



**Assured Guaranty Ltd.**  
Equity Investor Presentation  
March 31, 2012



# Forward-Looking Statements and Safe Harbor Disclosure



- This presentation contains information that includes or is based upon forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward looking statements give the expectations or forecasts of future events of Assured Guaranty Ltd. (“AGL” and, together with its subsidiaries, “Assured Guaranty” or the “Company”). These statements can be identified by the fact that they do not relate strictly to historical or current facts and relate to future operating or financial performance. Any forward looking statements made in this presentation reflect the current views of Assured Guaranty with respect to future events and financial performance and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements involve risks and uncertainties that may cause actual results to differ materially from those set forth in these statements. Assured Guaranty’s forward looking statements could be affected by many events. These events include (1) rating agency action, including a ratings downgrade, a change in outlook, the placement of ratings on watch for downgrade, or a change in rating criteria, at any time, of Assured Guaranty or any of its subsidiaries and/or of transactions that Assured Guaranty’s subsidiaries have insured, all of which have occurred in the past; (2) developments in the world’s financial and capital markets that adversely affect issuers’ payment rates, Assured Guaranty’s loss experience, its access to capital, its unrealized (losses) gains on derivative financial instruments or its investment returns; (3) changes in the world’s credit markets, segments thereof or general economic conditions; (4) the impact of ratings agency action with respect to sovereign debt and the resulting effect on the value of securities in the Company’s investment portfolio and collateral posted by and to the Company; (5) more severe or frequent losses implicating the adequacy of Assured Guaranty’s expected loss estimates; (6) the impact of market volatility on the mark-to-market of Assured Guaranty’s contracts written in credit default swap form; (7) reduction in the amount of insurance opportunities available to Assured Guaranty; (8) deterioration in the financial condition of Assured Guaranty’s reinsurers, the amount and timing of reinsurance recoverables actually received and the risk that reinsurers may dispute amounts owed to Assured Guaranty under its reinsurance agreements; (9) the possibility that Assured Guaranty will not realize insurance loss recoveries or damages expected from originators, sellers, sponsors, underwriters or servicers of residential mortgage-backed securities transactions; (10) the possibility that budget shortfalls or other factors will result in credit losses or impairments on obligations of state and local governments that the Company insures or reinsures; (11) increased competition; (12) changes in applicable accounting policies or practices; (13) changes in applicable laws or regulations, including insurance and tax laws; (14) other governmental actions; (15) difficulties with the execution of Assured Guaranty’s business strategy; (16) contract cancellations; (17) Assured Guaranty’s dependence on customers; (18) loss of key personnel; (19) adverse technological developments; (20) the effects of mergers, acquisitions and divestitures; (21) natural or man-made catastrophes; (22) other risks and uncertainties that have not been identified at this time; (23) management’s response to these factors; and (24) other risk factors identified in Assured Guaranty’s filings with the SEC. Readers are cautioned not to place undue reliance on these forward looking statements, which speak only as of the dates on which they are made.
- The foregoing review of important factors should not be construed as exhaustive, and should be read in conjunction with the other cautionary statements that are included in the Company’s Form 10-K and 10-Q filings. The Company undertakes no obligation to update publicly or review any forward looking statement, whether as a result of new information, future developments or otherwise, except as required by law. Investors are advised, however, to consult any further disclosures the Company makes on related subjects in the Company’s periodic reports filed with the Securities and Exchange Commission. If one or more of these or other risks or uncertainties materialize, or if the Company’s underlying assumptions prove to be incorrect, actual results may vary materially from what the Company projected.
- For these statements, the Company claims the protection of the safe harbor for forward looking statements contained in Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

# Conventions and Non-GAAP Financial Measures



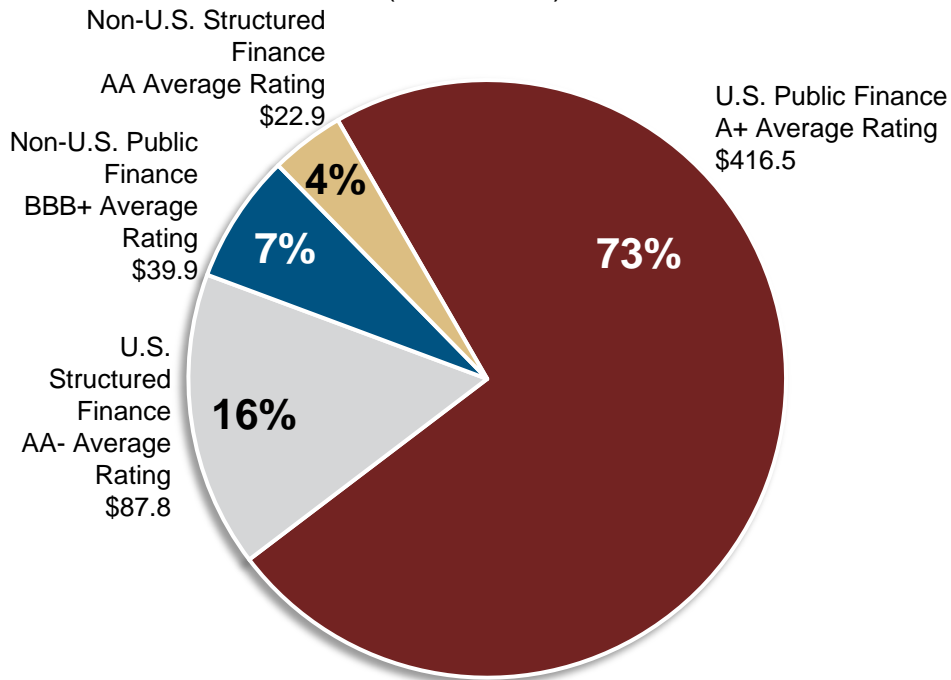
- Unless otherwise noted, the following conventions are used in this presentation:
  - Ratings on our insured portfolio and on bonds purchased pursuant to loss mitigation or risk management strategies are Assured Guaranty's internal ratings. Although the Company's ratings scale is similar to that used by the nationally recognized statistical rating organizations, the ratings may not be the same as ratings assigned by any such rating agency.
  - The super senior category, which is not generally used by rating agencies, is used by Assured Guaranty in instances where its AAA-rated exposure has additional credit enhancement due to either (1) the existence of another security rated AAA that is subordinated to Assured Guaranty's exposure or (2) Assured Guaranty's exposure benefitting from a different form of credit enhancement that would pay any claims first in the event that any of the exposures incurs a loss, and such credit enhancement, in management's opinion, causes Assured Guaranty's attachment point to be materially above the AAA attachment point.
  - Exposures rated below investment grade are designated "BIG".
  - Ratings on the investment portfolios are the lower of the ratings from Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's Ratings Services ("S&P").
  - Percentages and totals in tables or graphs may not add due to rounding.
- This presentation references financial measures that are not in accordance with U.S. generally accepted accounting principles ("GAAP"), which management uses in order to assist analysts and investors in evaluating Assured Guaranty's financial results. These financial measures not in accordance with GAAP ("non-GAAP financial measures") are defined in the appendix. In each case, the most directly comparable GAAP financial measure, if available, is presented, and a reconciliation of the non-GAAP financial measure and GAAP financial measure is provided. This presentation is consistent with how Assured Guaranty's management, analysts and investors evaluate Assured Guaranty's financial results and is comparable to estimates published by analysts in their research reports on Assured Guaranty.

