

# Assured Guaranty Ltd.



Overview of Consolidated  
Commercial Mortgage-Backed Securities  
First Quarter 2009



# Safe Harbor Disclosure



- Forward-looking statements are being made in this presentation. Actual results could differ materially from these statements.
- For example, the Company's forward looking statements, including its expectation of CMBS principal balance in force, and statements regarding capital losses, pricing, ratings, and new business production could be affected by many events.
- Factors that could cause actual results to differ materially include, but are not limited to:
  - downgrades of financial strength ratings assigned by the major rating agencies to any of our insurance subsidiaries at any time, which has occurred in the past;
  - downgrades of transactions we insure;
  - our inability to execute our business strategy;
  - reduction in the amount of reinsurance facultative cessions or portfolio opportunities available to us;
  - contract cancellations;
  - developments in the world's financial capital markets that adversely affect our loss experience, the demand for our products, our access to capital, our unrealized (losses) gains on derivative financial instruments or our investment returns;
  - more severe or frequent losses associated with our insurance products, or changes in our assumptions used to estimate loss reserves and realized (losses) gains on derivative financial instruments;
  - changes in regulation or tax laws applicable to us, our subsidiaries or customers;
  - governmental actions;
  - natural catastrophes;
  - the Company's dependence on customers;
  - decreased demand for our insurance or reinsurance products or increased competition in our markets;
  - loss of key personnel;
  - technological developments;
  - the effects of mergers, acquisitions and divestitures;
  - changes in accounting policies or practices;
  - changes in the credit markets, segments thereof or general economic conditions, including the overall level of activity in the economy or particular sectors, interest rates, credit spreads and other factors;
  - other risks and uncertainties that have not been identified at this time; and
  - management's response to these factors.
- See the Company's SEC filings and latest earnings press release and financial supplement, which are available on its website, for more information on factors that could affect its forward-looking statements. Do not place undue reliance on these forward-looking statements which are made as of July 15, 2009. Assured does not undertake to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.
- This presentation references several non-GAAP financial measures. These non-GAAP financial measures are defined in the appendix of this presentation. In each case, if available, the most directly comparable GAAP financial measure is presented and a reconciliation of the non-GAAP financial measure and GAAP financial measure is provided. This presentation is consistent with how our management, analysts and investors evaluate our financial results and is comparable to estimates published by analysts in their research reports on us. Each of the non-GAAP financial measures is identified in this presentation as such.

# Disclaimer



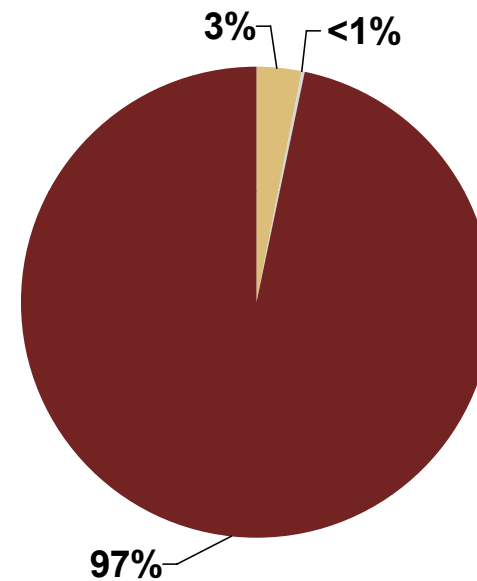
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# Assured's CMBS Exposure Executive Summary



- **Assured has \$8.2 billion of commercial mortgage-backed securities (“CMBS”) exposure**
- **Assured’s financial guaranty direct segment has exposure through three categories of transactions**
  - Traditional CMBS - \$6,057 million
  - CDOs of Commercial Real Estate (“CRE”) - \$771 million
  - Collateralized debt obligation (“CDOs”) of mezzanine asset-backed securities (“ABS”) - \$706 million
- **Assured has \$665 million of exposure through reinsurance**
- **Assured has maintained a conservative underwriting stance on CMBS throughout its history**
  - Low levels of CMBS historically
  - Focus on senior exposures and whole loans
  - Asset diversification

