high levels of volatility and in a few cases liquidated with no loss to the senior most tranche
  - No insured wrapped transactions were liquidated. Transactions that triggered liquidation events did not have flexible leverage structures, ability to infuse cash or equity or other features that Assured requires.
- **Market Value CDO Mechanics**
  - Portfolio is transparent, liquid and marked to market weekly using 3rd party pricing services
  - Market values are haircut or discounted by advance rates that range from 12% to 90%
  - Haircut or discounted market values must exceed the amount of debt outstanding. This ratio is the OC ratio
    - e.g. performing loans with a market price greater than 90% receive only 88% of their market value as credit towards the OC ratio. Par = 100, Market Value = 90, OC credit = 72
  - If the ratio falls below 100%, the control party (Assured) cuts off all cashflows to junior notes and equity and directs the management of the portfolio. Assured can direct to sell or to let the portfolio unwind over time
- **Current Volatility and Performance**
  - The strong performance during a period of unprecedented stress was due to the following: deleveraging the transaction by paying down revolving notes; equity infusions in the form of cash and collateral and ability to short collateral
  - Improvements to past structures providing greater stability:
    - Advance rates set at 3 times historical volatility
    - Illiquid collateral cannot exceed value of the equity and have lower advance rates
    - Ability for manager to add equity in times of market disruptions and the ability to short collateral

# Assured's Market Value CDO Underwriting

- **Market Value CDOs (10 transactions in Assured's portfolio):**
  - Assured is the control party in every market value CDO exposure.
  - If an overcollateralization test is breached, Assured directs liquidation (how and when)
  - Control over material amendments
  - Limit illiquid assets to shorten liquidation time:
    - Illiquid assets to be no more than 50% of the equity
    - Illiquid and nonperforming assets to be no more than 100% of the equity
    - Middle market loans to be no more than 15% of portfolio
  - Limit structured finance flexibility:  Average limit of 2.65% across ten transactions
  - Punitive haircuts for credit default swaps, second lien loans in excess of 7.5% of capital, subordinate loans, and illiquid assets
  - Give little or no credit to manager abilities
  - Manager must have extensive experience managing mark to market vehicles

# Overview of Assured's Market Value CDO Exposure

- **Typical cash flow CLO leverage is approximately 10x to 14x debt to equity**
- **Market Value CDOs have substantially less leverage typically ranging from 1x to less than 4x**

| AGL Direct MV CDOs | Current Moody's Rating | Q2 2008 NPO ($mm) | C/E [1] | Loans in Deal | Moody's Sr OC | Moody's Jr OC |
|---|---|---|---|---|---|---|
| Deal 1 | Aaa | | 20% | 98% | 112% | 112% |
| Deal 2 | Aaa | | 42% | 86% | 141% | 123% |
| Deal 3 | Aaa | | 38% | 99% | 139% | 110% |
| Deal 4 | Aaa | | 42% | 67% | 141% | 119% |
| Deal 5 | Aaa | | 51% | 53% | 146% | 132% |
| Deal 6 | Aaa | | 43% | 44% | 119% | 119% |
| Deal 7 | Aaa | | 49% | 87% | 153% | 112% |
| Deal 8 | Aaa | | 21% | 89% | 108% | 108% |
| Deal 9 | Aaa | | 33% | 69% | 115% | 108% |
| Deal 10 | Aaa | | 38% | 96% | 137% | 113% |
| **Total MV CDOs** | | **4,245** | **36%** | | | |
| **AGL Total Pooled Corp** | | | **$ 42,808** | | | |
| **Market Value CDOs as % Total Pooled Corp** | | | **10%** | | | |

Data as of June 30, 2008
(1) C/E: Credit Enhancement.