# Assured Guaranty Overview



## Consolidated Net Par Outstanding

As of March 31, 2012  
(\$ in billions)



**\$567.1 billion, A+ average rating**

- **We are the leading financial guaranty franchise**
  - More than two decades of experience in the municipal and structured finance markets
- **Our insured portfolio is primarily comprised of U.S. public finance exposures**
- **Our average insured portfolio rating has remained strong at A+**
- **Assured Guaranty Municipal Corp. (“AGM”) and Assured Guaranty Corp. (“AGC”) are the highest rated active financial guarantors in the market**
  - AGM is rated AA- (stable) by S&P and Aa3 (on review for possible downgrade) by Moody’s
  - AGC is rated AA- (stable) by S&P and Aa3 (on review for possible downgrade) by Moody’s

- **1Q-12 Activity**
- **DB Settlement**
- **Moody's Review**
- **Creating Value**
  - Track record of value creation
  - R&W activity
  - Servicer replacements
  - Bond purchases
  - Agreements to terminate guaranties
  - New business production
- **Underlying Value**
  - Selected company assets and liabilities
  - Deleveraging without reducing total invested assets
  - Investment income generates capital
  - Historical growth
- **Financial Results**
- **Portfolio Overview**

# First Quarter Activity

- Reached an agreement with Deutsche Bank regarding representation and warranty (R&W or rep and warranty) claims
- Responded to Moody's review on April 13, 2012, in a 16 page letter posted to our website
- Re-assumed portfolios of \$6.2 billion of public finance par from Tokio Marine and \$12.9 billion from Radian, receiving approximately \$190 million of total premium
- Insured an additional \$1.8 billion of public finance par from Radian
- Agreed to acquire Municipal and Infrastructure Assurance Corporation (MIAC) from Radian which is licensed to provide financial guaranty insurance and reinsurance in 38 U.S. jurisdictions
- Generated \$56 million of new business production<sup>1</sup>, including \$21.9 million from Radian assumed business
- For loss mitigation purposes, purchased five bonds covering \$112 million of net par outstanding at an average price of 43% of par, and terminated three deals with approximately \$185 million of net par outstanding

1. New business production or "PVP" is a non-GAAP financial measure. Please see the appendix for a reconciliation of new business production to gross written premiums.

- **Reached an agreement with Deutsche Bank regarding R&W claims**
  - Loss sharing on 8 RMBS financial guaranty policies, which contain both first lien and second lien collateral
  - Resolved certain RMBS exposures related to re-securitization transactions (“Re-REMICs”) on which Assured Guaranty provided credit protection through credit default swaps (“CDS”)
  - Withdrew three lawsuits
- **Total gross par outstanding included in the loss sharing is \$581 million for FG policies**
- **Payment of \$166 million at closing**
- **Reimbursement structure with respect to the FG exposure:**
  - 80% of losses reimbursed up to \$319 million (which is above current loss expectations)
  - 85% of losses reimbursed between \$389 million to \$600 million
- **Reimbursement structure for Re-REMIC claims:**
  - 60% of losses on certain tranches within the Re-REMICs will be reimbursed, until losses reach \$141 million (which is above current loss expectations)
  - 60% of such losses reimbursed, for losses between \$161 million and \$185 million
  - 100% of such losses reimbursed, for losses between \$185 million and \$248 million

# Moody's Review



- **On March 20, 2012, Moody's placed the Insurance Financial Strength ratings of AGM, AGC, and AGRe on review for possible downgrade**
  - Moody's cited reduced demand for financial guaranties, weaker margins on new business, and an increase in below investment grade exposures as justification for their review
- **Our penetration of our current target market (issuers with underlying ratings of A) has not changed materially since 2006 despite ratings uncertainty**
  - The percentage of municipal bond volume by par rated AA or higher, and therefore unlikely to use insurance, increased from 53% in 2006 to 67% in 2011. The proportion of municipal issues by transaction rated Aa and Aaa almost doubled from 2006 to 2011 (31% to 59%) while the proportion of single-A and Baa issues went down by over 40% (68% to 40%). Our single-A target market presently represents only about one-third of the overall market, therefore significantly limiting penetration.
- **In 2006, AGM (then known as FSA) received an average premium rate of 36.9 bps on insurance of newly issued U.S. municipal bonds; in 2011, AGM received an average rate of 65 bps**
- **Our total BIG exposure is approximately the same as it was when Moody's last reviewed us in 2009**

		Total New Issue U.S. Public Finance 2006					Total New Issue U.S. Public Finance 2011				
	Total Volume by Underlying Rating	% of Total Volume by Underlying Rating	Total FG Industry Insured Par within Rating Category	Total FG Industry Penetration within Rating Category	Assured Guaranty Insured Par within Rating Category	Assured Guaranty Penetration within Rating Category		Total Volume by Underlying Rating	% of Total Volume by Underlying Rating	Assured Guaranty Insured Par within Rating Category	Assured Guaranty Penetration within Rating Category
AAA	\$ 60,118	15.6%	\$ 3	0.0%	\$ -	0.0%	AAA	\$ 52,448	18.9%	\$ -	0.0%
AA	\$ 142,874	37.2%	\$ 70,792	49.5%	\$ 20,664	14.5%	AA	\$ 132,637	47.8%	\$ 1,881	1.4%
A	\$ 88,032	22.9%	\$ 65,456	74.4%	\$ 15,091	17.1%	A	\$ 72,721	26.2%	\$ 11,476	15.8%
BBB	\$ 22,929	6.0%	\$ 10,431	45.5%	\$ 2,257	9.8%	BBB	\$ 16,466	5.9%	\$ 1,747	10.6%
BIG	\$ 621	0.2%	\$ 306	49.4%	\$ -	0.0%	BIG	\$ 831	0.3%	\$ -	0.0%
NR	\$ 69,864	18.2%	\$ 45,235	64.7%	\$ 9,328	13.4%	NR	\$ 2,433	0.9%	\$ 80	3.3%
	\$ 384,438	100%	\$ 192,223	50.0%	\$ 47,341	12.3%		\$ 277,536	100%	\$ 15,184	5.5%