**CMBS as a Percentage of Net Par Outstanding**



**\$237.2 Billion Net Par Outstanding  
CMBS is 3.5% of total net par outstanding**

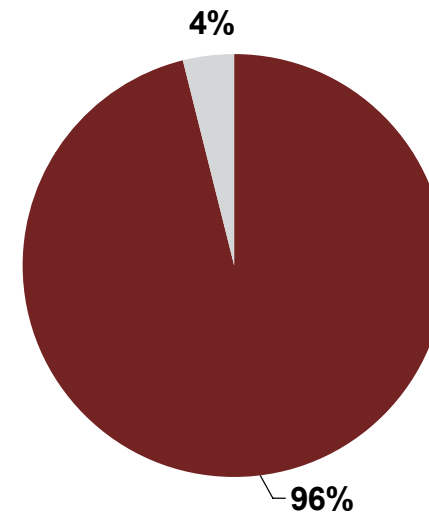
■ Direct ■ Reinsurance ■ Non-CMBS Par

# Credit Quality of Direct CMBS Exposure Executive Summary



- **Assured's direct CMBS-related exposures were conservatively underwritten at high attachment points**
  - Most deals written with triple-A rating<sup>1</sup> at inception
  - Single-A exposure is one deal written at single-A during inception
- **Assured's portfolio is highly rated**
  - 96% of exposure had internal rating of AAA as of March 31, 2009
- **Beginning in the middle of 2006, Assured concluded that underwriting standards applied to newly originated commercial property loans were deteriorating and adjusted our underwriting standards accordingly**

Direct CMBS Exposure by Average Rating<sup>1</sup>



**\$7.5 billion of Traditional CMBS, CDOs of CRE and CDOs of Mezzanine ABS Direct Exposure**  
**3.2% of total net par outstanding**

■ AAA    ■ A

1. Assured's internal rating. Please refer to page 19 footnote 1 for more information.

# Financial Guaranty Direct Traditional CMBS



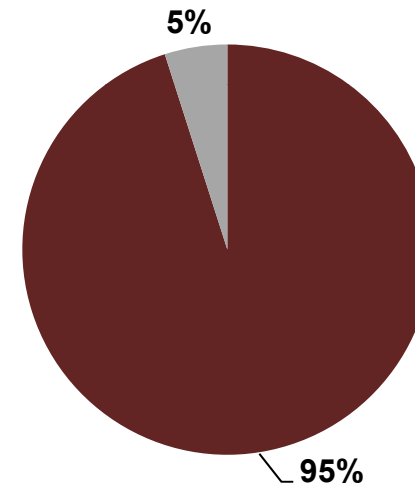
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# Traditional CMBS Portfolio



- **Assured’s traditional CMBS portfolio is our largest CMBS-related exposure category**
- **Most of the exposure was underwritten in credit derivative form**
- **The portfolio is highly rated with 95% of the portfolio rated AAA and only one transaction originally and currently rated single-A (as of March 31, 2009)<sup>1</sup>**
- **Most of the exposures were written as “basket trades”; some have additional credit enhancement from first loss position retained by the investor**

**Traditional CMBS Exposure by Average Rating<sup>1</sup>**



**\$6.1 billion of Traditional CMBS Exposure  
2.6% of total net par outstanding**

■ AAA    ■ A

1. Assured’s internal rating. Please refer to page 19 footnote 1 for more information.

# Assured's CMBS Credit Evaluation



- **The four principal credit factors that differentiate CMBS collateral performance in today's changing economic climate are:**
  - Credit enhancement
  - Vintage
  - Valuation
  - Diversification
  
- **Assured's traditional CMBS exposures are characterized by**
  - In some instances, additional credit enhancement
  - Largely pre-2007 vintage
  - Conservative capitalization rates ("cap rates")
  - Property type and geographic diversification

# CMBS Credit Enhancement



\$ in millions

- **Assured’s CMBS exposure benefits from significant subordination with a weighted average subordination level of 28.5% for deals issued after 2004**

**Distribution of Financial Guaranty Direct U.S. Mortgage-Backed Securities Issued January 1, 2005 or Later by Exposure Type, Average Pool Factor, Subordination, Cumulative Losses and 60+ Day Delinquencies as of March 31, 2009 <sup>1</sup>**

## U.S. CMBS

Year issued:	Net Par Outstanding	Pool Factor <sup>2</sup>	Subordination <sup>3</sup>	Cumulative Losses <sup>4</sup>	60+ Day Delinquencies <sup>5</sup>	Number of transactions
2005	\$ 3,429	96.5%	28.9%	0.0%	0.2%	158
2006	1,418	98.2%	30.6%	0.0%	0.3%	57
2007	524	89.2%	20.6%	0.0%	2.1%	13
2008	N/A	N/A	N/A	N/A	N/A	N/A
2009	N/A	N/A	N/A	N/A	N/A	N/A
	<u>\$ 5,371</u>	<u>96.2%</u>	<u>28.5%</u>	<u>0.0%</u>	<u>0.4%</u>	<u>228</u>

1. For this presentation, net par outstanding is based on values as of March 2009. All performance information such as pool factor, subordination, cumulative losses and delinquency is based on March 2009 information obtained from Intex, Bloomberg, and/or provided by the trustee and may be subject to restatement or correction.