# Market Value CDOs – Stable Credit Enhancement Despite Pricing Declines

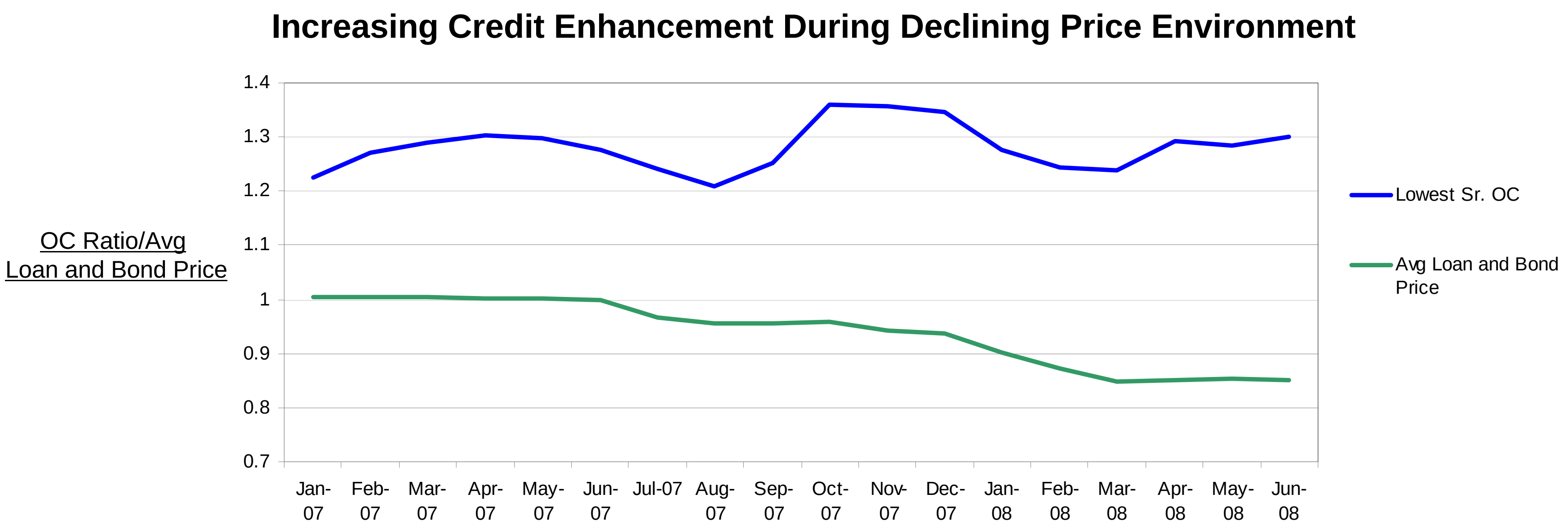
- **Under price deterioration, managers delever the structure or add equity/cash to preserve overcollateralization cushion resulting in the preservation of credit enhancement for the Aaa notes**
- **Assured credit enhancement is near or above the expected levels at closing despite a 15 point drop in loan prices**
- **All overcollateralization ratios exceed 105% (recommended by Moody's to avoid downgrade). Managers operating very conservatively in this volatile market**
- **Assured in active dialogue with all managers**