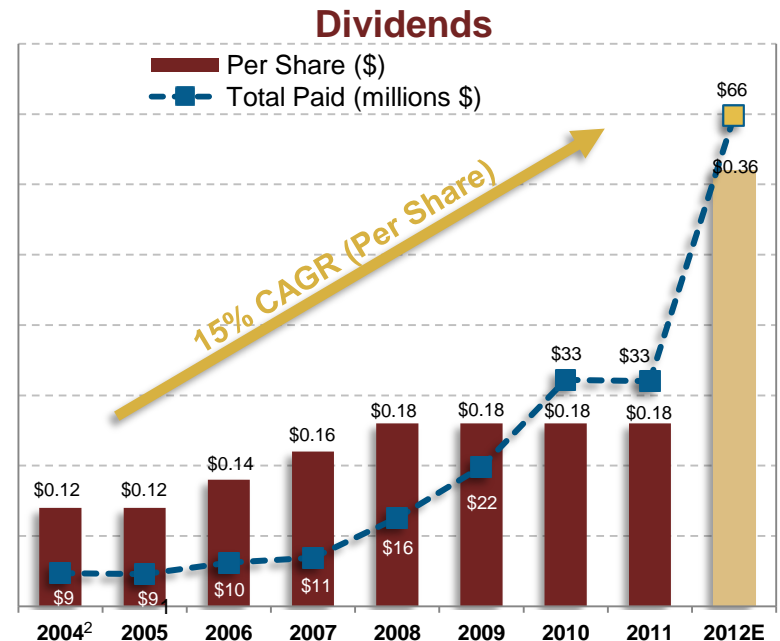
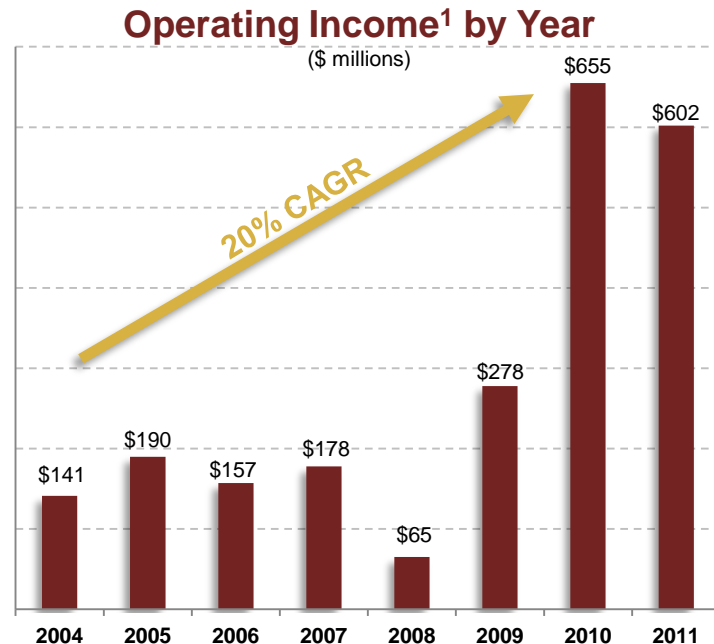
For additional information, please see "Response to Moody's March 20, 2012 Announcement Concerning Assured Guaranty's Ratings" on our website.

# Creating Value

## Track Record of Creating Shareholder Value



- **Since our Initial Public Offering in 2004, we have grown our operating income through new business production, the acquisition of portfolios and other strategic activities**
  - Acquired AGM (previously known as FSA) July 1, 2009
- **In addition, we have returned capital to shareholders by declaring dividends and opportunistically repurchasing our common shares**
  - Since the IPO, we have tripled our quarterly dividend to \$0.09 per share, or \$0.36 per share per year
  - We are currently authorized to repurchase up to 5 million additional shares; \$243 million has been spent repurchasing our common shares since the IPO



1. Operating income is a non-GAAP financial measure which is defined in the appendix. Previous years' definitions of operating income may not align with current definition.

2. In 2004, dividends were paid following the Company's April IPO. The amount shown is the quarterly dividend, annualized.

- **The cumulative total (gross of reinsurance) of settlement receipts and commitments and R&W putbacks and putback commitments was approximately \$2.7 billion.<sup>1</sup> The putbacks flow through the transaction waterfalls and do not necessarily benefit us dollar-for-dollar.**
- **Our largest agreement was with Bank of America / Countrywide, in which we resolved our R&W claims on 29 transactions**
  - \$1.1 billion cash payment; reimbursement<sup>1,2</sup> of 80% of paid losses on 21 first lien transactions until collateral losses in those securitizations equal \$6.6 billion; as of December 31, 2011, collateral losses are expected to be \$4.9 billion, generating \$142.0 million of estimated gross economic loss to Assured Guaranty's tranches, after consideration of R&W benefits
- **Pursuing R&W claims against financially viable counterparties**
  - Credit Suisse, Flagstar, First Tennessee, JP Morgan, Nomura, UBS, plus others

(\$ in millions)	Future Net R&W Benefit as of		
	March 31, 2012	December 31, 2011	December 31, 2010
Bank of America / Countrywide <sup>2</sup>	\$522.5	\$589.1	\$1,049.7
Deutsche Bank included in agreement <sup>3</sup>	317.9 <sup>4</sup>	-	-
Other R&W	790.6	1,051.7	621.0
<b>Total</b>	<b>\$1,631.0</b>	<b>\$1,649.8</b>	<b>\$1,670.7</b>

1. Includes future benefits covered under our agreements with Bank of America/Countrywide and Deutsche Bank.

2. As of March 31, 2012 Bank of America had placed approximately \$1.0 billion of eligible assets in trust in order to collateralize the reimbursement obligation relating to the first lien transactions. The amount of assets required to be posted may increase or decrease from time to time, as determined by rating agency requirements.

3. Includes only R&W assets in the agreement announced May 10, 2012.

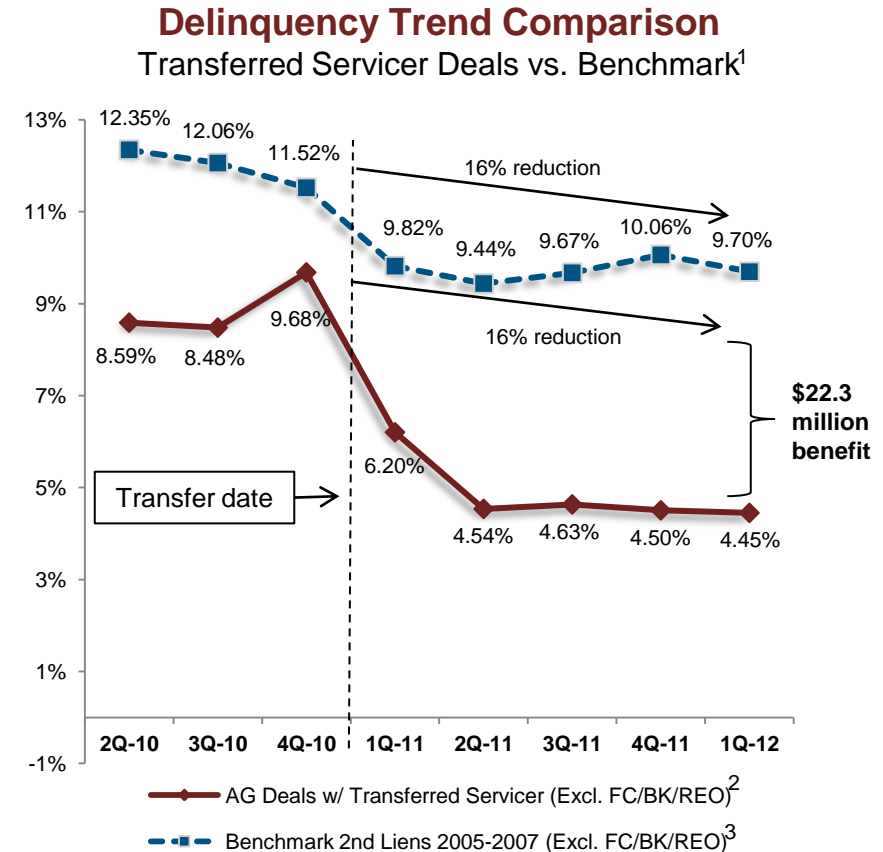
4. R&W asset is as of agreement date of May 8, 2012.

