



# Assured Guaranty Ltd.

September 30, 2011 Equity Investor Presentation



*Revised on 01.18.12*

# Safe Harbor Disclosure



- Forward-looking statements are being made in this presentation that reflect the current views of Assured Guaranty Ltd. (“AGL” and, together with its subsidiaries, “Assured Guaranty” or the “Company”) with respect to future events and financial performance. They are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Actual results could differ materially from these statements. For example, Assured Guaranty’s forward-looking statements could be affected by:
  - 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 AGL or any of its subsidiaries and/or of transactions that AGL’s subsidiaries have insured, all of which have occurred in the past;
  - developments in the world’s financial and capital markets that adversely affect issuers’ payment rates, Assured Guaranty’s loss experience, its ability to cede exposure to reinsurers, its access to capital, its unrealized (losses) gains on derivative financial instruments or its investment returns;
  - changes in the credit markets, segments thereof or general economic conditions;
  - more severe or frequent losses implicating the adequacy of Assured Guaranty’s expected loss estimates;
  - the impact of market volatility on the mark-to-market of its contracts written in credit default swap form;
  - reduction in the amount of insurance and reinsurance opportunities available to Assured Guaranty;
  - deterioration in the financial condition of our reinsurers, the amount and timing of reinsurance recoverables actually received and the risk that reinsurers may dispute amounts owed to us under our reinsurance agreements;
  - the possibility that the Company will not realize insurance loss recoveries or damages expected from originators, sellers, sponsors, underwriters or servicers of residential mortgage-backed securities transactions
  - increased competition;
  - changes in applicable accounting policies or practices;
  - changes in applicable laws or regulations, including insurance and tax laws;
  - other governmental actions;
  - difficulties with the execution of Assured Guaranty’s business strategy;
  - contract cancellations;
  - Assured Guaranty’s dependence on customers;
  - loss of key personnel;
  - adverse technological developments;
  - the effects of mergers, acquisitions and divestitures;
  - natural or man-made catastrophes;
  - other risks and uncertainties that have not been identified at this time;
  - management’s response to these factors; and
  - other risk factors identified in Assured Guaranty’s filings with the Securities and Exchange Commission (the “SEC”).
- See Assured Guaranty’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 only as of November 14, 2011. Assured Guaranty does not undertake to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

# Conventions and Non-GAAP Financial Measures



- Unless otherwise noted, the following conventions are used in this presentation:
  - Ratings on our insured portfolio and on bonds purchased pursuant to loss mitigation or risk management strategies are Assured Guaranty's internal ratings. Although the Company's ratings scale is similar to that used by the nationally recognized statistical rating organizations, the ratings may not be the same as ratings assigned by any such rating agency.
  - The super senior category, which is not generally used by rating agencies, is used by Assured Guaranty in instances where its AAA-rated exposure has additional credit enhancement due to either (1) the existence of another security rated AAA that is subordinated to Assured Guaranty's exposure or (2) Assured Guaranty's exposure benefitting from a different form of credit enhancement that would pay any claims first in the event that any of the exposures incurs a loss, and such credit enhancement, in management's opinion, causes Assured Guaranty's attachment point to be materially above the AAA attachment point.
  - Exposures rated below investment grade are designated "BIG".
  - Ratings on the investment portfolios are the lower of the ratings from Moody's Investors Service Inc. ("Moody's") or Standard & Poor's Ratings Services ("S&P").
  - Percentages and totals in tables or graphs may not add due to rounding.
- On October 18, 2011, Assured Guaranty issued a press release announcing that it would restate its financial results for the years ended December 31, 2009 and 2010, and each of the previously issued quarters of 2010 and 2011, due to errors in intercompany eliminations for financial guaranty variable interest entities. In addition, the Company was required to correct certain unrelated, immaterial errors as part of the restatement. Restated results were disclosed for third and fourth quarter and full year 2009 as well as full year 2010 in a Form 10-K/A filing with the SEC on October 31, 2011, for the first and second quarters of 2011 and 2010 in Form 10-Q/A filings on November 14, 2011 and for the third quarter of 2010 in the Form 10-Q filing on November 14, 2011. Each of the Form 10-K/A and Form 10-Q/A filings should be read in conjunction with the original Form 10-K and Form 10-Q filing for the applicable period. As of June 30, 2011, the effect of the restatements on consolidated shareholders' equity was less than 1%, the effect on cumulative consolidated net income was \$36.1 million, and there was no impact on cumulative operating income, operating shareholders' equity or adjusted book value. Wherever applicable, this document shows only the restated results.
- 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.

## Assured Guaranty Ltd.

As of September 30, 2011

(\$ in billions)	GAAP	Operating <sup>1</sup>
Total investment portfolio	\$11.3	\$11.3
Net unearned premium reserve <sup>2</sup>	\$5.4	\$5.7
Shareholders' equity	\$4.8	\$5.1

### Statutory-basis

Claims-paying resources	\$13.0
Net par outstanding	\$557.8

- **We are the leading financial guaranty franchise**
  - More than 22 years of experience in the municipal and structured finance markets
- **We serve the market through two platforms:**
  - Assured Guaranty Municipal Corp. (“AGM”) focuses on public finance and infrastructure transactions
  - Assured Guaranty Corp. (“AGC”) guarantees public finance, global infrastructure and structured finance transactions
- **We are also the largest financial guaranty reinsurer through Assured Guaranty Re Ltd. (“AG Re”), domiciled in Bermuda**

1. The following presents selected financial information included in calculating adjusted book value, a non-GAAP financial measure. Please see the appendix for an explanation of non-GAAP financial measures used within this document and a reconciliation to the applicable GAAP measure.

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

# Financial Strength Ratings Goals

- **Assured Guaranty has the highest financial strength ratings of any active financial guaranty insurer today:**
  - On September 27, 2011, S&P changed the financial strength ratings of AGC and AGM from AA+ (Negative Outlook) to AA+ CreditWatch Negative and AG Re from AA (stable) to AA (CreditWatch Negative). This was based on S&P's new bond insurance rating criteria. S&P also stated that if we can create capital or utilize additional forms of reinsurance to mitigate concentration risks, those actions would support S&P ratings in the AA category.
  - Moody's confirmed AGM's and AGC's Aa3 financial strength ratings in fourth quarter 2009 (Moody's review is in process)

## Financial Strength Ratings

As of November 14, 2011

	<b>Moody's (rating)</b>	<b>S&amp;P (rating)</b>
<b>AGC</b>	Aa3 / negative outlook	AA+ / CreditWatch Negative
<b>AGM</b>	Aa3 / negative outlook	AA+ / CreditWatch Negative
<b>AG Re</b>	A1 / negative outlook	AA / CreditWatch Negative

# Our Initiatives to Address Potential S&P Capital Requirements

## Strategy

- **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
- **Pursue capital-accretive reinsurance commutations**
- **Purchase wrapped bonds**
- **Negotiate comprehensive agreements on representation and warranty ("R&W") claims**

## Results Through September 30, 2011

- **Agreements to terminate \$10.7 billion of par, including \$9.5 billion of CDS notional, creating \$200-\$400 million of estimated capital benefit**
- **Reinsurance commutation resulting in pre-tax income of \$32.2 million, up from \$17.1 million in first nine months of 2010**
- **Purchases of insured securities with par of \$612 million at a purchase price of \$283 million producing an estimated capital benefit of \$50-\$100 million**
- **Execution of Bank of America agreement**

**Result: Potential rating agency capital creation of \$2.3 billion**

# R&W Putbacks and Settlements



- **Since 2008, we have been pursuing reimbursement for breaches of R&W through mortgage putbacks and related settlements.**
- **In April 2011, we resolved our R&W claims on 29 transactions with Bank of America/Countrywide.**
  - \$1.1 billion cash payment to be received by March 31, 2012; \$985.4 million was paid by September 30, 2011
  - Reimbursement<sup>1</sup> of 80% of paid losses on 21 first lien transactions until collateral losses in those securitizations equal \$6.6 billion; as of September 30, 2011, collateral losses are expected to be \$4.9 billion, generating \$811.5 million of estimated gross economic loss to Assured Guaranty’s tranches, before consideration of R&W benefits
- **As of September 30, 2011, the cumulative total (gross of reinsurance) of (i) settlement receipts and commitments and (ii) R&W putbacks and putback commitments was approximately \$2.4 billion.<sup>2</sup> The putbacks flow through the transaction waterfalls and do not necessarily benefit us dollar-for-dollar.**
- **We continue to pursue reimbursement from other R&W providers; Deutsche Bank, UBS and Credit Suisse comprise most of our non-Bank of America future net R&W benefit as of September 30, 2011.**

(\$ in millions)	Future Net R&W Benefit as of	
	September 30, 2011	December 31, 2010
Bank of America/Countrywide	\$695.7	\$1,049.7
Other R&W providers (11)	1,068.3	621.0
<b>Total</b>	<b>\$1,764.0</b>	<b>\$1,670.7</b>

1. As of September 30, 2011, Bank of America had placed approximately \$965 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.