**[Proprietary data omitted]**

# Market Value CDOs Case Study

## Maintenance of Credit Enhancement Despite Pricing Declines

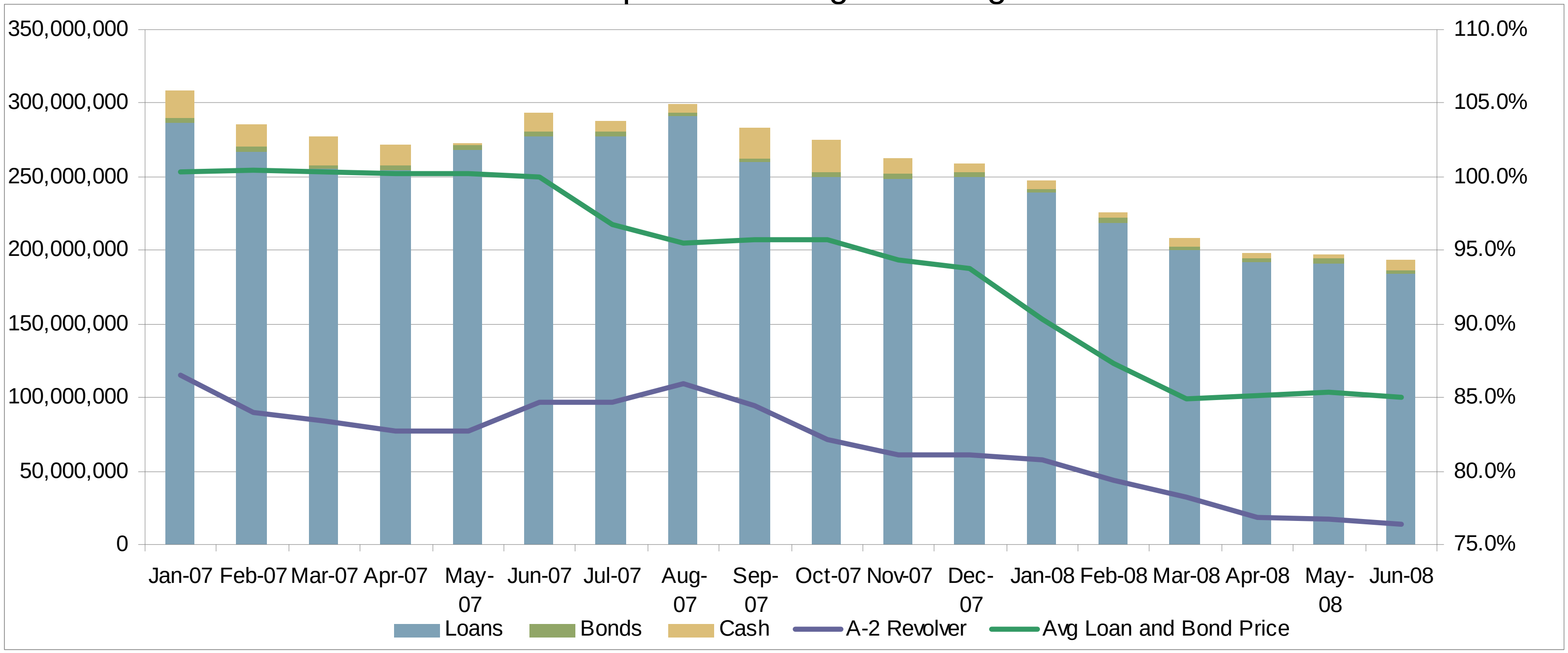
- **During market volatility, managers can sell out of low advance rate assets into high advance rate assets, pay down their liabilities or inject cash or collateral. Below is an example of one transaction which did not raise additional capital for the fund. They chose to maintain overcollateralization cushion by repaying the revolving note when market prices declined.**
- **Result: Assured's credit enhancement increased. Senior OC Ratio in January 2007 was 122% and August 2008 it is 130%.**



# Market Value CDOs Case Study
## Reduction of Exposure Under Price Declines

- **Pricing pressure forces the manager to deliver and repay their revolver to avoid triggering an event of default**
- **Result, Assured's exposure to the transaction declines significantly during periods of stress well before any overcollateralization test is tripped**
- **In the case of the transaction discussed on page 41, Assured's exposure to a committed amount of $230 million was $115 million in January 2007 and is down to $14 million of exposure today**

Reduction in Exposure During Declining Price Environment



# Stress Case:  Market Value CDOs

- **Market values can be stressed to trigger a liquidation event and demonstrate that under such scenario Assured has no losses if Assured elects to let the portfolio unwind over time rather than liquidate**
- **Conversion into a static portfolio results in clean Aaa ratings from Moody's under current criteria. Several market value transactions have converted successfully this year**

**[Proprietary data omitted]**

# Bank, Insurance and REIT TruPS CDO Sector

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# Assured Bank, Insurance and REIT TruPS CDO Overview

- **Diversity of Collateral:**
  - US and European Assets
  - Regional Diversity of Banks
  - Consumer and Commercial Lines of Insurance

- **Conservative Underwriting:**
  - Super Senior  Attachment Points
  - Conservative Modeling
  - Active Exclusion of Repeating Obligors

# Overview/Strengths of Bank, Insurance and REIT TruPS CDO Sector

- **Banks:**
  - Highly regulated sector with over 8,500 banks in the US
  - Regulatory and supervisory framework has been enhanced
- **Insurance Companies:**
  - Highly diversified. Local and regional insurance companies providing a variety of basic personal and commercial lines
    - Auto
    - Life
    - Disability
    - Homeowners
    - Reinsurance
    - Medical Malpractice
    - Worker's Compensation
- **REITs:**
  - Tax efficient companies that own, and in some cases, operate income producing real estate such as apartments, office buildings, warehouses, shopping centers, regional malls or hotels
  - Despite correlation in the sector there exists diversity among REIT collateral:  Commercial Mortgage REITs/Loans, CMBS and Equity REITs (See Slide 55) as evidenced by varying performance between sectors

# Assured's Bank, Insurance and REIT TruPS CDO Underwriting

## Underwriting

- 86% of US Bank and Insurance TruPS, 100% of European TruPS, and 100% US REIT TruPS were originated with a junior Aaa/AAA tranche below Assured's exposure
- Control rights, including Assured's position as controlling class, provides for acceleration and rights to remove and replace the collateral manager
- Stringent trading and reinvestment restrictions