2. Pool factor is the percentage of net par outstanding divided by the original net par outstanding of the transactions at inception.

3. Represents the sum of subordinate tranches and over-collateralization, expressed as a percentage of total transaction size and does not include any benefit from excess interest collections that may be used to absorb losses.

4. Cumulative losses are defined as net charge-offs on the underlying loan collateral divided by the original pool balance.

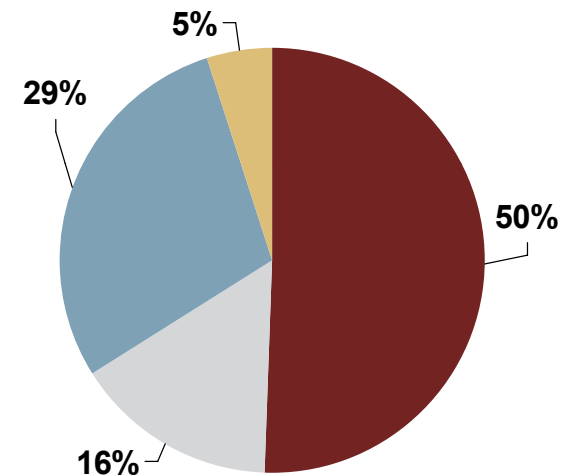
5. 60+ day delinquencies are defined as loans that are greater than 60 days delinquent and all loans that are in foreclosure, bankruptcy or REO divided by net par outstanding.

# Credit Enhancement Structure



- **The transactions can be sorted into four broad categories of credit enhancement structure:**
  - Super senior underlying CMBS
    - Benefits from 5% - 6% aggregate non-amortizing deal level subordination
    - Assured's average subordination level including this first loss is 37%
  - 0% to 100% attachment
    - This category is comprised of senior or super senior underlying CMBS
    - Assured's average subordination level is 27%
  - AJ (AAA mezzanine) underlying CMBS
    - AJ tranches typically attach at 12%-15% and go up to 20%
    - Assured also benefits from non-amortizing 5% aggregate deal level subordination
    - Average subordination level for Assured including this first loss is 18%
  - Small balance commercial
    - This category consists of one deal which is performing as expected

Traditional CMBS by Type



**\$6.1 billion of Traditional CMBS Exposure**

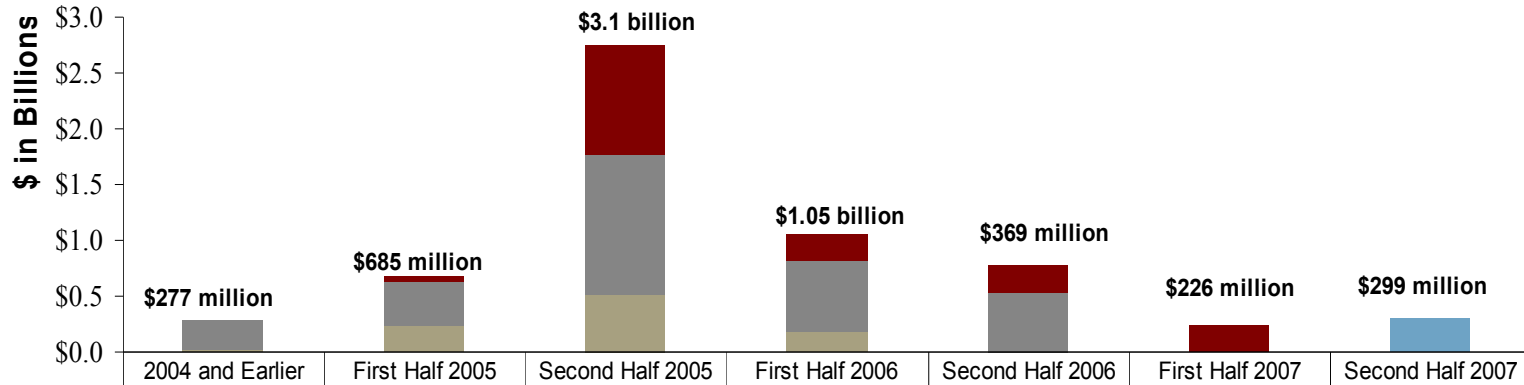
- 0% to 100% Attachment
- AJ (AAA Mezz)
- Super Senior Underlying
- Small Balance Commercial

# Seasoned CMBS Vintages



- Consistent with our concerns about RMBS, Assured scaled back its appetite for CMBS exposures in 2006
- 65% of our CMBS exposures were underwritten prior to 2006