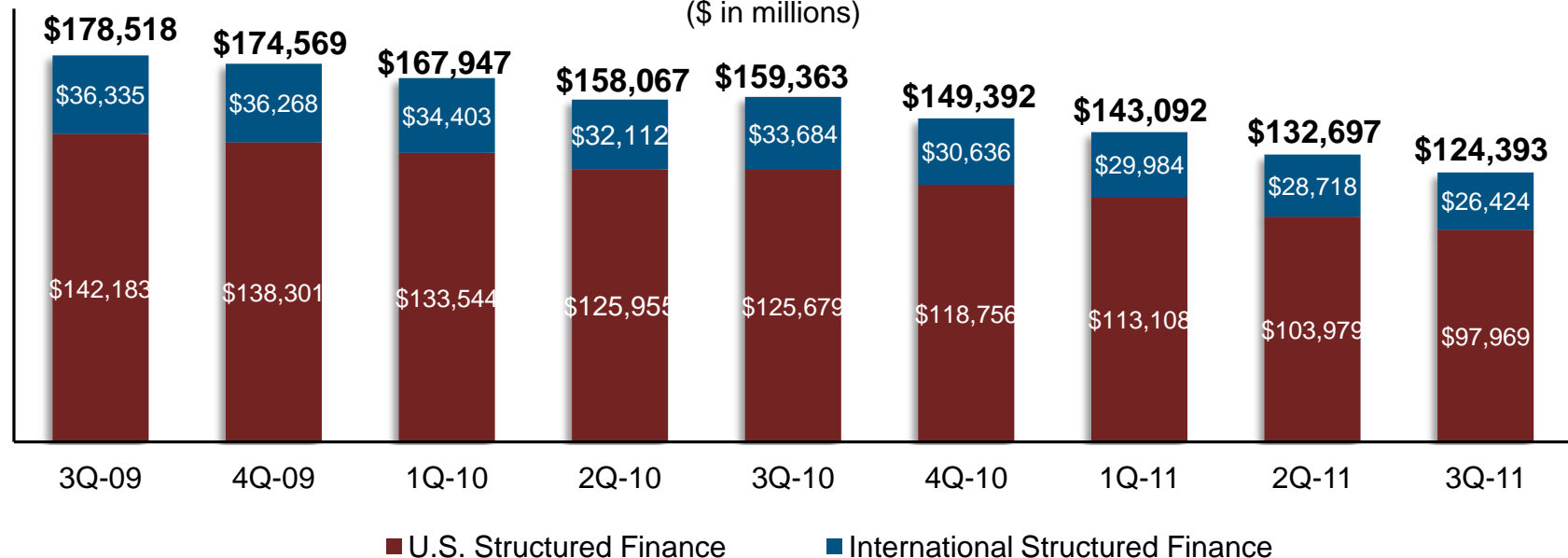
2. Includes approximately \$730 million of gross future Bank of America/Countrywide benefit related to our R&W agreement.

# Other Capital Creation Initiatives

- **We also have a wrapped bond purchase program, in which we purchase bonds we have insured in order to reduce our losses**
  - Have purchased approximately \$1.2 billion of par on insured securities through September 30, 2011 with an initial purchase price of approximately \$550 million; \$1.1 billion of par remains outstanding
- **We generate excess capital as our RMBS and other structured finance exposures run off**
  - 30% of structured finance portfolio has run off since September 30, 2009
  - About 37% of our remaining structured finance portfolio is expected to run off from 3Q-11 through year-end 2013
  - U.S. RMBS runoff will free up the most capital; expect \$5.8 billion to run off in 4Q-11 and 2012

## Structured Finance Run-off

(\$ in millions)

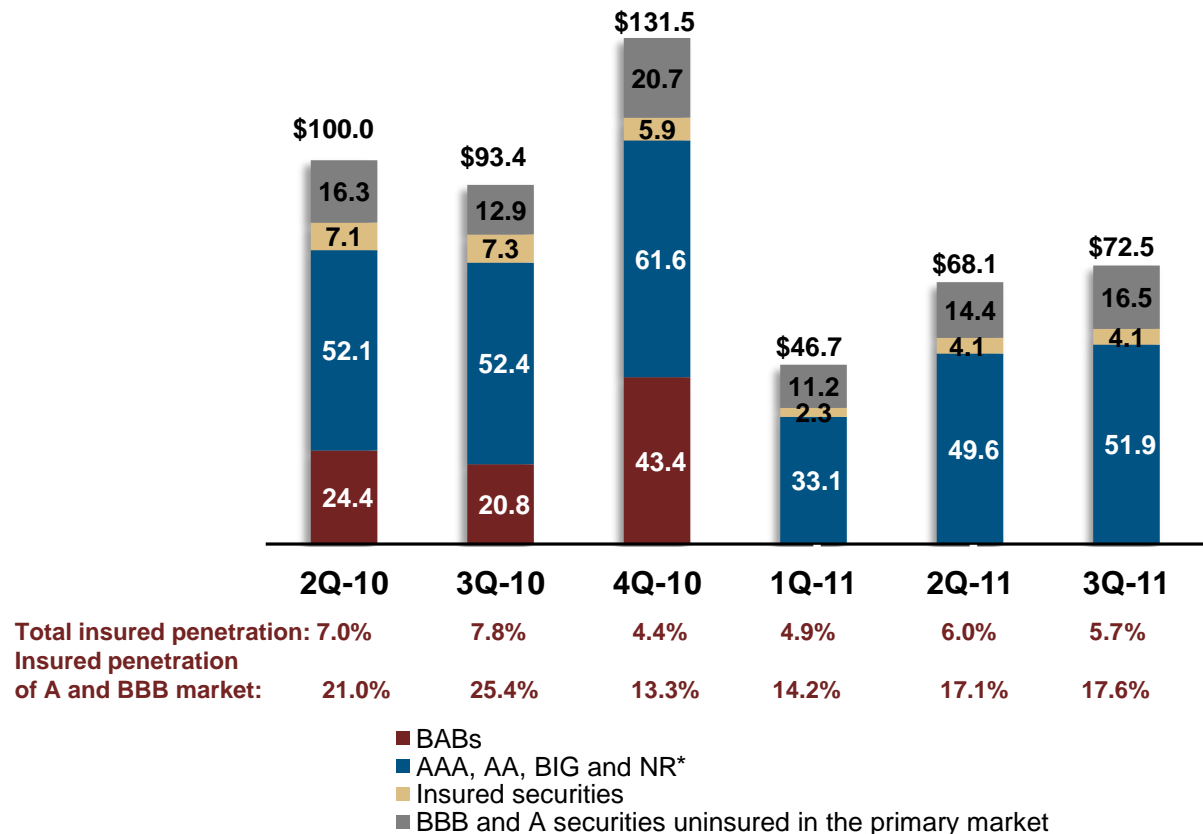


- **We are focused on building demand for our guaranties, which has been challenging in the first nine months of 2011 and full year 2010 for several reasons:**

- Recalibration of public finance ratings by Moody's in 2010, which resulted in upgrades to many municipal bonds
- S&P's new ratings criteria for bond insurers proposed in 1Q-11 and finalized in 3Q-11
- October 2010 downgrade to AA+ (stable) by S&P; August 2011 change to negative outlook; September 2011 change to CreditWatch Negative
- Sharp decline in new-issue volume in 2011 as a result of:
  - Increased issuance under expiring Build America Bonds ("BABs") program
  - Issuers' general reluctance in the current environment to incur additional debt

## U.S. New Issue Public Finance Insured Volume

(As of September 30, 2011)  
(\$ in billions)



Source: SDC database, adjusted for underlying rating.

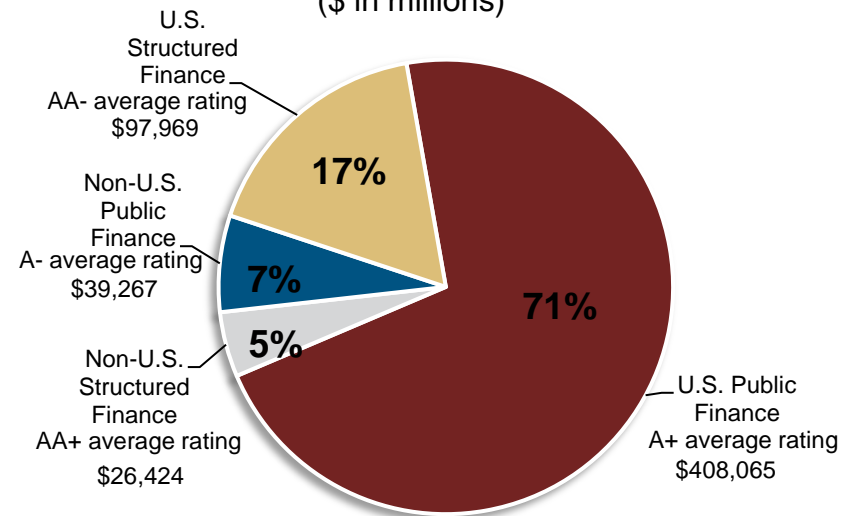
\*Insured securities include BABs, AA or not rated ("NR") securities that were insured by the Company.

# Exercise Underwriting Discipline

- **Our U.S. public finance portfolio, our largest exposure category, has performed well despite increased financial pressure on municipal obligors caused by the recession**
  - We have tightened our public finance underwriting standards
  - Out of approximately 11,000 direct public finance transactions, we expect future losses to be paid, net of recoveries, on less than a dozen. In 3Q-11 we made payments on only four.
- **Our principal losses in the last three years have been on U.S. RMBS due to the lack of adherence to underwriting standards by mortgage originators**
  - Neither AGC nor AGM underwrote collateralized debt obligations (“CDOs”) backed by RMBS, protecting us from losses on the scale experienced by our former competitors

## Consolidated Net Par Outstanding

As of September 30, 2011  
(\$ in millions)



**\$571.7 billion, A+ average rating**

# Utilize Reinsurance Platform

- **Reassumed reinsurance has increased the unearned premium reserve and adjusted book value<sup>1</sup>**
  - Reassumed \$2.9 billion par in 2009
  - Reassumed \$15.5 billion par in 2010
  - Reassumed \$0.3 billion par YTD<sup>2</sup>
- **High-quality portfolios from dormant 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

As of September 30, 2011

(\$ in billions)	Net Par Outstanding
<b>Radian</b>	\$20.0
<b>Tokio Marine</b>	17.1
<b>RAM Re</b>	12.1
<b>Syncora</b>	4.2
<b>Mitsui</b>	2.4
<b>Others</b>	2.6
<b>Total<sup>3</sup></b>	\$58.4

1. Please see the appendix for an explanation of this non-GAAP financial measure and a reconciliation to GAAP book value.
2. YTD as of September 30, 2011. Before cancellation of \$1.1 billion of reinsurance exposure reassumed by FGIC.
3. Includes financial guaranty contracts and contracts written in credit derivative form.