## Collateral Characteristics

- Asset by asset review of collateral, including analyzing financial statistics, geographical concentration, date of establishment, and ratings of each issuer
- Extensive overlap analysis on collateral in conjunction with existing portfolio
- Required a minimum percentage of the portfolio to be ramped at the time of underwriting. Would not execute with uncertainty of future collateral

## Modeling Assumptions

- Recovery Rates – 0% for Bank and Insurance, 10% for REITs – both more conservative than Moody's Aaa requirements
- Front, middle, and back loaded default curves are run

# Assured's US Bank and Insurance TruPS CDOs

- **As of August 14, 2008 fully remodeled every Assured Bank and Insurance TruPS CDO**
- **Bank and Insurance TruPS CDOs updated quarterly by risk management**
- **Current defaults are spread across all transactions and not concentrated in any one CDO**
- **Current breakeven analysis shows Assured's portfolio can withstand multiples of the Moody's expected default rate and historical Savings and Loans default rate.**

# Assured's US Bank and Insurance TruPS CDOs

## All Transactions Remodeled and Analyzed

### Direct Exposure -- US Bank and Insurance TruPS

| Deal Name | Q2 2008 Net Par ($mm) | Original Gross Par ($mm) | Q2 2008 Gross Par ($mm) | Remaining Tranche Factor | Current Moody's Rating(3) | Super Senior at Origination |
|---|---|---|---|---|---|---|
| Deal 1 | 2 | 2 | 2 | 100.0% | Aaa | Yes |
| Deal 2 | 50 | 63 | 63 | 100.0% | Aaa | Yes |
| Deal 3 | 161 | 201 | 195 | 96.9% | Aaa | Yes |
| Deal 4 | 185 | 239 | 227 | 94.9% | Aaa | Yes |
| Deal 5 | 173 | 235 | 216 | 92.0% | Aaa | Yes |
| Deal 6 | 176 | 220 | 220 | 100.0% | Aaa | Yes |
| Deal 7 | 44 | 57 | 57 | 100.0% | Aaa (4) | Yes |
| Deal 8 | 34 | 44 | 43 | 99.4% | Aaa | Yes |
| Deal 9 | 338 | 423 | 423 | 100.0% | Aaa | Yes |
| Deal 10 | 265 | 338 | 338 | 100.0% | Aaa (4) | No |
| Deal 11 | 210 | 254 | 254 | 100.0% | Aaa | No |
| Deal 12 | 45 | 58 | 57 | 98.9% | Aaa | Yes |
| Deal 13 | 43 | 63 | 54 | 86.4% | Aaa | Yes |
| Deal 14 | 30 | 61 | 37 | 60.7% | Aaa | Yes |
| Deal 15 | 60 | 72 | 72 | 100.0% | Aaa | Yes |
| Deal 16 | 17 | 23 | 21 | 92.8% | Aaa | Yes |
| Deal 17 | 23 | 29 | 29 | 100.0% | Aaa | Yes |
| Deal 18 | 30 | 30 | 30 | 100.0% | Aaa | Yes |
| Deal 19 | 50 | 50 | 50 | 100.0% | Aaa | Yes |
| Deal 20 | 31 | 40 | 40 | 99.1% | Aaa | Yes |
| Deal 21 | 14 | 17 | 17 | 100.0% | Aaa | Yes |
| Deal 22 | 142 | 183 | 182 | 99.3% | Aaa | Yes |
| Deal 23 | 64 | 82 | 81 | 98.7% | Aaa | Yes |
| Deal 24 | 67 | 85 | 85 | 100.0% | Aaa | Yes |
| Deal 25 | 159 | 203 | 203 | 99.6% | Aaa | Yes |
| Deal 26 | 58 | 75 | 74 | 98.9% | Aaa | Yes |
| Deal 27 | 47 | 60 | 60 | 98.6% | Aaa | Yes |
| Deal 28 | 32 | 40 | 40 | 100.0% | Aaa | Yes |
| Deal 29 | 11 | 13 | 13 | 98.7% | Aaa | Yes |
| Deal 30 | 12 | 63 | 15 | 23.6% | Aaa | Yes |
| Deal 31 | 77 | 98 | 98 | 100.0% | Aaa | Yes |
| Deal 32 | 33 | 42 | 42 | 100.0% | Aaa | Yes |
| Deal 33 | 45 | 57 | 57 | 100.0% | Aaa | Yes |
| Deal 34 | 26 | 35 | 34 | 97.8% | Aaa | Yes |
| Deal 35 | 187 | 238 | 234 | 98.7% | Aa1 (4) | Yes |
| Deal 36 | 244 | 283 | 281 | 99.2% | Aaa | Yes |
| Deal 37 | 34 | 44 | 43 | 99.3% | Aaa | Yes |
| Deal 38 | 47 | 60 | 60 | 100.0% | Aaa | Yes |
| Deal 39 | 15 | 20 | 20 | 99.5% | Aaa | Yes |
| Deal 40 | 165 | 208 | 206 | 99.4% | Aaa (4) | Yes |
| | | | | | | |
| **Total** | **3,442** | **4,406** | **4,272** | **97.0%** | | |