# Creating Value

## Servicer Replacements



- **As of March 31, 2012, approximately \$3.3 billion of gross par outstanding (28 transactions) have been transferred to a new servicer or placed under special servicing arrangements**
- **In December 2010, we transferred 6 second-lien transactions**
  - These transactions have shown material improvement since the point of transfer
  - Delinquencies have been reduced by 54% (from 9.68% to 4.45%) vs. the benchmark reduction of 16% (from 11.52% to 9.70%)
  - The improvement in delinquencies compared to the benchmark (54% vs. 16%) equates to a reduction of \$22.3 million in delinquent loans
- **We expect to transfer the servicing of an additional \$3.3 billion of gross par outstanding (11 transactions) in 2012**



1. Delinquencies include 30-59 Days, 60-89 Days, and 90+ Days.

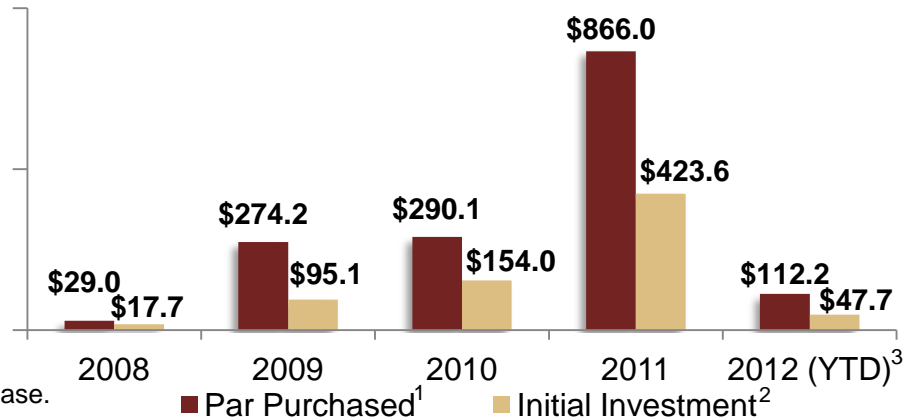
2. FC stands for foreclosure, BK stands for bankruptcy and REO stands for Real Estate Owned.

3. Benchmark is an aggregation of one hundred and fifty-four 2005-2007 vintage, 2<sup>nd</sup> lien HELOC deals created using data from CoreLogic (formerly Loan Performance)

- **Under our wrapped bond purchase program, we purchase bonds we have insured in order to reduce our losses and potentially relieve rating agency capital charges**
  - We have purchased approximately \$1.6 billion of par on insured securities through March 31, 2012 with an initial purchase price of approximately \$732 million; \$1.4 billion of par remains outstanding
- **Targeted purchases are BIG securities on which claims are expected to be paid**
  - 85% of all purchases are for RMBS securities
  - Since the start of the wrapped bond purchase program, 76% of purchased insured par for the benefit of AGM, 24% for AGC

### Wrapped Bond Purchase Program

(\$ in millions)



1. Par at the time of purchase.

2. Cost of purchase.

3. Through March 31, 2012.

- **Actively pursue termination of contracts**
  - At beneficiary’s request; keep all economics, possibly more
  - At our request; share economics with beneficiary
  - To eliminate high capital charges, share or possibly give up some economics
- **Since January 1, 2011, we have agreed with beneficiaries of our policies to terminate insurance coverage on approximately \$13 billion of net par outstanding to reduce our leverage and potentially relieve rating agency capital charges**
- **Targeted terminations are investment grade securities for which claims are not expected, but which carry a disproportionate rating agency capital charge**

### Completed Terminations Since January 1, 2011

	# of Deals	Net Par (\$MM)	Estimated Rating Agencies Model Benefit
Pooled Corporates	54	\$8,845	\$5-\$60
Other	23	2,995	150-360
RMBS	27	934	0-3
Muni	6	99	0-2
Infrastructure	6	150	0-5
<b>Totals</b>	<b>116</b>	<b>\$13,023</b>	<b>\$200-\$400</b>

- **Penetration in the U.S. public finance market**
- **U.S. structured finance business activity**
- **International business activity**
- **Underwriting and pricing discipline**
- **Reinsurance platform**

# Creating Value

## New Business Production

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



- **We are focused on building demand for our guaranties, both in the primary and the secondary markets**

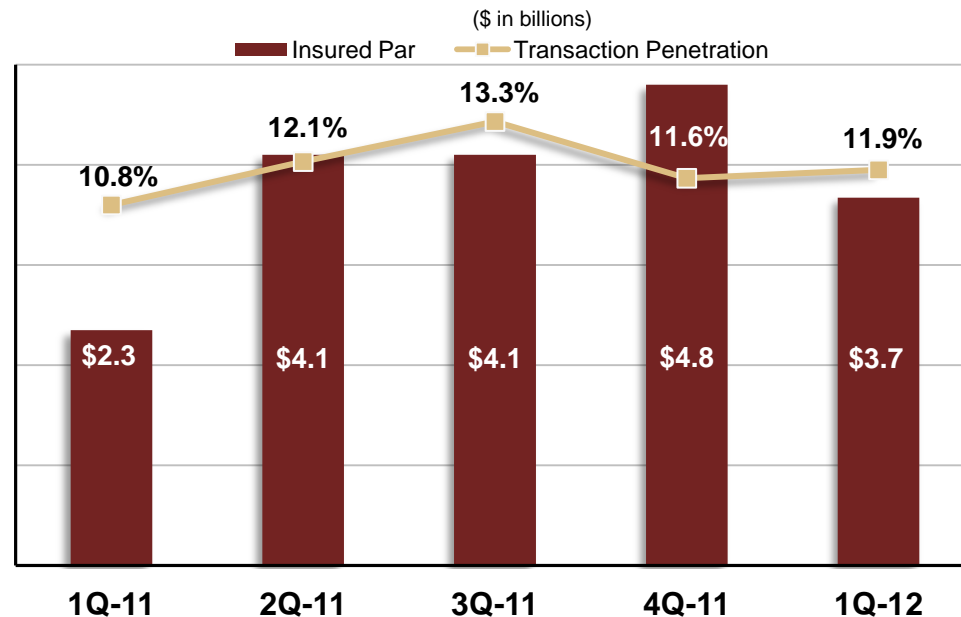
- Secondary market transactions totaled 80 in 1Q-12

- **Penetration in our primary target ratings category remains strong**

- Par penetration for all transactions rated A increased to 18.2% in 1Q-12, up from 13.3% in 1Q-11
  - Accounted for 36.6% of A rated transactions in 1Q-12, up from 35.8% in 1Q-11

- **Our penetration for smaller deals remains strong as we insured 13.6% of all transactions under \$25 million, up from 11.8% in 1Q-11**

### U.S. New Issue Public Finance Par and Transaction Penetration



Total Par Issued	\$46.7	\$68.1	\$72.5	\$98.7	\$78.2
Total Transactions Issued	1,860	2,796	2,553	2,967	2,953

Source: SDC database, adjusted for underlying rating. As of March 31, 2012.