CMBS by Underlying Vintage and Credit Enhancement Category



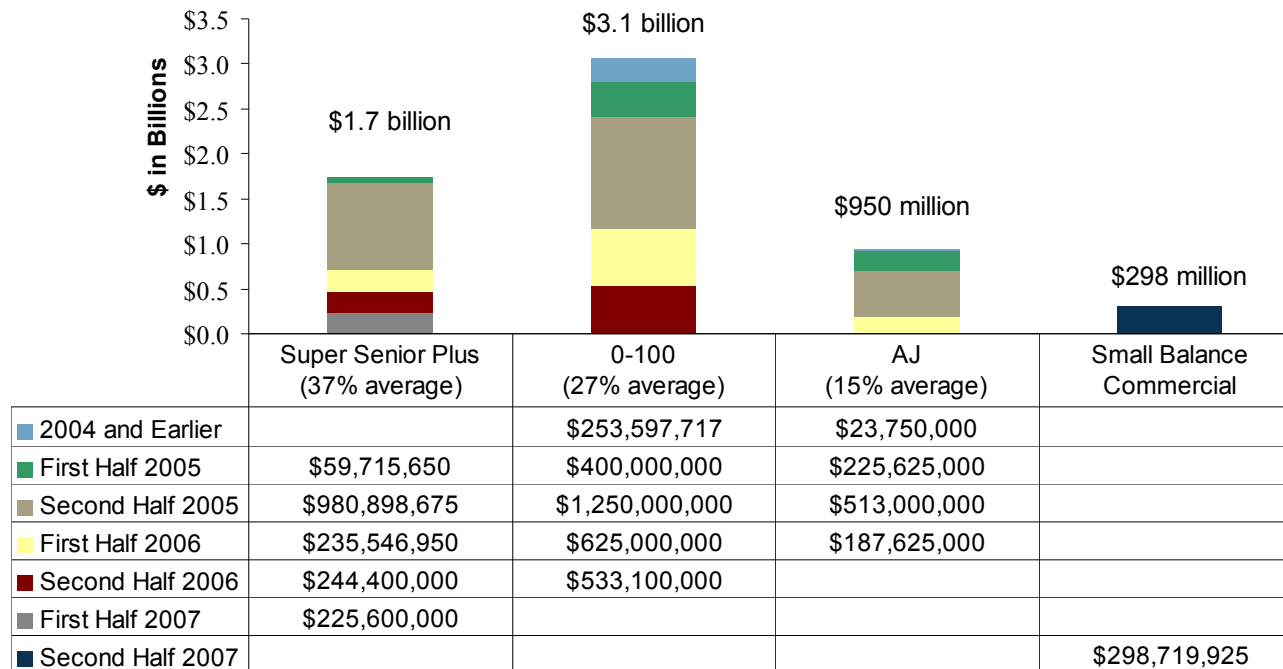
	2004 and Earlier	First Half 2005	Second Half 2005	First Half 2006	Second Half 2006	First Half 2007	Second Half 2007
■ Super Senior Plus		\$59,715,650	\$980,898,675	\$235,546,950	\$244,400,000	\$225,600,000	
■ 0-100	\$253,597,717	\$400,000,000	\$1,250,000,000	\$625,000,000	\$533,100,000		
■ AJ	\$23,750,000	\$225,625,000	\$513,000,000	\$187,625,000			
■ Small Balance Commercial							\$298,719,925

# CMBS by Transaction Type



- **Assured increased its credit standards to favor super senior transactions with additional enhancement**
- **No AJ structures underwritten after second half 2006**
- **No 0-100% after 2006**