- **Proactive in creating rating agency capital relief through:**
  - Agreements to terminate financial guaranty and credit derivative contracts
  - Commutation of ceded reinsurance
  - Purchases of wrapped bonds
  - Negotiation of comprehensive agreements on R&W claims
- **Continue to write new business, particularly U.S. public finance obligations**
  - Increase U.S. public finance market share in both par and penetration
  - Seek to underwrite select structured or international infrastructure transactions with high return on equity (“ROE”) that meet our underwriting criteria

# Financial Results

September 30, 2011



# Third Quarter 2011 Operating Results

## (Excluding Consolidation of VIEs)



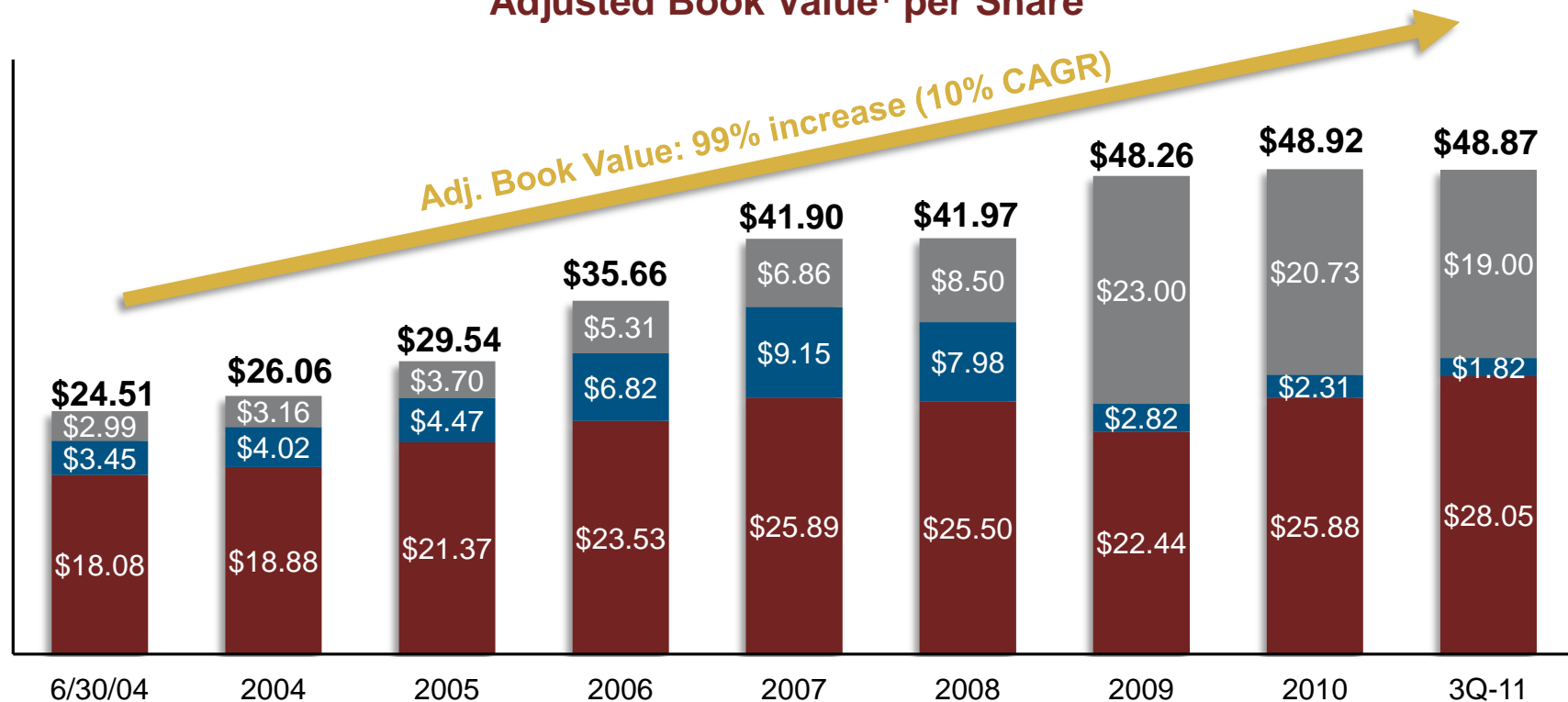
(\$ in millions, except per share data)	Quarter Ended		% Change vs. 3Q-10
	2011	2010	
<b>Net earned premiums and credit derivative revenues<sup>1</sup></b>	\$271.9	\$352.2	(23)%
<b>Net investment income<sup>2</sup></b>	97.5	85.6	14%
<b>Total revenues included in operating income<sup>3</sup></b>	384.8	438.0	(12)%
<b>Loss &amp; LAE and incurred losses on credit derivatives<sup>4</sup></b>	253.7	136.4	86%
<b>Total expenses included in operating income</b>	327.8	221.5	48%
<b>Operating income<sup>3</sup></b>	38.3	222.6	(83)%
<b>Operating income<sup>3</sup> per diluted share</b>	<b>0.21</b>	<b>1.19</b>	(82)%
<b>Operating ROE<sup>3,5</sup></b>	<b>3.0%</b>	<b>19.8%</b>	(16.8) pp
<b>After-tax gain (loss) on investments/derivatives</b>	\$787.5	\$(188.4)	NM
<b>Net income (loss)</b>	761.2	164.6	362%
<b>Net income (loss) per diluted share</b>	<b>4.13</b>	<b>0.88</b>	<b>369%</b>

NM = Not meaningful pp = percentage points

1. Included \$19.4 million and \$12.8 million related to financial guaranty variable interest entities ("VIEs") that was eliminated during quarters ended September 30, 2011 and 2010, respectively, in GAAP reported results due to consolidation.
2. Included \$4.0 million and \$0.0 million that was eliminated during the quarters ended September 30, 2011 and 2010, respectively, in GAAP reported results due to consolidation of VIEs.
3. The Company revised its definition of operating income in second quarter 2010 to exclude foreign exchange revaluation gains and losses on premiums receivable. For an explanation of operating income and operating ROE, both non-GAAP financial measures, and a reconciliation of operating income to net income, which is the most comparable GAAP term, please refer to the appendix.
4. Included \$37.9 million and \$10.2 million that was eliminated during the quarters ended September 30, 2011 and 2010, respectively, in GAAP reported results due to consolidation of VIEs.
5. ROE calculations represent annualized returns.

# Operating Shareholders' Equity and Adjusted Book Value per Share Growth

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



- 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, 2010, GAAP accounting required the consolidation of VIEs where the Company is determined to be the control party through rights under our financial guaranty insurance contracts. For those VIEs that the Company consolidates, it records all of the activities of the VIEs and eliminates the related insurance accounting. Operating shareholders' equity reverses the financial effect of consolidating these entities and accounts for them as financial guaranty insurance contracts in order to present the Company's insured obligations on a consistent basis.

- **Loss expense included in operating income does not 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
  - Refer to the loss accounting policy in our Form 10-K/A for a description of the other complexities involved in the timing of loss recognition
  - A portion of loss expense reflects the amortization of expected loss to be expensed on contracts where the deferred premium revenue included in the unearned premium reserve is absorbing losses; expected loss to be expensed before consolidation of VIEs at September 30, 2011 totaled \$823.5 million (\$544.6 million after tax or \$2.99 per share)

- **Management uses economic loss development to evaluate the change in expected losses to be paid from period to period**
  - This measures the change in expected losses from period to period whether the loss exceeds the deferred premium revenue or not
  - 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

(\$ in millions, except per share data)	3Q-11	3Q-10
<b>Loss expense on FG and CDS included in operating income:</b>		
Before tax	\$253.7	\$136.4
After tax	191.1	94.2
Per diluted share	1.04	0.50
<b>Economic loss development</b>		
Before tax	\$187.0	\$368.1
After tax	150.6	246.7
Per diluted share	0.82	1.32

# Portfolio Overview

September 30, 2011



# Three Discrete Operating Companies With Separate Capital Bases



## Consolidated Claims-Paying Resources and Statutory-Basis Exposures<sup>1</sup>

As of September 30, 2011					
(\$ in millions)	Assured Guaranty Corp.	Assured Guaranty Re Ltd. <sup>1</sup>	Assured Guaranty Municipal Corp.	Eliminations <sup>2</sup>	Consolidated
<b>Claims-paying resources</b>					
Policyholders' surplus	\$ 1,112	\$ 1,180	\$ 1,301	\$ (300)	\$ 3,293
Contingency reserve	606	-	1,804	-	2,410
<b>Qualified statutory capital</b>	<b>1,718</b>	<b>1,180</b>	<b>3,105</b>	<b>(300)</b>	<b>5,703</b>
Unearned premium reserve	835	1,027	2,207	-	4,069
Loss and loss adjustment expense reserves <sup>3,4</sup>	383	246	440	-	1,069
<b>Total policyholders' surplus and reserves</b>	<b>2,936</b>	<b>2,453</b>	<b>5,752</b>	<b>(300)</b>	<b>10,841</b>
Present value of installment premium <sup>4</sup>	418	252	593	-	1,263
Standby line of credit/stop loss	200	200	498	-	898
<b>Total claims-paying resources</b>	<b>\$ 3,554</b>	<b>\$ 2,905</b>	<b>\$ 6,843</b>	<b>\$ (300)</b>	<b>\$ 13,002</b>
Net par outstanding <sup>5</sup>	\$ 107,972	\$ 132,464	\$ 319,016	\$ (1,658)	\$ 557,794
Net debt service outstanding <sup>5</sup>	\$ 158,578	\$ 214,767	\$ 480,990	\$ (3,795)	\$ 850,540
<b>Ratios:</b>					
Net par outstanding to qualified statutory capital	63:1	112:1	103:1		98:1
Capital ratio <sup>6</sup>	92:1	182:1	155:1		149:1
Financial resources ratio <sup>7</sup>	45:1	74:1	70:1		65:1

1. AG Re numbers are the Company's estimate of U.S. statutory, as this company files Bermuda statutory financial statements.

2. In 2009, AGC issued a \$300.0 million note payable to AGM. Net par and net debt service outstanding eliminations represent second-to-pay policies between Assured Guaranty's insurance subsidiaries.