# Creating Value

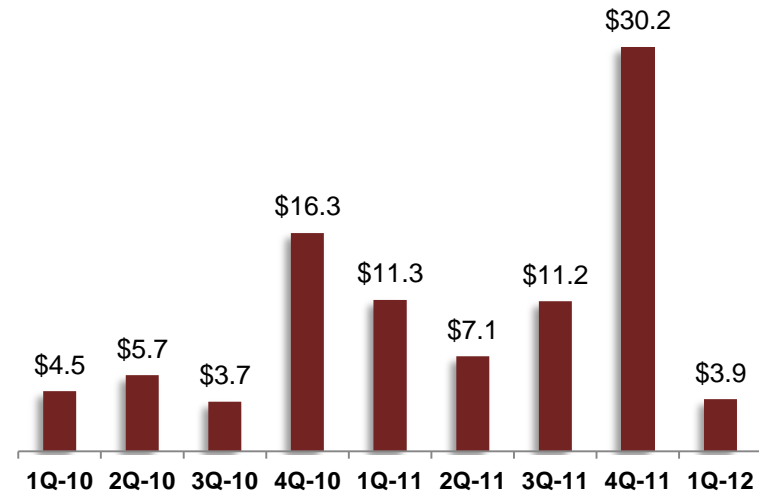
## New Business Production

### U.S. Structured Finance Business Activity



- **1Q-12 PVP was \$3.9 million**
- **New business production tends to fluctuate as large, complex transactions require a long time frame to underwrite**

**U.S. Structured Finance PVP<sup>1</sup>**  
(\$ in millions)



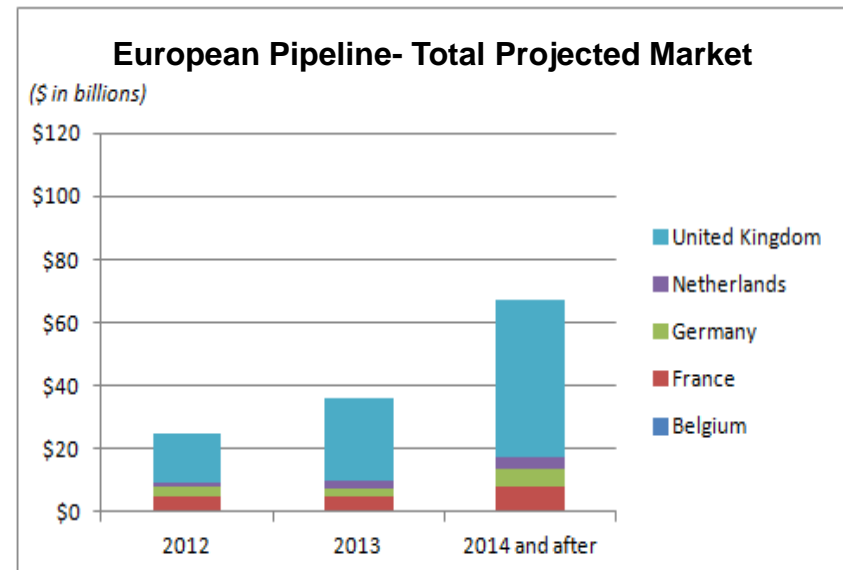
1. New business production or “PVP” is a non-GAAP financial measure. Please see the appendix for a reconciliation of new business production to gross written premiums.

# Creating Value

New Business Production  
International Business Activity



- **Closed Worcestershire Royal Hospital transaction in 4Q-11, our first significant international transaction in over two years**
  - Prototype for other guarantor replacement transactions
  - Significant increase in inquiries
- **Our future pipeline should benefit from increased issuance, as well as new regulations, such as Basel III, that may limit the lending ability of banks**



Source: InfraNews

- **Our focus on underwriting discipline and pricing has continued throughout the financial crisis as our average rating for new business remains unchanged**
  - We have tightened our public finance and structured finance underwriting standards
- **New business written reflects the current economic environment**
  - Reduced issuance compared to prior year periods
  - Low nominal interest rates
  - Tighter credit spreads in the bond market
  - Ratings recalibration by Moody's in 2010

### Gross Par Written for 1Q-12, 1Q-11 and 2011

	Quarter Ended March 31, 2012		Quarter Ended March 31, 2011		Year Ended December 31, 2011	
	Gross Par Written	Avg. Rating <sup>1</sup>	Gross Par Written	Avg. Rating <sup>1</sup>	Gross Par Written	Avg. Rating <sup>1</sup>
<b>Sector:</b>						
U.S. public finance	\$4,843	A-	\$2,219	A-	\$15,092	A
Non-U.S. public finance	-	-	-	-	127	BBB
<b>Total public finance</b>	<b>\$4,843</b>	<b>A-</b>	<b>\$2,219</b>	<b>A-</b>	<b>\$15,219</b>	<b>A</b>
U.S. structured finance	38	A-	100	A+	1,673	AA+
Non-U.S. structured finance	-	-	-	-	-	-
<b>Total structured finance</b>	<b>\$38</b>	<b>A-</b>	<b>\$100</b>	<b>A+</b>	<b>\$1,673</b>	<b>AA+</b>
<b>Total gross par written</b>	<b>\$4,881</b>	<b>A-</b>	<b>\$2,319</b>	<b>A-</b>	<b>\$16,892</b>	<b>A</b>

1. Internal average rating

# Creating Value

## New Business Production 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 in 2011
- Reassumed \$19.1 billion of par in 1Q-12

- **High-quality portfolios from inactive companies are of interest**

- Public finance as well as high-quality structured finance business, such as performing pooled corporate and commercial receivables

## Ceded Par Outstanding by Reinsurer<sup>2</sup>

As of March 31, 2012

(\$ in millions)	Net Par Outstanding
<b>American Overseas Re</b>	\$11,146
<b>Tokio Marine</b>	9,444
<b>Radian</b>	5,591
<b>Syncora</b>	4,304
<b>Mitsui</b>	2,388
<b>Others</b>	2,562
<b>Total<sup>2</sup></b>	\$35,435

1. Please see the appendix for an explanation of this non-GAAP financial measure and a reconciliation to GAAP book value.

2. Includes financial guaranty contracts and contracts written in credit derivative form.

# Underlying Value

## Selected Company Assets and Liabilities



### Selected Company Assets and Liabilities

As of March 31, 2012  
(\$ in millions, except per share)

Total investment portfolio	\$11,312
Cash	182
Premiums receivable, net of ceding commissions payable	1,019
Salvage and subrogation recoverable	367
Ceded unearned premium reserve	631
Unearned premium reserve	5,839
Expected loss to be paid, net of expected recoveries to be collected	1,183
Debt	1,035
<b>Total investment portfolio and cash, per share</b>	<b>\$62.97</b>
<b>Expected loss to be paid, net of expected recoveries, per share</b>	<b>\$6.48</b>
<b>Debt, per share</b>	<b>\$5.67</b>

- **Investment portfolio comprises 61% of our total assets, of which 90% is invested in fixed income securities**
  - Highly rated, with more than 80% of investments rated AA or higher; average rating of AA
  - Very liquid with over \$900 million invested in short term assets; overall duration of portfolio is 4.7 years
- **Deferred revenue comprises 41% of our total liabilities**
  - Liability diminishes over time as the portfolio runs off