- Small deal exposures
- 86% of portfolio originated at super senior attachments
- Only 1 transaction is not currently Aaa
- Current C/E after accounting for current defaults/deferrals is 44% (as of 8/14/08)
- Active management of overlap in this sector

(3) As of August 14, 2008 press release
(4) On negative watch.

# Assured's European Bank and Insurance TruPS CDOs

## All Transactions Remodeled and Analyzed

- **No asset defaults in any of the European Bank and Insurance TruPS transactions**
- **Current credit enhancement is 48.5%**
- **Active management of overlap**
- **Maximum overlap is 41.3% between these transactions**

**Direct Exposure -- European Bank and Insurance TruPS**

| Deal Name | Q2 2008 Net Par ($mm) | Original Gross Par ($mm) | Q2 2008 Gross Par ($mm) | Remaining Tranche Factor | Current Moody's Rating |
|---|---|---|---|---|---|
| CDO I | 562 | 562 | 562 | 100.0% | Aaa |
| CDO II | 913 | 913 | 913 | 100.0% | Aaa |
| | | | | | |
| **Total** | **1,474** | **1,474** | **1,474** | **100.0%** | |

# Defaulted Banks Since 2004

- **14 banks have defaulted since 2004 through 8/1/08. Only 4 (highlighted in the table below) were in Assured's Bank and Insurance TruPS portfolios.**
- **Only 1 of the 4 banks that defaulted was larger than the average exposure size**

| Bank Name | Assured Net Exposure |
|---|---|
| Bank 1 | 0.0 |
| Bank 2 | 17.5 |
| Bank 3 | 45.0 |
| Bank 4 | 0.0 |
| Bank 5 | 9.2 |
| Bank 6 | 0.0 |
| Bank 7 | 0.0 |
| Bank 8 | 0.0 |
| Bank 9 | 3.0 |
| Bank 10 | 0.0 |
| Bank 11 | 0.0 |
| Bank 12 | 0.0 |
| Bank 13 | 0.0 |
| Bank 14 | 0.0 |
| | 74.7 |

# Top 10 Bank and Insurance Issuers in Assured's TruPS CDOs

- **We analyzed our top bank and insurance exposures for aggregate size and the frequency of occurrence**
- **The average exposure across the Bank and Insurance portfolio is low**

| Issuer | Issuer Type | Exposure ($ mm) | As % of B&I TruPS CDO NPO | # of Deals | Frequency of Issuer (# of Deals/total # of Deals) |
|---|---|---|---|---|---|
| Issuer 1 | Bank | 36.2 | 0.9% | 17 | 40.5% |
| Issuer 2 | Bank | 50.5 | 1.3% | 15 | 35.7% |
| Issuer 3 | Bank | 35.3 | 0.9% | 15 | 35.7% |
| Issuer 4 | Bank | 38.3 | 1.0% | 13 | 31.0% |
| Issuer 5 | Bank | 33.4 | 0.9% | 13 | 31.0% |
| Issuer 6 | Bank | 35.4 | 0.9% | 12 | 28.6% |
| Issuer 7 | Bank | 28.8 | 0.7% | 9 | 21.4% |
| Issuer 8 | Bank | 26.2 | 0.7% | 9 | 21.4% |
| Issuer 9 | Bank | 31.7 | 0.8% | 7 | 16.7% |
| Issuer 10 | Insurance | 26.1 | 0.7% | 6 | 14.3% |

# Stress Case: US Bank and Insurance TruPS
## Substantial Coverage Multiples

[Proprietary data omitted]