3. Reserves are reduced by approximately \$1.6 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., the rights and interests of bondholders and their lien on pledged revenues or other security are terminated in accordance with bond documentation) and when such issue is economically defeased (i.e., bond documentation does not provide a procedure for termination of such rights, interests and liens other than through payment of all outstanding debt in full; funds are deposited in an escrow account for future payment of the debt; and if the funds deposited prove insufficient to pay the outstanding debt in full, the issuer continues to be legally obligated to make payment on such debt).

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

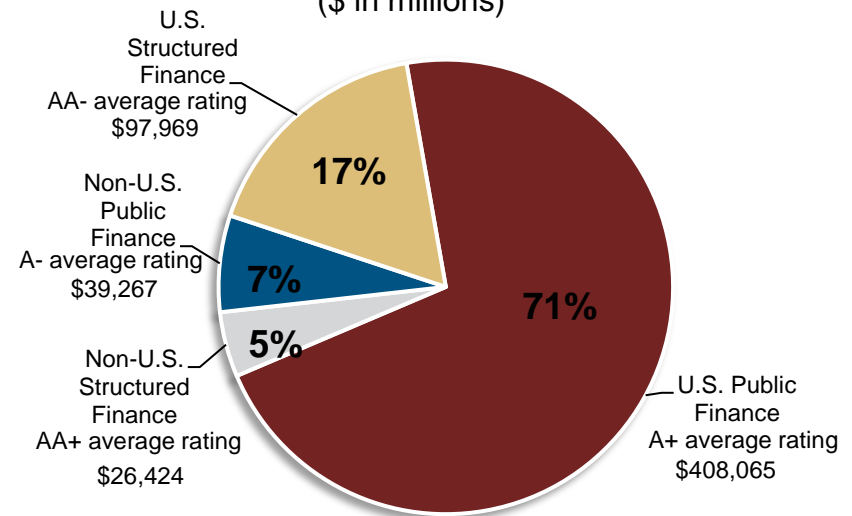
7. The financial resources ratio is calculated by dividing net debt service outstanding by total claims-paying resources.

# Net Par Outstanding Diversified By Sector

- **Assured Guaranty's portfolio is largely concentrated in U.S. public finance**
  - 71% U.S. public finance
  - 17% U.S. structured finance
  - 12% International
- **Our portfolio has an A+ average internal credit rating**
  - 95.2% investment grade
- **RMBS is our largest BIG exposure**
  - \$15.3 billion (56% of total BIG) is U.S. RMBS
  - Plus \$923 million of triple-X life securitization transactions with assets invested in RMBS
  - Plus \$4.3 billion of BIG-rated pooled corporates, largely Mortgage and Real Estate Investment Trust ("REIT"), Trust Preferred Securities ("TruPS") and bank and insurance TruPS

## Consolidated Net Par Outstanding

As of September 30, 2011  
(\$ in millions)

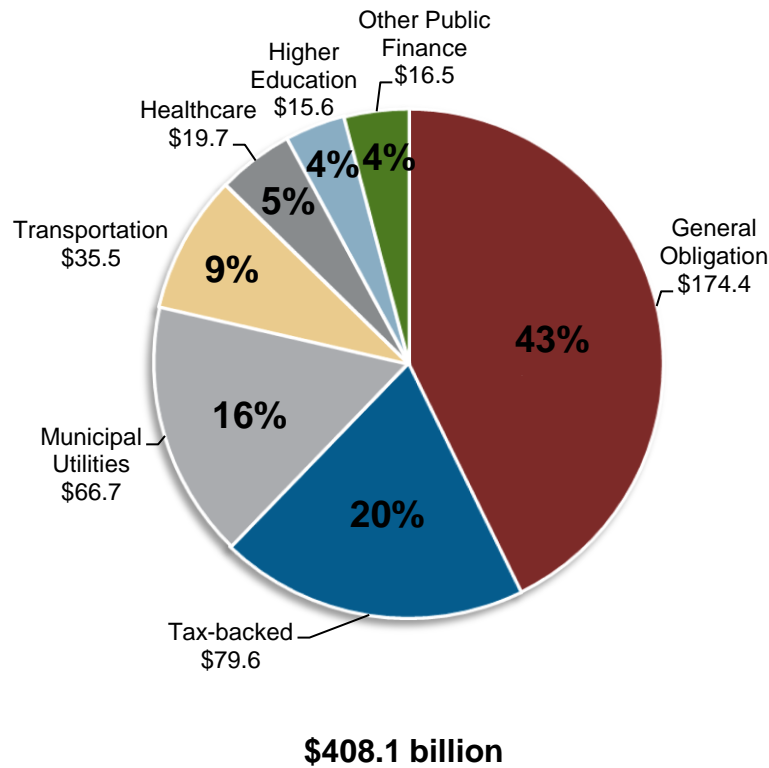


**\$571.7 billion, A+ average rating**

# U.S. Public Finance Net Par Outstanding

## U.S. Public Finance

As of September 30, 2011  
(\$ in billions)



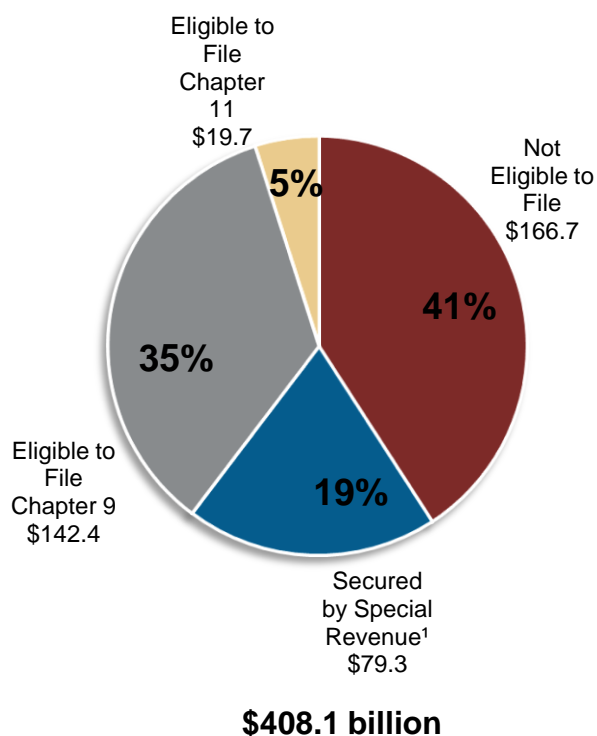
- **\$408.1 billion of U.S. public finance net par outstanding, 71% of our total as of September 30, 2011**
- **General obligation, tax-backed and municipal utilities represent 79% of U.S. public finance net par outstanding**
  - 56% of total net par outstanding
- **Average internal rating of A+**
- **\$3.3 billion is BIG exposure**
  - \$1.9 billion of the BIG exposure is for 6 public finance transactions greater than \$50 million

# U.S. Public Finance

## Net Par Outstanding by Bankruptcy Eligibility

### U.S. Public Finance

As of September 30, 2011  
(\$ in billions)



- **As of September 30, 2011 only about 40% of our public finance exposures are eligible to file Chapter 9 or Chapter 11 bankruptcy**
  - 19% secured by special revenue
  - 41% not eligible for Chapter 9 due to lack of enabling state legislation

Disclosure Sector (\$ in billions)	Not Eligible for Bankruptcy	Secured By Special Revenue <sup>1</sup>	Eligible to File Chapter 9	Eligible to File Chapter 11	Net Par Outstanding	Weighted Avg. Rating
General obligation	\$52.6	\$0.0	\$121.8	-	\$174.4	A+
Tax backed	49.6	11.4	18.7	-	79.6	A+
Municipal utilities	20.1	46.6	-	-	66.7	A
Transportation	13.8	21.3	0.4	-	35.5	A
Healthcare	5.3	-	0.1	\$14.4	19.7	A
Higher education	14.3	-	-	1.4	15.6	A+
Housing	3.7	-	1.4	1.0	6.0	AA-
Infrastructure finance	2.7	0.01	-	1.5	4.2	BBB
Investor-owned utilities	0.0	-	-	1.1	1.2	A-
Other public finance	4.8	-	-	0.3	5.1	A-
<b>Total U.S. Public Finance:</b>	<b>\$166.7</b>	<b>\$79.3</b>	<b>\$142.4</b>	<b>\$19.7</b>	<b>\$408.1</b>	<b>A+</b>

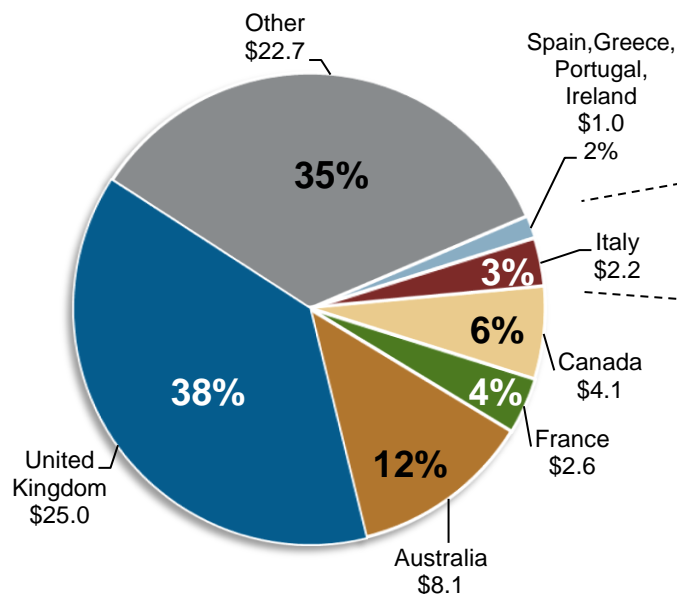
1. Special revenue secured bonds are not subject to an automatic stay under Chapter 9 of the Bankruptcy Code.