# Underlying Value

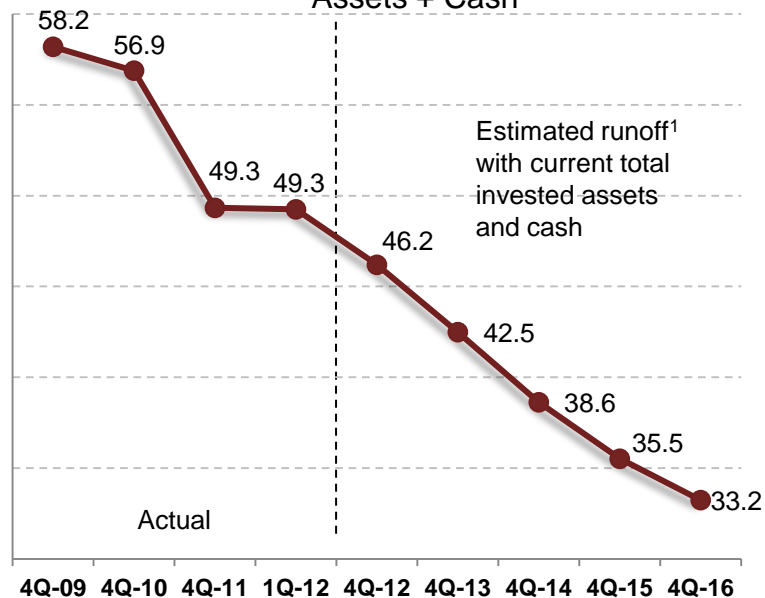
## Deleveraging Without Reducing Total Invested Assets



- **Our net par outstanding to total invested assets and cash has declined from 58:1 in Q4 2009 to 49:1 as of Q1 2012, putting us in a stronger capital position**
  - Deleveraging should continue in the near term as new business is not expected to replace the runoff pace of the structured finance portfolio
- **Deleveraging has occurred while year-end total invested assets and cash exceeded those of prior years**

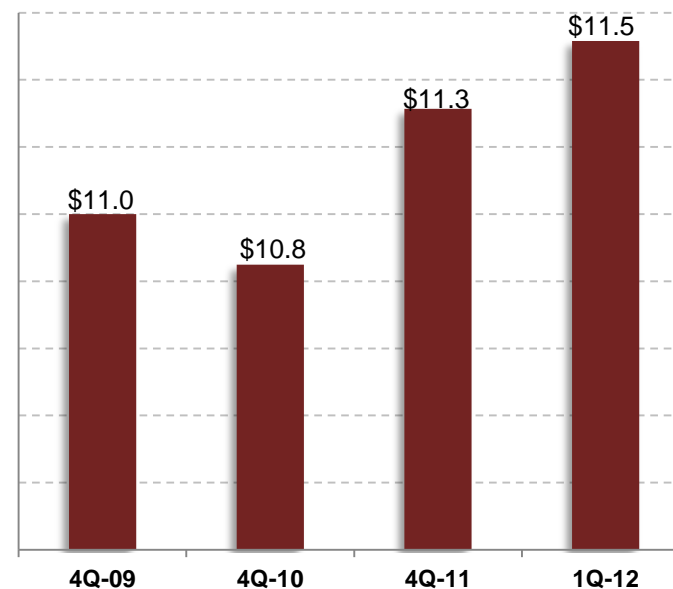
### Portfolio Leverage

Net Par Outstanding / Total Invested Assets + Cash



### Total Invested Assets and Cash

(\$ in billions)



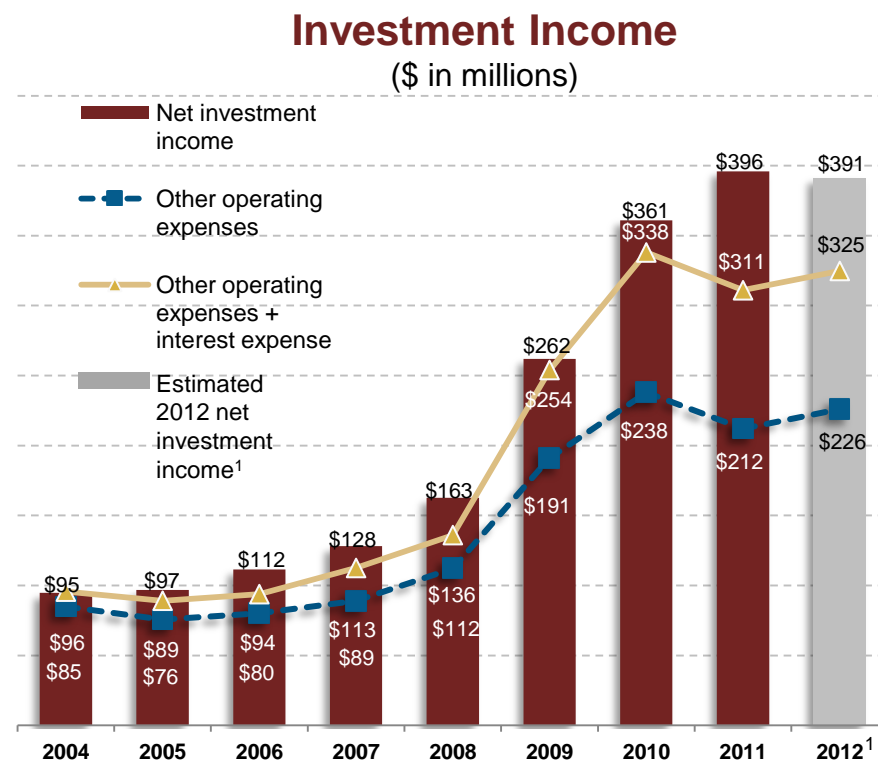
1. Assumes no new business production

# Underlying Value

## Investment Income Generates Capital



- **Investment income is higher than the combination of operating and interest expenses, a spread that fosters capital growth**
- **A reduction in operating expenses increases the spread, thereby generating more capital annually**
  - Operating expenses reduced to \$212 million in 2011 from \$238 million in 2010