- **The cumulative gross default rate for Bank Insurance Fund-Insured Banks from 1984 to 1998 (savings and loan crisis) was approximately 12%**
- **Moody's expects a 30-year default probability of 17.5% for the banking industry (See Moody's Special Report of August 23, 2006)**
- **The average Assured Bank and Insurance TruPS transaction can sustain approximately 2.6x Moody's expected cumulative defaults and 3.8x the cumulative defaults experienced during the savings and loan crisis**
- **Assured's current breakeven reflects future default rate after giving effect to all current defaulted assets**

# Stress Case: Correlation Across Assured's Bank and Insurance TruPS CDOs

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- **Analysis Undertaken**:
  - Reviewed <u>every</u> Bank and Insurance TruPS CDO transaction from the direct business (42 deals, ~1,200 unique credits, US/European)
  - Sorted current assets to rank them from largest to smallest based on aggregate notional exposures
  - Tested correlation by defaulting obligors one at a time beginning with the largest exposure until loss occurred on a Bank and Insurance TruPS CDO
- **Results:**
  - [Proprietary data omitted]

# Assured Mortgage and REIT TruPS CDO Overview

- **Diversity of REIT Collateral in TruPS CDOs - Commercial Mortgage REITs, Equity REITs, CMBS, Residential REITs and Homebuilders**
- **As of August 14, 2008 fully remodeled every Assured REIT TruPS CDO**
- **REIT TruPS CDOs updated quarterly by risk management**
- **Current defaults are spread across all transactions and not concentrated in any one CDO**
- **Current breakeven analysis shows Assured's portfolio can withstand 100% default rates in Homebuilders, Residential REITs, CMBS and CDOs with no losses.**

# REIT Collateral Analysis

- **Not all REITs are created equal**
  - There is diversity among REIT collateral
  - Defaults focused in two subsectors:  Homebuilder and Residential Mortgage REITs
  - 100% of Commercial Mortgage REITs/Loans, CMBS and Equity REITs are performing

### Look Through Analysis on Assured's REIT Trust Preferred CDO Collateral

| | Q2 2008 NPO ($mm) | NPO % of Total | Defaulting ($mm) | Defaulting as % of Asset Class | Performing ($mm) | Performing as % of Asset Class |
|---|---|---|---|---|---|---|
| | | | | | | |
| **Commercial Mortgage REIT & Loans** | **577** | 22.4% | 0 | 0.0% | 577 | 100.0% |
| **CMBS** | **134** | 5.2% | 0 | 0.0% | 134 | 100.0% |
| **CDOs** | **38** | 1.5% | 0 | 0.0% | 38 | 100.0% |
| **Equity REIT** | **866** | 33.7% | 15 | 1.7% | 852 | 98.3% |
| **Other** | **56** | 2.2% | 11 | 19.8% | 45 | 80.2% |
| **Homebuilder** | **438** | 17.0% | 129 | 29.5% | 309 | 70.5% |
| **Residential Mortgage REIT** | **462** | 18.0% | 252 | 54.6% | 210 | 45.4% |
| | **2,571** | 100.0% | | | | |

# Top 10 Mortgage and REIT Issuers in Assured's TruPS CDOs

- **We analyzed our top mortgage and REIT exposures for aggregate size and the frequency of occurrence**
- **Note, there is only one residential mortgage REIT in the top 10; no homebuilders**

| Issuer | Issuer Type | Exposure ($ mm) | As % of Mortgage & REIT TruPS CDO NPO | # of Deals | Frequency of Issuer (# of Deals /Total # of Deals) |
|---|---|---|---|---|---|
| Issuer 1 | Commercial Mortgage REIT | 108.2 | 2.8% | 10 | 83.3% |
| Issuer 2 | Commercial Mortgage REIT | 97.6 | 2.5% | 10 | 83.3% |
| Issuer 3 | Equity REIT | 114.1 | 2.9% | 9 | 75.0% |
| Issuer 4 | Commercial Mortgage REIT | 77.6 | 2.0% | 8 | 66.7% |
| Issuer 5 | Commercial Mortgage REIT | 67.3 | 1.7% | 7 | 58.3% |
| Issuer 6 | Residential Mortgage REIT | 64.7 | 1.7% | 7 | 58.3% |
| Issuer 7 | Specialty Finance Company | 63.6 | 1.6% | 4 | 33.3% |
| Issuer 8 | European REIT | 50.7 | 1.3% | 2 | 16.7% |
| Issuer 9 | European REIT | 50.7 | 1.3% | 2 | 16.7% |
| Issuer 10 | European REIT | 50.7 | 1.3% | 2 | 16.7% |