# Consolidated International Finance

## International Public and Structured Finance Net Par Outstanding

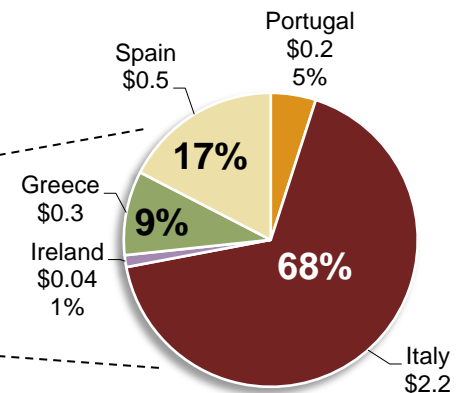
### International Finance

As of September 30, 2011  
(\$ in billions)



**\$65.7 billion, A+ average rating**

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



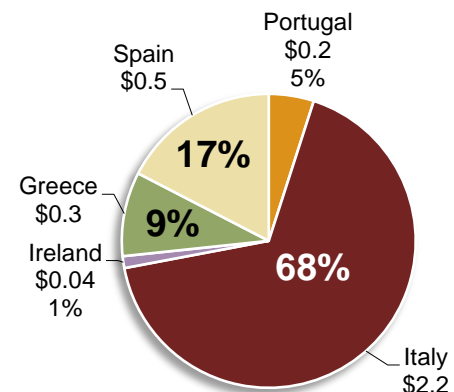
**\$3.2 billion, A- average rating**

- Exposure to transactions in lower rated countries remains limited
- Within those countries, most policies continue to be rated investment grade

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

# Insured Obligations Within Troubled Eurozone Countries

- **Greece net par outstanding is \$291 million**
  - Notes due 2037 and 2057
  - Written in FG form, our exposure is principal and interest when due with no acceleration risk
- **Ireland net par outstanding is \$41 million amongst two pooled corporate transactions**
- **Italy exposure consists of 15 transactions with aggregate net par outstanding of \$2.2 billion**
  - Only one rated BIG (Rome airport totaling \$252 million net par outstanding)
  - Largest transaction is \$773 million involving regional debt currently rated A-
- **Portugal exposure remains limited to 5 transactions and \$156 million net par outstanding**
  - Two transactions rated BB+, government sponsored public enterprises, totaling \$116 million net par outstanding
- **Spain exposure is \$547 million net par outstanding amongst 13 transactions**

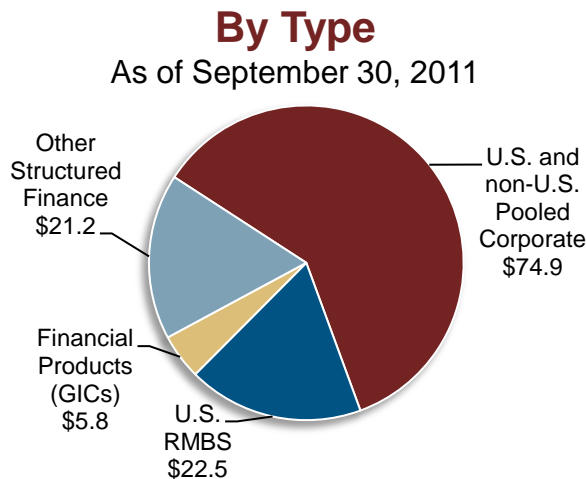


**\$3.2 billion, A- average rating**

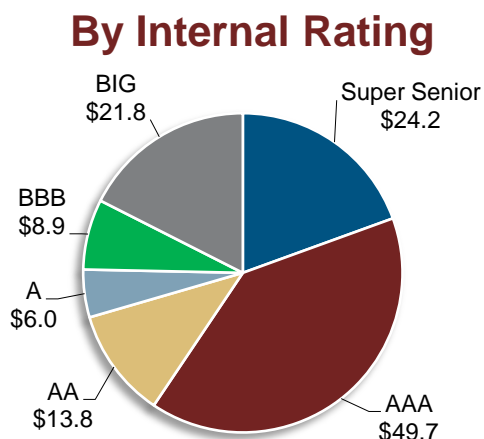
# Structured Finance Exposures

## Net Par Outstanding

(\$ in billions)



**\$124.4 billion, AA- average rating**

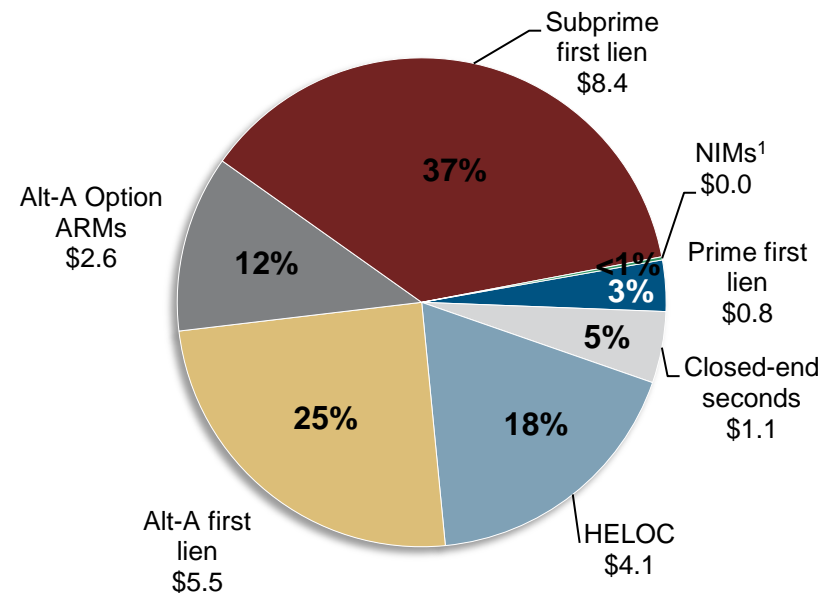


- **We expect Assured Guaranty's global structured finance insured portfolio (\$124.4 billion as of September 30, 2011) to run off rapidly – 22% by year-end 2012 and 56% by year-end 2014.**
  - \$74.9 billion in global pooled corporate obligations expected to be reduced by 20% by year-end 2012 and by 62% by year-end 2014
  - \$22.5 billion in U.S. RMBS expected to be reduced by 26% by year-end 2012 and by 51% by year-end 2014
- **Assured Guaranty and AGM's total structured finance exposures of \$240.9 billion at December 31, 2007 have declined by \$116.5 billion to \$124.4 billion through September 30, 2011, a 48% reduction.**

- **Our \$22.5 billion U.S. RMBS portfolio is amortizing on an absolute basis and as a percentage of the portfolio**
  - U.S. RMBS represents 3.9% of total net par outstanding at September 30, 2011 versus 8.3% at year-end 2008
  - Total U.S. RMBS has declined from \$30.2 billion at September 30, 2009 to \$22.5 billion at September 30, 2011, a \$7.7 billion or 26% reduction
- **Our loss reserving methodology is driven by our assumptions on several factors with a key variable on new delinquencies:**
  - Conditional default rate
  - Constant prepayment rate
  - Excess spread
  - Loss severity
- **We have several initiatives aimed at reducing ultimate losses**

## U.S. RMBS by Exposure Type

As of September 30, 2011  
(\$ in billions)

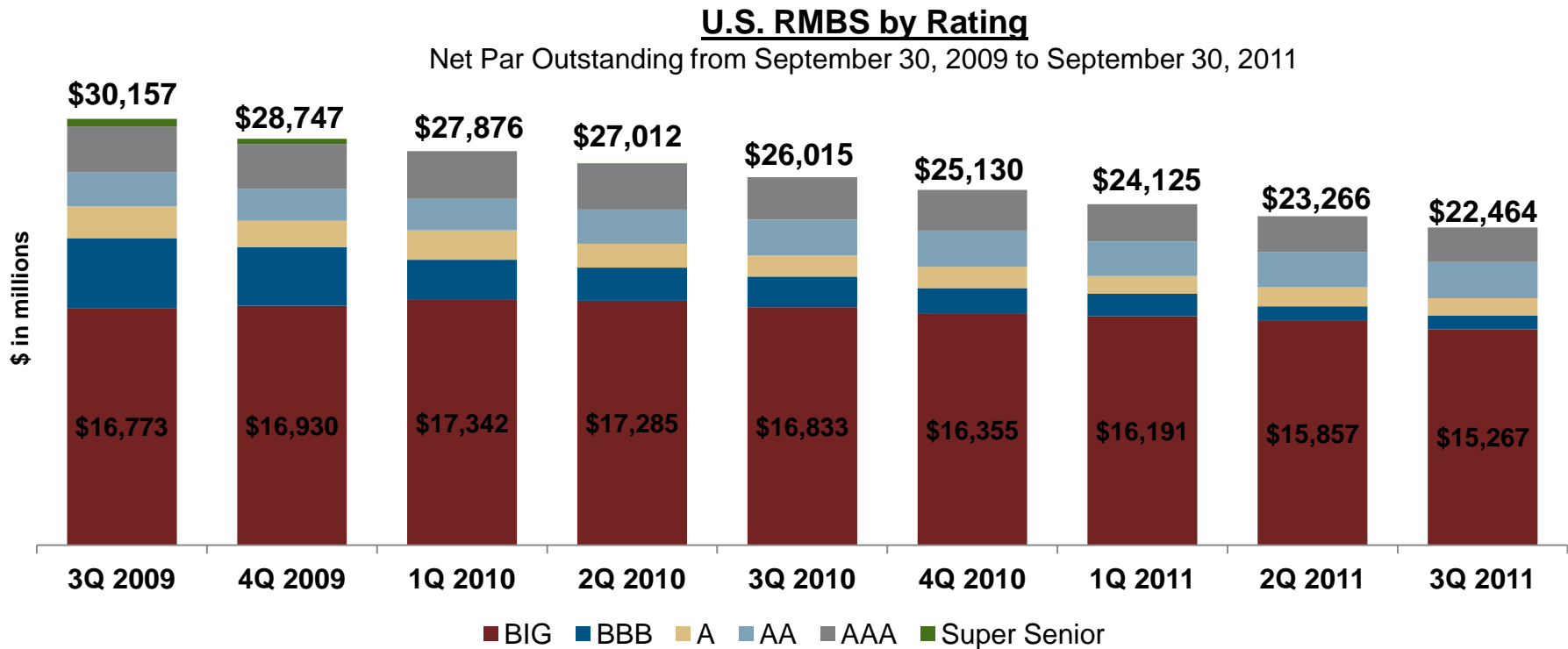


**\$22.5 billion**  
**(3.9% of net par outstanding)**

1. NIMs= Net Interest Margin securities

# U.S. RMBS Exposure Continues to Decline

- U.S. RMBS has declined 26% from September 30, 2009 through September 30, 2011, or approximately \$1 billion per quarter
- Below investment grade RMBS peaked at March 31, 2010 and has since declined approximately \$2.1 billion