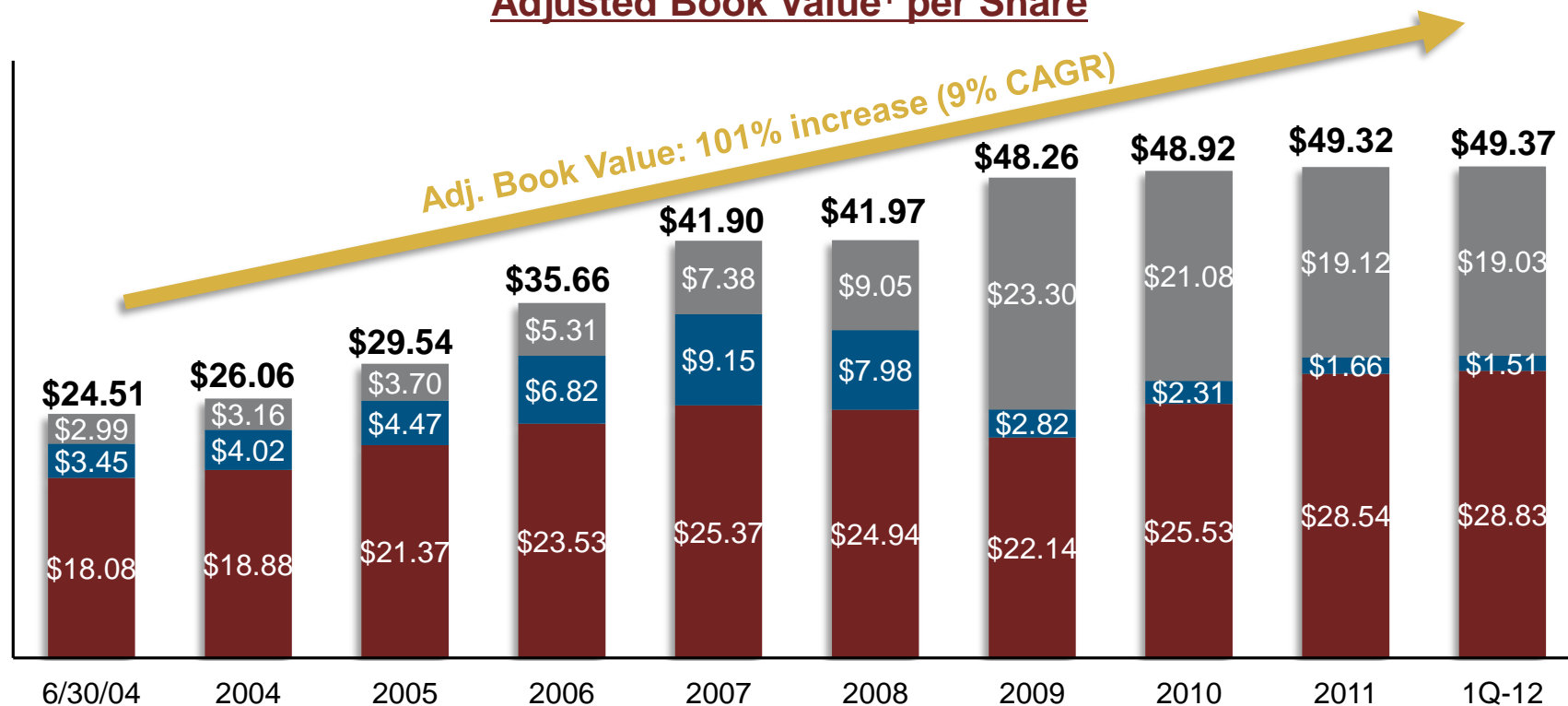
1. In 1Q-12, net investment income was \$97.8 million, other operating expenses was \$61.3 million, and interest expense was \$24.7 million. The amounts shown are the 1Q-12 amounts, annualized, accounting for \$6.2 million of other operating expenses for retirement eligible employees absorbed in first quarter costs.

# Underlying Value

## Historical 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, 2012, the Company adopted a new guidance on acquisition costs with retroactive application. This affected operating shareholders' equity per share and deferred acquisition cost per share, but had no effect on adjusted book value per share. Effective January 1, 2010, GAAP accounting required the consolidation of 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.

# Financial Results

March 31, 2012



# First Quarter 2012 Operating Results

(Excluding Consolidation of VIEs)



(\$ in millions, except per share data)	Quarter Ended March 31,		% Change vs. 1Q-11
	2012	2011	
<b>Net earned premiums and credit derivative revenues<sup>1</sup></b>	\$239.5	\$334.1	(28)%
<b>Net investment income<sup>2</sup></b>	95.9	97.7	(2)%
<b>Total revenues included in operating income</b>	425.5	459.8	(7)%
<b>Loss &amp; LAE and incurred losses on credit derivatives<sup>3</sup></b>	247.4	25.3	NM
<b>Total expenses included in operating income</b>	338.8	116.6	191%
<b>Operating income</b>	71.2	247.4	(71)%
<b>Operating income per diluted share</b>	<b>0.38</b>	<b>1.32</b>	<b>(71)%</b>
<b>Operating ROE<sup>4</sup></b>	<b>5.4%</b>	<b>20.6%</b>	<b>(15.2) pp</b>
<b>After-tax gain (loss) on derivatives</b>	\$(517.0)	\$(217.7)	(137)%
<b>Net income (loss)</b>	(483.0)	139.3	NM
<b>Net income (loss) per diluted share</b>	<b>(2.65)</b>	<b>0.74</b>	<b>NM</b>

NM = Not meaningful pp = percentage points

1. Included \$17.0 million and \$19.1 million related to financial guaranty variable interest entities ("FG VIEs") that was eliminated during quarters ended March 31, 2012 and 2011, respectively, in GAAP reported results due to consolidation.
2. Included \$(1.9) million and \$0.3 million of adjustments to GAAP reported amounts that was related primarily to consolidation of VIEs that was eliminated during the quarters ended March 31, 2012 and 2011, respectively.
3. Included \$2.3 million and \$50.7 million of adjustments to GAAP reported amounts that was related primarily to consolidation of VIEs that was eliminated during the quarters ended March 31, 2012 and 2011, respectively.
4. ROE calculations represent annualized returns.

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



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

(\$ in millions, except per share data)	1Q-12	1Q-11
<b>Loss expense on FG and CDS included in operating income:</b>		
Before tax	\$247.4	\$25.3
After tax	173.4	17.8
Per diluted share	0.93	0.10
<b>Economic loss development</b>		
Before tax	\$211.8	\$(148.3)
After tax	151.4	(94.2)
Per diluted share	0.81	(0.50)

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

# Portfolio Overview

March 31, 2012



# Three Discrete Operating Companies With Separate Capital Bases



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

(\$ in millions)	As of March 31, 2012				
	Assured Guaranty Municipal Corp.	Assured Guaranty Corp.	Assured Guaranty Re Ltd. <sup>1</sup>	Eliminations <sup>2</sup>	Consolidated
<b>Claims-paying resources</b>					
Policyholders' surplus	\$ 1,058	\$ 992	\$ 1,116	\$ (300)	\$ 2,866
Contingency reserve	2,066	734	-	-	2,800
<b>Qualified statutory capital</b>	<b>3,124</b>	<b>1,726</b>	<b>1,116</b>	<b>(300)</b>	<b>5,666</b>
Unearned premium reserve	2,276	820	1,028	-	4,124
Loss and loss adjustment expense reserves <sup>3, 4</sup>	431	326	304	-	1,061
<b>Total policyholders' surplus and reserves</b>	<b>5,831</b>	<b>2,872</b>	<b>2,448</b>	<b>(300)</b>	<b>10,851</b>
Present value of installment premium <sup>4</sup>	517	391	241	-	1,149
Standby line of credit/stop loss	200	200	200	-	600
Excess of loss reinsurance facility	435	435	-	(435)	435
<b>Total claims-paying resources</b>	<b>\$ 6,983</b>	<b>\$ 3,898</b>	<b>\$ 2,889</b>	<b>\$ (735)</b>	<b>\$ 13,035</b>
Net par outstanding <sup>5</sup>	\$ 318,247	\$ 103,632	\$ 129,868	\$ (1,581)	\$ 550,166
Net debt service outstanding <sup>5</sup>	\$ 481,836	\$ 152,173	\$ 209,918	\$ (3,745)	\$ 840,182
<b>Ratios:</b>					
Net par outstanding to qualified statutory capital	102:1	60:1	116:1		97:1
Capital ratio <sup>6</sup>	154:1	88:1	188:1		148:1
Financial resources ratio <sup>7</sup>	69:1	39:1	73:1		64:1

1. AG Re numbers are the Company's estimate of U.S. statutory accounting practices prescribed or permitted by insurance regulatory authorities.