# Assured's U.S. Mortgage and REIT TruPS
## All Transactions Remodeled and Analyzed

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### Direct Exposure -- US Mortgage and REIT TruPS

| | Original Net Par ($mm) | Q2 2008 Net Par ($mm) | Remaining Tranche Factor | Current Moody's Rating[1] | Initial C/E | Current C/E |
|---|---|---|---|---|---|---|
| | | | | | | |
| Deal 1 | 280 | 274 | 97.9% | Aa1 | 43.8% | 37.2% |
| Deal 2 | 235 | 230 | 97.9% | Aa1 | 52.8% | 45.8% |
| Deal 3 | 240 | 237 | 98.7% | Aa1 | 48.7% | 45.1% |
| Deal 4 | 250 | 216 | 86.3% | Aa1 | 56.3% | 52.6% |
| Deal 5 | 304 | 300 | 98.7% | Aaa | 54.5% | 52.0% |
| Deal 6 | 273 | 252 | 92.5% | A3 [2] | 48.4% | 37.2% |
| Deal 7 | 310 | 295 | 95.1% | Aa2 | 45.6% | 37.0% |
| Deal 8 | 313 | 304 | 96.9% | Aa1 | 51.8% | 44.1% |
| Deal 9 | 180 | 156 | 86.7% | Aa1 | 49.3% | 47.7% |
| Deal 10 | 311 | 308 | 99.2% | Aaa [2] | 50.1% | 49.8% |
| Total | 2,696 | 2,571 | 95.4% | | | |

1. As of July 22, 2008 press release on sector
2. On negative watch

# Assured's European Mortgage and REIT TruPS
## All Transactions Remodeled and Analyzed

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- **No asset defaults in any of the European Mortgage and REIT TruPS transactions**
- **Current credit enhancement is 58.8%**
- **Active management of overlap**
- **Maximum overlap is 46% across these deals**

### Direct Exposure -- European Mortgage & REIT TruPS

| Deal Name | Q2 2008 Net Par ($mm) | Original Gross Par ($mm) | Q2 2008 Gross Par ($mm) | Remaining Tranche Factor | Current Moody's Rating | Cumulative Defaults/ Deferrals (%) |
|---|---|---|---|---|---|---|
| | | | | | | |
| CDO I | 506 | 506 | 506 | 100% | Aaa | 0.00% |
| CDO II | 803 | 803 | 803 | 100% | Aaa | 0.00% |
| | | | | | | |
| **Total** | **1,309** | **1,309** | **1,309** | **100%** | | |

# Concentration of Defaulted Assets
## In Assured's REIT TruPS CDOs

**[Proprietary data omitted]**

# Stress Case: Correlation Across REIT TruPS CDOs

- **Analysis Undertaken**
  - Reviewed every REIT TruPS CDO transaction from the direct business (12 deals, ~260 unique credits, US/European)
  - Sorted current assets to rank them from largest to smallest based on aggregate notional exposures
  - Tested correlation by defaulting obligors one at a time beginning with the largest exposure until loss occurred on a REIT TruPS CDO
- **Results**
  - [Proprietary data omitted]

# Stress Case: Mortgage and REIT TruPS

- **Scenario 1 – Assume 100% of the remaining performing homebuilder and residential mortgage REIT collateral defaults**
- **Scenario 2 – Assume 100% of the remaining performing homebuilder, residential mortgage REIT, CDO and CMBS collateral defaults**
- **[Proprietary data omitted]**

# Pooled Corporates
# Conclusions

- **Collateral supporting Assured's pooled corporate portfolio is granular and diverse**
  - The risk of unforeseen correlation that could lead to significant portfolio losses is remote
- **Assured has undertaken an extensive analysis of its pooled corporate exposure**
  - Have evaluated the portfolio from different perspectives
    - Monte Carlo simulations
    - Deterministic models that stress obligor concentrations, industry concentrations and obligor overlap
- **Due to the extreme granularity, the significant credit enhancement and the structural protections present, the data shows the portfolio can withstand unprecedented defaults and correlation without generating losses**
- **Given the diversity of the portfolio, the low probability of loss and the low severity of the portfolio, Assured's pooled corporate exposure is consistent with Assured's Aaa financial strength rating**

# Safe Harbor Disclosure

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