CMBS by Credit Enhancement Structure

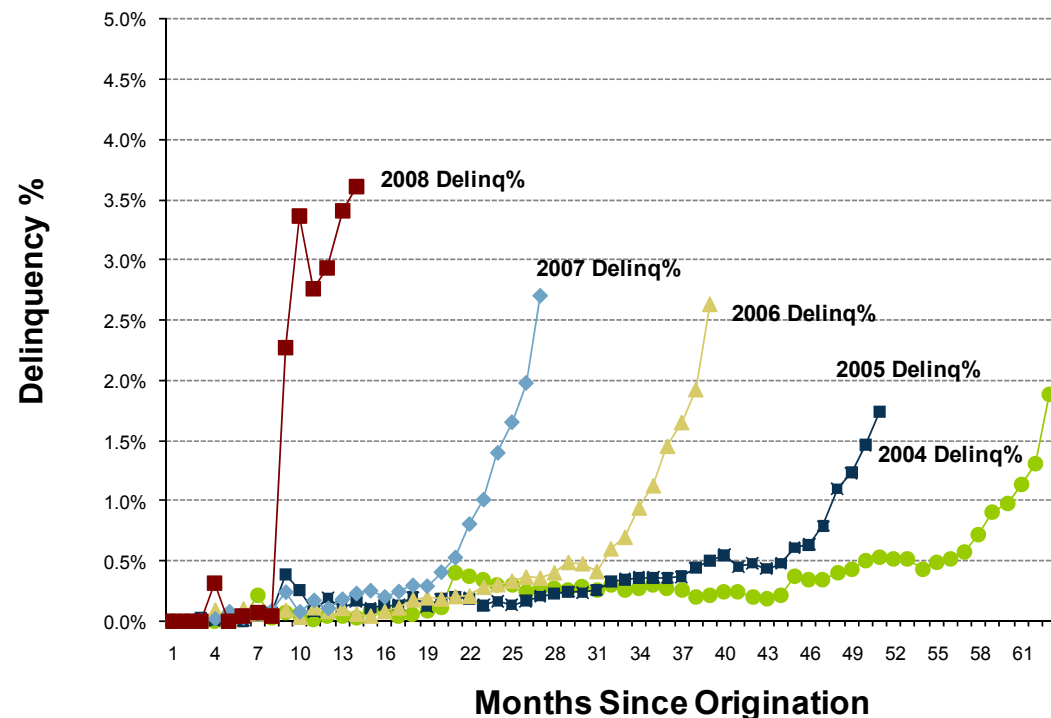


# CMBS Delinquency Data by Vintage



- **Our underwriting discipline has protected us from the worst performing vintages in CMBS**
  - Delinquency curves deteriorated sharply for 2006 and later vintages
- **66% of Assured's exposure was underwritten in 2005 and prior**
  - No exposure to 2008
  - Only 9.3% is 2007 vintage
- **25% is 2006 vintage, with average current credit enhancement of 31%**

### Percentage of Commercial Mortgages 30+ Days Delinquent



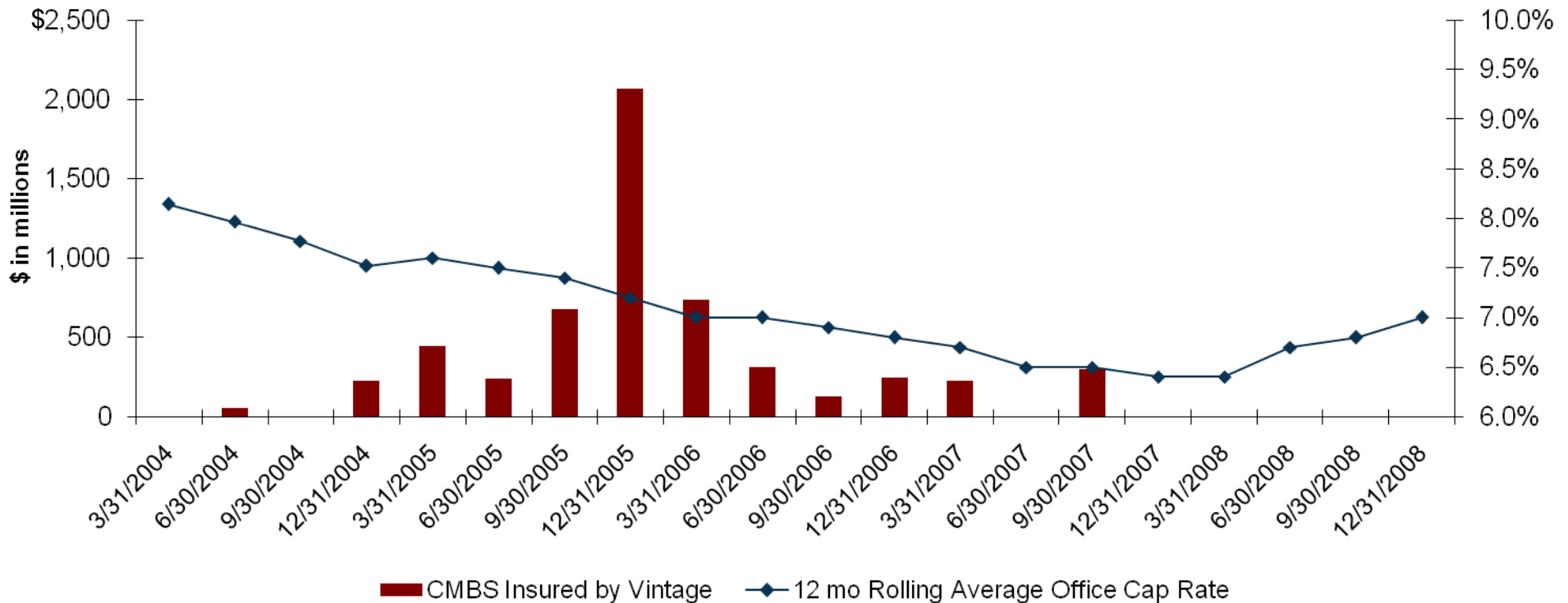
Source: Wells Fargo Securities, LLC and Intex Solutions, Inc.