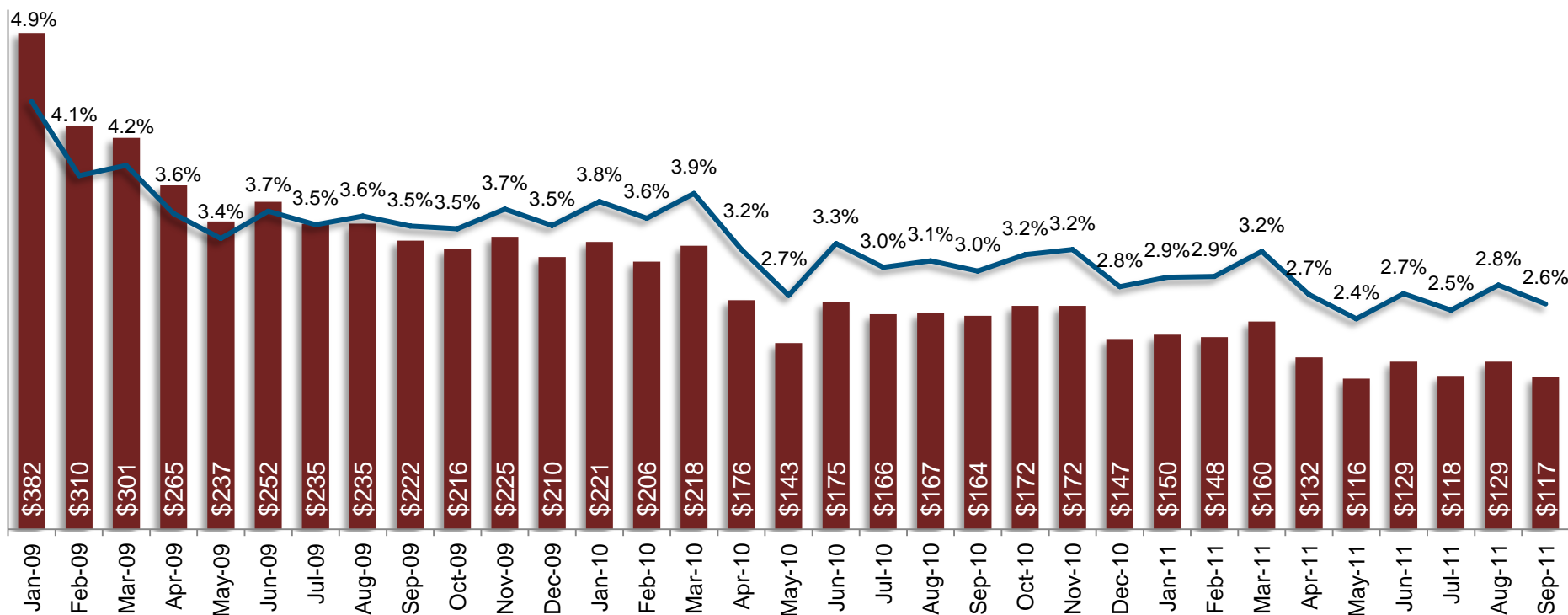


# Second Lien Delinquencies For Financial Guaranty Direct Transactions Originated 2005-2008<sup>1</sup>



## Troubled HELOCs 30-59 Days

(\$ in millions)



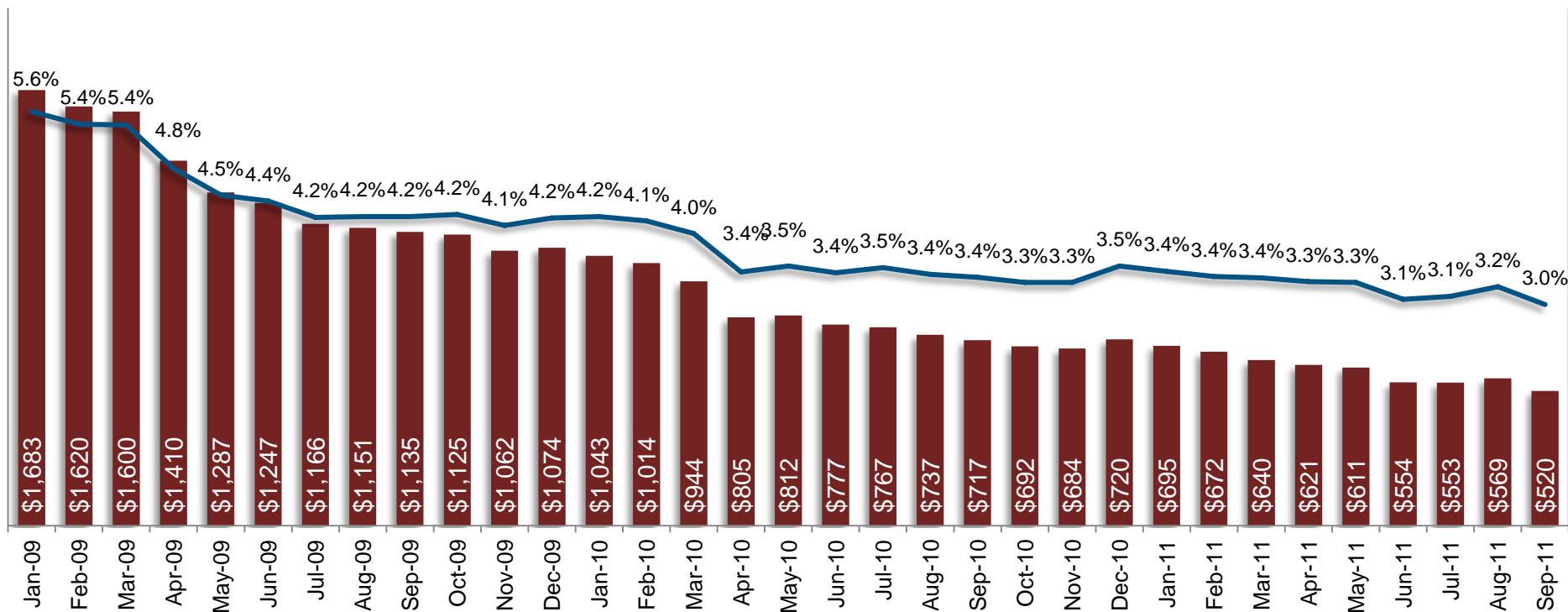
1. Assured Guaranty has not insured any U.S. RMBS since 2008.

Reflects actual AGC and AGM direct data.

# First Lien 30-59 Day Delinquencies For Financial Guaranty Direct Transactions Originated 2005-2008



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

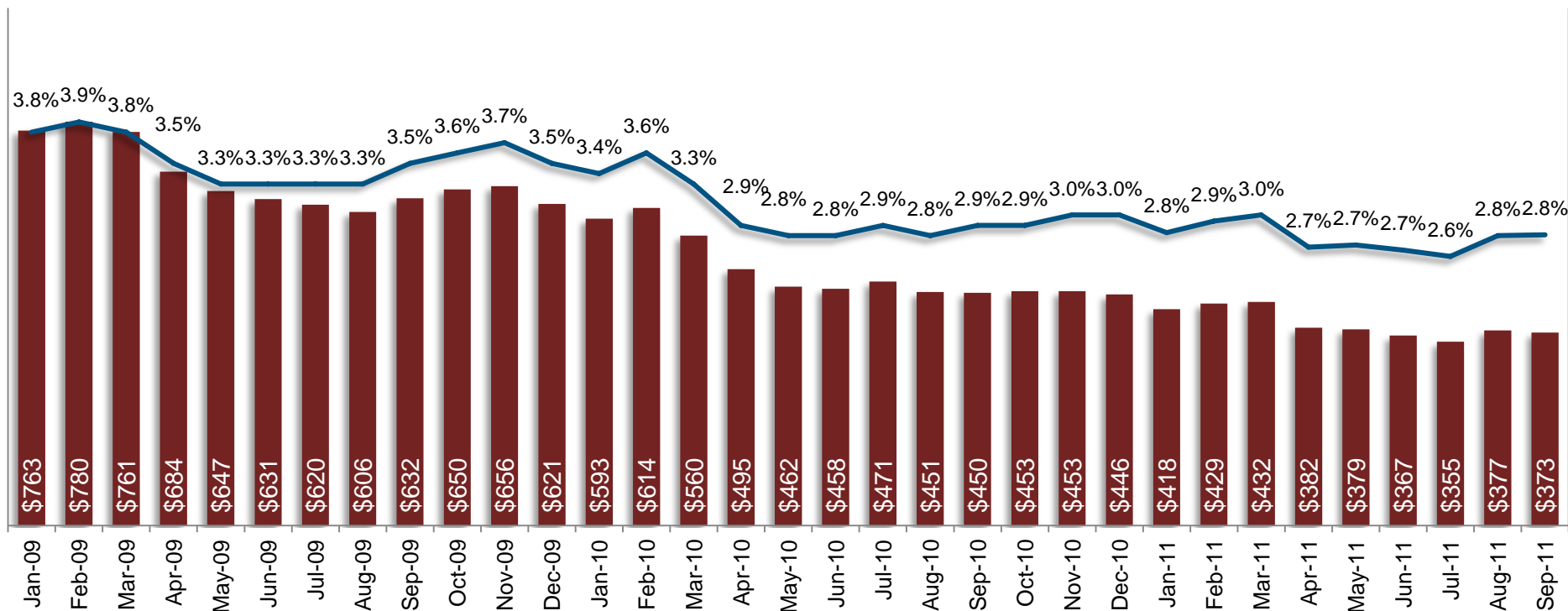


Reflects actual AGC and AGM direct data.