# Valuation of CMBS Insured by Assured vs. Cap Rates



- Beginning in the middle of 2006, Assured concluded that commercial property valuations were becoming very aggressive as cap rates declined to 7.0% in 2006 and 6.5% in 2007 from 8.0% in 2004 and 7.5% 2005

Traditional CMBS Insured by Assured vs. Cap Rates



Source: Assured Guaranty, Wells Fargo Securities, LLC , Intex Solutions, Inc., Reis, Inc., and PPR

# CMBS Diversification



- **Assured's CMBS exposure is diversified by collateral type**
- **CMBS is diversified across 12 different asset classes**
  - Retail is 31.4% of collateral
  - Office is also 31.4% of collateral
- **CMBS is diversified across different states, properties and tenants**
  - The top state or highest allocation to any state averages 23.8%
  - The top type of property or highest allocation to any property type averages 37.3%

# CMBS Diversification



**Weighted Average Property Type by Year Issued <sup>1</sup>**

Year Issued	AGL NPO (\$MM)	(5) Top State	(5) Multi Family	(1) CH	(10) Retail	(8) Office	(4) Lodging	(3) Industrial	(12) Warehouse	(2) Health Care	(6) Mobile Home	(11) Self Storage	(7) Mixed Use	(9) Other	Top Type of Property
2002	\$39	20.9%	10.5%	0.0%	38.6%	37.5%	5.3%	4.3%	0.0%	0.0%	2.0%	0.8%	0.6%	0.3%	46.0%
2004	\$224	20.7%	18.4%	0.4%	25.7%	21.0%	1.3%	6.3%	0.0%	0.0%	9.7%	6.8%	9.2%	1.3%	25.7%
2005	\$3,422	19.3%	16.5%	0.5%	31.4%	31.4%	7.5%	3.7%	0.0%	0.0%	1.8%	3.6%	1.9%	1.5%	37.4%
2006	\$1,425	19.7%	14.6%	0.2%	32.9%	32.5%	9.8%	3.9%	0.0%	0.2%	1.3%	2.4%	1.6%	0.7%	40.0%
2007	\$529	65.4%	7.6%	0.0%	28.7%	28.7%	6.0%	10.9%	1.2%	0.1%	0.9%	1.1%	19.8%	5.2%	33.1%
<b>Total</b>	<b>\$5,639</b>	<b>23.8%</b>	<b>15.2%</b>	<b>0.4%</b>	<b>31.4%</b>	<b>31.4%</b>	<b>7.7%</b>	<b>4.5%</b>	<b>0.1%</b>	<b>0.1%</b>	<b>1.9%</b>	<b>3.2%</b>	<b>3.8%</b>	<b>1.6%</b>	<b>37.3%</b>

**Table key:**

1 CH (all)	Co-Op Housing	5C MF-Student	Multi-family - Student	10 RT Plus	Retail- Plus
2 HC-Assisted Living	Healthcare - Assisted Living	6 MH (all)	Manufactured Housing	10A RT-Anchored	Retail - Anchored
2A HC-Congregate Care	Healthcare - Congregate Care	7 MU (all)	Mixed Use	10B RT-Conv. And/Or Gas	Retail - Conv. And or Gas
2B HC-Skilled Nursing	Healthcare - Skilled Nursing	8 OF Plus	Office - Plus	10C RT-Drug Store	Retail - Drug Store
2C HC-Unclassified	Healthcare - Unclassified	8A OF-Medical	Office - Medical	10D RT-Factory Outlet	Retail - Factory Outlet
3 IN Plus	Industrial - Plus	8B OF-R&D	Office - R&D	10E RT-Grocery Store	Retail - Grocery Store
3A IN-Manufacturing	Industrial - Manufacturing	8C OF-Suburban	Office - Suburban	10F RT-Restaurant	Retail - Restaurant
3B IN-Unclassified	Industrial - Unclassified	8D OF-Unclassified	Office - Unclassified	10G RT-Shadow Anchor	Retail - Shadow Anchor
4 LO-Extended Stay	Lodging - Extended Stay	8E OF-Urban	Office - Urban	10H RT-Single Tenant	Retail - Single Tenant
4A LO-Full Service	Lodging - Full Service	9 OT-Automotive	Other - Automotive	10I RT-Unanchored	Retail - Unanchored
4B LO-Limited Service	Lodging - Limited Service	9A OT-Car Dealership	Other - Car Dealership	10J RT-Unclassified	Retail - Unclassified
4C LO-Unclassified	Lodging - Unclassified	9B OT-Health Club	Other - Health Club	11 SS (all)	Self Storage
5 MF Plus	Multi-family - Plus	9C OT-Movie Theater	Other - Movie Theater	12 WH (all)	Warehouse
5A MF-Govt	Multi-family - Government	9D OT-Unclassified	Other - Unclassified		
5B MF-Senior	Multi-family - Senior				

1. As of May 21, 2009.

# CMBX Correlation



- **Assured has executed eight CMBS basket trades**
- **Assured’s traditional CMBS exposure is highly correlated to the CMBX index**
  - About 60% of Assured’s total CMBS exposure is represented in the CMBX 1
    - The CMBX 1 is made up of 25 securities; the coupons and performance data for CMBX 1 can be found at <http://www.markit.com/en/products/data/indices/structured-finance-indices/cmbx/cmbx-prices.page> using the CMBX.NA.AAA.1 index as reference
    - The earliest maturity date within the index is September 15, 2030
  - Over 85% of the amount within the CMBX 1 benefits from additional enhancement
- **Credit quality remains high with 100% of tranches currently rated AAA**

		Extra			
		Enhancement	CMBX1	CMBX2	CMBX3
Merrill Lynch CMBS Re-Securitization - AJ Basket	\$950	5.0%	\$456		
Merrill Lynch 8-Name CMBS CDS - Basket	\$500	0.0%	\$375	\$63	
Seawall 2007-5 - Basket	\$940	6.0%	\$470		\$470
Sonoma Valley Series 2006-1 Super Senior - Basket	\$806	6.8%	\$418		
Morgan Stanley CMBS Portfolio Additional - Basket	\$500	0.0%	\$500		
Morgan Stanley CMBS Portfolio - Basket	\$250	0.0%	\$250		
Morgan Stanley CMBS Trade July 2006 - Basket	\$250	0.0%	\$180		
Merrill Lynch CMBX Trade September 2006 - Basket	\$500	0.0%	\$500		
			\$3,149	\$63	\$470

# Financial Guaranty Direct CDOs of Commercial Real Estate



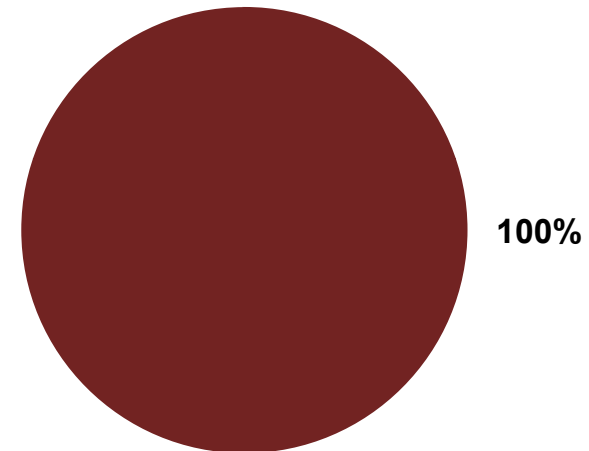
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# Pooled Corporate: Commercial Real Estate



- **Assured underwrote three commercial real estate transactions in its pooled corporate exposure category, from \$230 million to \$300 million, totaling \$771 million as of March 31, 2009**
  - All were underwritten at the super senior attachment level <sup>1</sup>
- **In aggregate, collateral is currently comprised of the following:**
  - 83% whole loans
  - 3% mezzanine CMBS
  - 14% other (includes but not limited to mezzanine and subordinated notes, participation interests and preferred securities)
- **Average subordination currently stands at 47.9%**
  - Average subordination was 43.9% at December 31, 2007
- **All transactions are rated<sup>1</sup> triple-A as of March 31, 2009**

**Pooled Corporate:  
Commercial Real Estate by Average Rating<sup>1</sup>**



**\$771 million net par outstanding<sup>2</sup>**

■ AAA

1. Assured's internal rating. Assured's scale is comparable to that of the nationally recognized rating agencies. The super senior category, which is not generally used by rating agencies, is used by the Company in instances where Assured's AAA-rated exposure has additional credit enhancement due to either (1) the existence of another security rated AAA that is subordinated to Assured's exposure or (2) Assured's exposure benefits from a different form of credit enhancement that would pay any claims first in the event that any of the exposures incurs a loss, and such credit enhancement, in management's opinion, causes Assured's attachment point to be materially above the AAA attachment point.