# First Lien 30-59 Day Delinquencies For Financial Guaranty Direct Transactions Originated 2005-2008



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



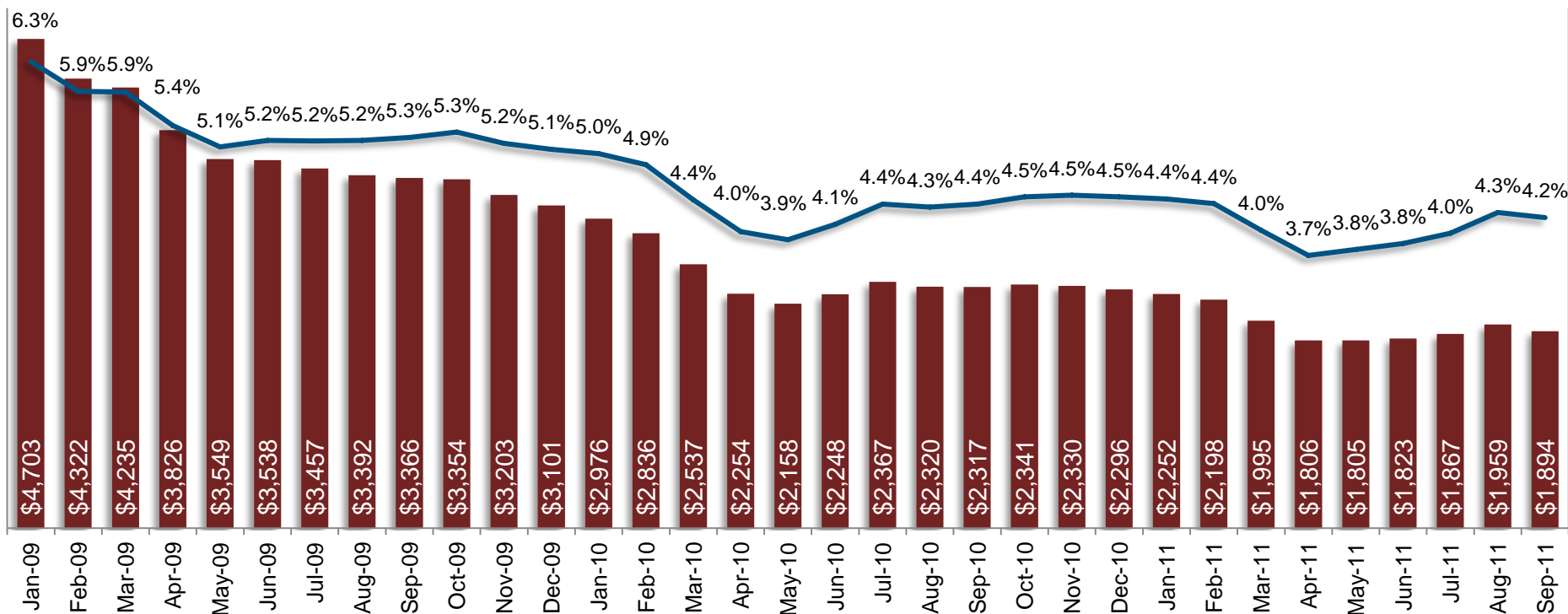
Reflects actual AGC and AGM direct data.

# First Lien 30-59 Day Delinquencies For Financial Guaranty Direct Transactions Originated 2005-2008<sup>1</sup>



## Subprime 30-59 Days

(\$ in millions)



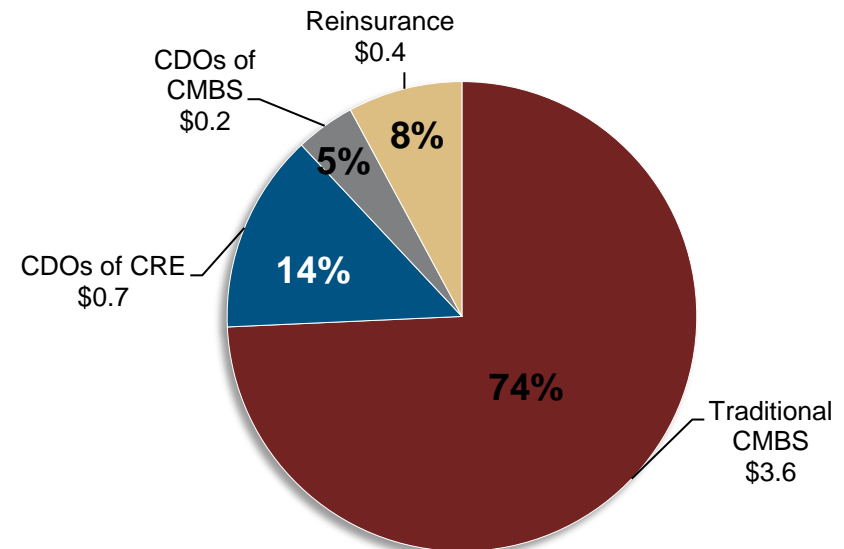
1. Excludes 1 deal with approximately \$80 million of net par outstanding.  
Reflects actual AGC and AGM direct data.

# U.S. CMBS Exposure

- **We have three types of U.S. commercial mortgage-backed securities (“CMBS”) transactions**
  - Traditional CMBS - \$3.6 billion
  - Collateralized debt obligations (“CDOs”) of commercial real estate (“CRE”) - \$664 million
  - CDOs of CMBS - \$198 million
  - We also have assumed par of \$368 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 September 30, 2011**
  - Most deals written with triple-A rating at inception with high attachment points
  - One deal was single-A at underwriting
  - Approximately 89% of traditional U.S. CMBS exposure had internal rating of AAA or higher as of September 30, 2011

## U.S. CMBS by Exposure Type

As of September 30, 2011  
(\$ in billions)



**\$4.8 billion**  
**(0.8% of total net par outstanding)**

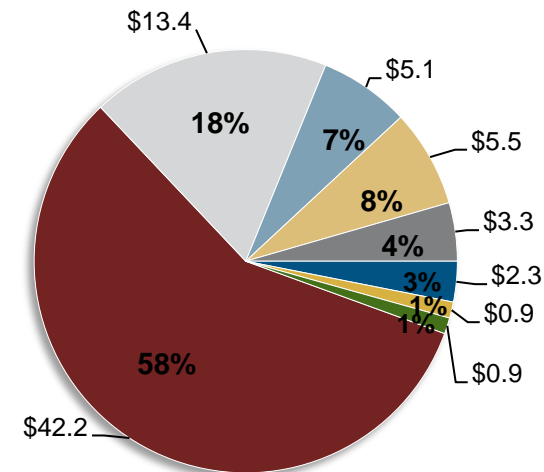
# Direct Pooled Corporate Obligations

## Credit Quality Remains High

- **Our direct pooled corporate exposure is highly rated and well-protected**
  - Average credit enhancement of 28.6%
  - 86.6% rated super senior or AAA
- **\$2.3 billion of U.S. mortgage and REIT TruPS are the lowest rated asset classes**
  - Average rating BB
  - Credit enhancement at September 30, 2011 remains high at 32.6%, although ratings of collateral have been downgraded sharply due to real estate market and recession

## Direct Pooled Corporate Obligations By Asset Class

As of September 30, 2011  
(\$ in billions)



**\$73.5 billion, AAA average rating**

- CLOs/CBOs 1
- Synthetic investment grade pooled corporate
- Synthetic high yield pooled corporate
- Market value CDOs of corporate
- TruPS - banks and insurance
- TruPS - US mortgage and REITs
- TruPS - European mortgage and REITs
- Other pooled corporate

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

# Below Investment Grade Exposures Net Par Outstanding by Category

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

- The majority of our BIG exposures in categories 2 and 3 are in structured finance – specifically RMBS
- Category 1 BIG, which show sufficient deterioration to make lifetime losses possible but none are expected, were \$10.6 billion at September 30, 2011

(\$ in millions)	September 30, 2011	December 31, 2010
<b>Category 1</b>		
U.S. public finance	\$2,064	\$1,958
Non-U.S. public finance	2,151	1,794
U.S. structured finance	5,513	4,646
Non-U.S. structured finance	831	293
Total Category 1	10,559	8,961
<b>Category 2</b>		
U.S. public finance	339	282
Non-U.S. public finance	-	1
U.S. structured finance	6,749	8,889
Non-U.S. structured finance	1	2
Total Category 2	7,089	9,174
<b>Category 3</b>		
U.S. public finance	862	919
Non-U.S. public finance	-	-
U.S. structured finance	7,718	7,023
Non-U.S. structured finance	999	999
Total Category 3	9,579	8,941
<b>BIG Total</b>	<b>\$ 27,227</b>	<b>\$ 26,806</b>

1. Assured Guaranty's surveillance department is responsible for monitoring our portfolio of credits and maintains a list of BIG credits. During the fourth quarter of 2010, the Company revised the definitions of the three BIG surveillance categories to more closely track its view of whether a transaction is expected to experience a loss, without regard to whether the probability weighted expected loss exceeded the unearned premium reserve. While the revisions resulted in a number of transactions moving between BIG categories, the Company estimates that the revisions had a relatively small impact on the totals in each category. BIG Category 1: 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: Transactions for which lifetime losses are expected but for which no claims (other than liquidity claims) have yet been paid. BIG Category 3: 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.