2. May change due to deals with revolvers.

# Financial Guaranty Direct CDOs of Mezzanine ABS



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# CDOs of Mezzanine ABS



- **Assured wrote \$1.2 billion CDOs of mezzanine ABS from 2001 to 2003**
  - Exposure is \$706 million as of March 31, 2009
  - Collateral is primarily CMBS
- **All of the transactions are structured as static pools**
  - Collateral vintage is pre-2004
  - Collateral performance remains strong
- **Average rating of collateral is BBB; distribution is**
  - 15% AAA
  - 6% AA
  - 13% A
  - 46% BBB
  - 20% below investment grade
- **Average current level of subordination is 40.1% as of March 31, 2009**
  - Average subordination was 35.3% at December 31, 2007
  - Transaction subordination ranges from 27.8% to 67.3%
- **Most of the transactions mature in 2017 or 2018**

# Financial Guaranty Direct CDOs of ABS<sup>1</sup>



\$ in millions

Ratings as of  
March 31, 2009

Year Insured	Legal Final Maturity <sup>2</sup>	Net Par Outstanding	Type of Collateral as a Percent of Total Pool						Ratings as of March 31, 2009		Original AAA Sub-ordination <sup>4</sup>	Original Sub-ordination Below Assured	Current Sub-ordination Below Assured		
			ABS	RMBS (Includes Subprime)	Comm. MBS (CMBS) <sup>3</sup>	CDOs of Investment Grade Corporate	CDOs of ABS	Total Collateral Pool	U.S. Subprime First Lien RMBS	S&P				Moody's	
<b>CDOs of Mezzanine ABS<sup>3</sup>:</b>															
2001	2017	\$ 107.1	0%	0%	100%	0%	0%	100%	0%	AAA	Aa3	25.1%	25.1%	31.5%	
2001	2016	59.6	0%	0%	100%	0%	0%	100%	0%	AAA	Aa3	28.1%	28.1%	40.1%	
2002	2017	76.4	0%	0%	100%	0%	0%	100%	0%	AAA	Aaa	24.6%	24.6%	46.9%	
2002	2017	90.2	0%	0%	100%	0%	0%	100%	0%	AAA	Aaa	22.1%	22.1%	32.3%	
2002	2017	79.0	0%	0%	100%	0%	0%	100%	0%	AAA	A2	35.0%	35.0%	50.9%	
2002	2017	63.7	0%	0%	100%	0%	0%	100%	0%	AAA	Aa1	24.0%	24.0%	34.7%	
2003	2018	111.4	0%	0%	100%	0%	0%	100%	0%	AAA	Aa3	20.0%	20.0%	27.8%	
2003	2038	73.0	0%	0%	100%	0%	0%	100%	0%	AAA	Aa2	23.0%	38.0%	50.2%	
2003	2018	45.6	0%	0%	100%	0%	0%	100%	0%	AAA	Aaa	63.0%	63.0%	67.3%	
<b>Total:</b>		<b>\$ 706.1</b>	<b>0%</b>	<b>0%</b>	<b>100%</b>	<b>0%</b>	<b>0%</b>	<b>100%</b>	<b>0%</b>	<b>AAA</b>	<b>Aa2</b>	<b>27.4%</b>	<b>28.9%</b>	<b>40.1%</b>	

1. A "CDO of ABS" is a collateralized debt obligation (CDO) transaction whose collateral pool consists primarily of asset-backed securities (ABS), including mortgage-backed securities (MBS). ABS transactions securities generally represent an ownership interest in a trust that contains collateral supporting the notes. Those interests are divided into several tranches that can have varying levels of subordination, credit protection triggers and credit ratings.
2. "Legal Final Maturity" represents the final date for payment specified in the transaction documents and does not take into account prepayments that shorten the expected maturity and weighted average life.
3. "CDOs of Mezzanine ABS" is a market term that refers to transactions where the underlying collateral at issuance is comprised primarily of mezzanine tranches rated BBB or lower. The collateral underlying Assured's exposure to CDOs of Mezzanine ABS is comprised of mezzanine tranches of CMBS transactions and senior unsecured debt issued by commercial property REITs. The transactions to which Assured has exposure are static pools rather than actively managed transactions, and the collateral in these static pools was originated primarily in the period from 1997-2003. The collateral underlying Assured's exposure to CDOs of Mezzanine ABS had weighted average ratings, based on rating information as of March 31, 2009, as follows: 15% AAA, 6% AA, 13% A, 46% BBB and 20% below investment grade (BIG).
4. Represents the sum of subordinate tranches and over-collateralization and does not include any benefit from excess interest collections that may be used to absorb losses.