# BIG Exposures > \$250 Million

## BIG Exposures Greater Than \$250 Million as of September 30, 2011

(\$ in millions)

<b>Name or Description</b>	<b>Net Par Outstanding</b>	<b>Internal Rating <sup>1</sup></b>	<b>Current Credit Enhancement</b>	<b>60+ Day Delinquencies <sup>2</sup></b>
Deutsche Alt-A Securities Mortgage Loan 2007-2	\$807	CCC	0.0%	30.8%
Reliance Rail Finance Pty. Limited	646	BB	N/A	N/A
MABS 2007-NCW	562	B	30.6%	63.7%
Ballantyne Re, PLC (includes \$106.4 million repurchased) <sup>3</sup>	500	CC	N/A	N/A
Jefferson County Alabama Sewer	496	D	N/A	N/A
Countrywide HELOC 2006-I	452	CCC	0.0%	7.0%
M6 Duna Autopalya Koncesszios Zartkoruen Mukodo Reszvenytarsasag	428	BB+	N/A	N/A
Orkney Re II, Plc	423	CCC	N/A	N/A
MASTR 2007-3 (NEGAM)	418	CCC	0.0%	53.4%
Private Residential Mortgage Transaction	417	B	17.1%	30.9%
Private Residential Mortgage Transaction	414	BB	20.4%	29.2%
Mortgage IT Securities Corp. Mortgage Loan 2007-2	410	B	9.1%	16.6%
Detroit (City of) Michigan	385	BB	N/A	N/A
Countrywide HELOC 2006-F (includes \$98.7 million repurchased) <sup>3</sup>	378	CCC	0.0%	18.1%
Option One 2007-FXD2	374	CCC	15.7%	31.9%
Private Residential Mortgage Transaction	373	CCC	19.3%	31.7%
Deutsche Alt-A Securities Mortgage Loan 2007-3	372	B	4.1%	23.4%
Private Residential Mortgage Transaction	354	BB	18.6%	27.2%
Private Residential Mortgage Transaction	336	CCC	9.5%	34.7%
CWALT Alternative Loan Trust 2007-HY9	336	B	4.5%	46.3%
Nomura Asset Accept. Corp. 2007-1 (includes \$0.8 million repurchased) <sup>3</sup>	329	CCC	0.0%	38.4%
AAA Trust 2007-2	302	CCC	27.6%	43.8%
Harborview 2006-12	296	CCC	6.1%	59.8%
Taberna Preferred Funding IV, Ltd	292	CCC	23.7%	N/A
Hellenic Republic	291	B	N/A	N/A
Cross City Tunnel Motorway Finance Limited	289	BB	N/A	N/A
Taberna Preferred Funding III, Ltd	287	CCC	14.8%	N/A
Countrywide Home Equity Loan Trust 2005-J	284	CCC	0.0%	17.3%
Countrywide Home Equity Loan Trust 2007-D	283	CCC	0.0%	8.4%
Countrywide HELOC 2005-D	270	CCC	0.0%	12.7%
Countrywide 2007-13	261	BB	30.4%	56.0%
Alesco Preferred Funding XVI, Ltd	256	B	8.0%	N/A
Aeroporti Di Roma (ADR) Romulus Finance S.R.L. (Rome Airport)	252	BB	N/A	N/A
<b>Total</b>	<b>\$12,573</b>			

1. Assured Guaranty's internal rating. Although the Company's ratings scale is similar to that used by the nationally recognized statistical rating organizations, the ratings in the table above may not be the same as ratings assigned by any such rating agency.

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.

# Appendix



# Appendix

## Explanation of Non-GAAP Financial Measures



### Endnotes related to non-GAAP financial measures discussed in the presentation:

The Company references financial measures that are not in accordance with GAAP. Assured Guaranty's management and board of directors utilize non-GAAP measures in evaluating the Company's financial performance and as a basis for determining senior management incentive compensation. By providing these non-GAAP financial measures, investors, analysts and financial news reporters have access to the same information that management reviews internally. In addition, Assured Guaranty's presentation of non-GAAP financial measures is consistent with how analysts calculate their estimates of Assured Guaranty's financial results in their research reports on Assured Guaranty and with how investors, analysts and the financial news media evaluate Assured Guaranty's financial results.

The following paragraphs define each non-GAAP financial measure and describe why it is useful. A reconciliation of the non-GAAP financial measure and the most directly comparable GAAP financial measure, if available, is presented within this presentation. Non-GAAP financial measures should not be viewed as substitutes for their most directly comparable GAAP measures.

**Operating Income:** Management believes that operating income is a useful measure because it clarifies the understanding of the underwriting results of the Company's financial guaranty insurance business, and also includes financing costs and net investment income, and enables investors and analysts to evaluate the Company's financial results as compared with the consensus analyst estimates distributed publicly by financial databases. Operating income is defined as net income (loss) attributable to Assured Guaranty Ltd., as reported under GAAP, adjusted for the following:

1. Elimination of the after-tax realized gains (losses) on the Company's investments, except for gains and losses on securities classified as trading. The timing of realized gains and losses, which depends largely on market credit cycles, can vary considerably across periods. The timing of sales is largely subject to the Company's discretion and influenced by market opportunities, as well as the Company's tax and capital profile. Trends in the underlying profitability of the Company's business can be more clearly identified without the fluctuating effects of these transactions.
2. Elimination of the after-tax non-credit-impairment unrealized fair value gains (losses) on credit derivatives, which is the amount in excess of the present value of the expected estimated economic credit losses and non-economic payments. Such fair value adjustments are heavily affected by, and in part fluctuate with, changes in market interest rates, credit spreads and other market factors and are not expected to result in an economic gain or loss. Additionally, such adjustments present all financial guaranty contracts on a more consistent basis of accounting, whether or not they are subject to derivative accounting rules.
3. Elimination of the after-tax fair value gains (losses) on the Company's committed capital securities. Such amounts are heavily affected by, and in part fluctuate with, changes in market interest rates, credit spreads and other market factors and are not expected to result in an economic gain or loss.
4. Elimination of the after-tax foreign exchange gains (losses) on revaluation of net premium receivables. 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 revaluation 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 certain financial guaranty 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 certain 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 revaluation). 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 will not recognize an economic 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, refinancing or refunding activity, 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. 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% (which represents the Company's tax-equivalent pre-tax investment yield on its investment portfolio). 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 insurance and credit derivative 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% (the Company's tax-equivalent pre-tax investment yield on its investment portfolio). 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, refinancing or refunding activity, prepayment speeds, terminations, credit defaults, or other factors that affect par outstanding or the ultimate maturity of an obligation.

# Appendix

## PVP<sup>1</sup> – Reconciliation to Gross Written Premiums ("GWP")



(\$ in millions)

	Three Months Ended		% Change versus 3Q-10
	September 30,		
	2011	2010	
<b>Consolidated new business production analysis:</b>			
Present value of new business production ("PVP")			
Public finance - U.S.:			
Primary markets	\$ 33.7	\$ 74.7	(55)%
Secondary markets	5.9	9.8	(40)
Public finance - non-U.S.			
Primary markets	-	-	-
Secondary markets	-	-	-
Structured finance - U.S.	11.2	3.7	203
Structured finance - non-U.S.	-	0.7	(100)
Total PVP	50.8	88.9	(43)
Less: PVP of credit derivatives	-	-	-
PVP of financial guaranty insurance	50.8	88.9	(43)
Less: Financial guaranty installment premium PVP	11.3	4.9	131
Total: Financial guaranty upfront GWP	39.5	84.0	(53)
Plus: Financial guaranty installment PVP adjustment <sup>2</sup>	(17.9)	(6.4)	180
<b>Total GWP</b>	<b>\$ 21.6</b>	<b>\$ 77.6</b>	<b>(72)%</b>

NM = Not meaningful

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

2. Represents present value of new business on installment policies plus GWP adjustment on existing installment deals due to changes in assumptions and any cancellations of assumed reinsurance contracts

# Appendix

## Reconciliation of Operating Income to Net Income (Loss)



(\$ in millions, except per share data)

### Reconciliation of Consolidated Operating Income to Net Income (Loss)

	<u>3Q-11</u>	<u>3Q-10</u>
<b>Operating income</b>	<b>\$38.3</b>	<b>\$222.6</b>
Plus after-tax adjustments:		
Realized gains (losses) on investments	(12.6)	(1.3)
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	800.1	(187.1)
Fair value gains (losses) on committed capital securities	1.6	(3.6)
Foreign exchange gains (losses) on revaluation of premiums receivable	(15.5)	24.4
Effect of consolidating financial guaranty VIEs	<u>(50.7)</u>	<u>109.6</u>
<b>Net income (loss)</b>	<b><u>\$761.2</u></b>	<b><u>\$164.6</u></b>

### Per Diluted Share

	<u>3Q-11</u>	<u>3Q-10</u>
<b>Operating income</b>	<b>\$0.21</b>	<b>\$1.19</b>
Plus after-tax adjustments:		
Realized gains (losses) on investments	(0.07)	(0.01)
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	4.34	(1.00)
Fair value gains (losses) on committed capital securities	0.01	(0.02)
Foreign exchange gains (losses) on revaluation of premiums receivable	(0.08)	0.13
Effect of consolidating financial guaranty VIEs	<u>(0.28)</u>	<u>0.59</u>
<b>Net income (loss)</b>	<b><u>\$4.13</u></b>	<b><u>\$0.88</u></b>

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

(dollars in millions, except per share amounts)

	As of :			
	September 30, 2011		December 31, 2010	
	Total	Per share	Total	Per share
<b>Shareholders' equity</b>	<b>\$ 4,766.7</b>	<b>\$ 26.16</b>	<b>\$ 3,733.5</b>	<b>\$ 20.32</b>
Less after-tax adjustments:				
Effect of consolidating financial guaranty VIEs	(393.4)	(2.16)	(371.4)	(2.02)
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(237.1)	(1.30)	(763.0)	(4.15)
Fair value gains (losses) on committed capital securities	14.5	0.08	12.2	0.07
Unrealized gain (loss) on investment portfolio excluding foreign exchange effect	271.2	1.49	101.2	0.55
<b>Operating shareholders' equity</b>	<b>\$ 5,111.5</b>	<b>\$ 28.05</b>	<b>\$ 4,754.5</b>	<b>\$ 25.88</b>
After-tax adjustments:				
Less: Deferred acquisition costs	236.1	1.30	248.4	1.35
Plus: Net present value of estimated net future credit derivative revenue	331.4	1.82	424.8	2.31
Plus: Net unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed	3,698.1	20.30	4,058.0	22.08
<b>Adjusted book value</b>	<b>\$ 8,904.9</b>	<b>\$ 48.87</b>	<b>\$ 8,988.9</b>	<b>\$ 48.92</b>

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**September 30, 2011**  
**Equity Investor Presentation**