2. In 2009, AGC issued a \$300.0 million note payable to Assured Guaranty Municipal Corp. ("AGM"). Net par and net debt service outstanding eliminations represent second-to-pay policies under which an Assured Guaranty insurance subsidiary guarantees an obligation already insured by another Assured Guaranty insurance subsidiary.

3. Reserves are reduced by approximately \$1.5 billion for benefit related to representation and warranty recoverables.

4. Includes financial guaranty insurance and credit derivatives.

5. Net par outstanding and net debt service outstanding are presented on a statutory basis. Under statutory accounting, such amounts would be reduced both when an outstanding issue is legally defeased (i.e., an issuer has legally discharged its obligations with respect to a municipal security by satisfying conditions set forth in defeasance provisions contained in transaction documents and is no longer responsible for the payment of debt service with respect to such obligations) and when such issue is economically defeased (i.e., transaction documents for a municipal security do not contain defeasance provisions but the issuer establishes an escrow account with U.S. government securities in amounts sufficient to pay the refunded bonds when due; the refunded bonds are not considered paid and continue to be outstanding under the transaction documents and the issuer remains responsible to pay debt service when due to the extent monies on deposit in the escrow account are insufficient for such purpose).

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

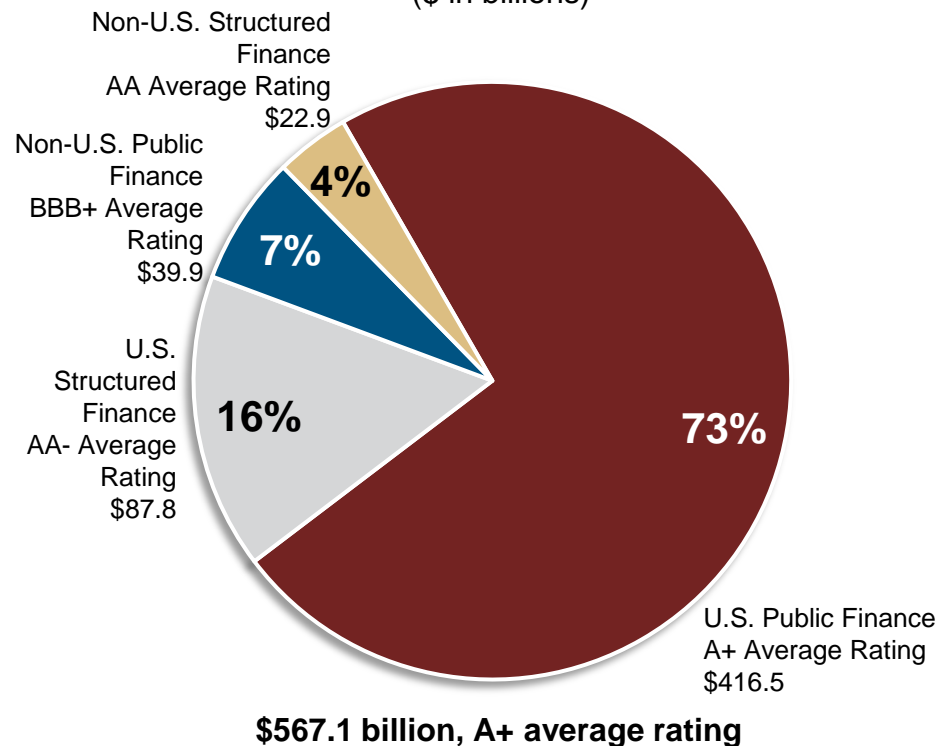
7. The financial resources ratio is calculated by dividing net debt service outstanding by total claims paying resources.

# Net Par Outstanding Diversified By Sector

- **Assured Guaranty's portfolio is largely concentrated in U.S. public finance**
  - 73% U.S. public finance
  - 16% U.S. structured finance
  - 11% International
- **Our portfolio has an A+ average internal credit rating**
  - 4.6% below investment grade
- **RMBS is our largest BIG exposure**
  - \$12.7 billion (49% of total BIG) is U.S. RMBS
  - Plus \$923 million of triple-X life securitization transactions with assets invested in RMBS

## Consolidated Net Par Outstanding

As of March 31, 2012  
(\$ in billions)



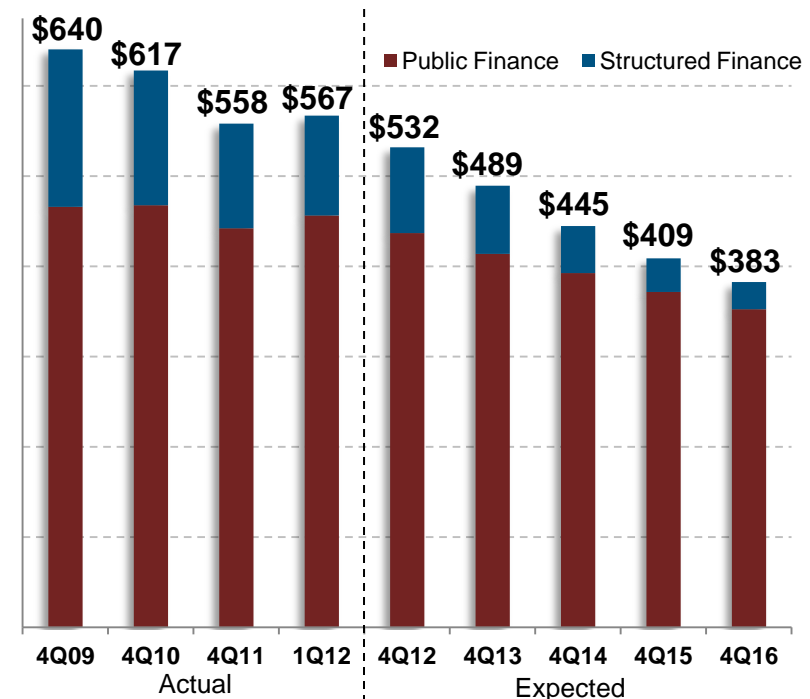
# Net Par Outstanding Runoff



- **Run-off of the portfolio reduces rating agency capital charges, but also embedded future earned premiums**
- **Public finance exposure runs off at a steady rate**
  - \$456 billion outstanding
  - 4% expected to amortize by the end of 2012; 14% by the end of 2014; 23% by the end of 2016
- **Structured finance exposure runs off quickly**
  - \$111 billion outstanding
  - 14% expected to amortize by the end of 2012; 53% by the end of 2014; 73% by the end of 2016
- **New business originations, either through direct, reinsurance or re-assumption, will increase future premiums**

## Consolidated Net Par Outstanding Amortization

as of March 31, 2012  
(\$ in billions)



1. Represents the future expected amortization of current net par outstanding as of March 31, 2012. Actual amortization of the existing portfolio will differ from the expected shown here because, for example, (1) some obligors may call, prepay or defease guaranteed obligations (e.g., in the context of U.S. public finance refundings), and (2) the expected amortization of structured finance transactions is based in part on management's assumptions regarding the performance of the underlying assets while the actual performance of those assets may differ from management's assumptions. Actual amortization of the U.S. public and global infrastructure finance portfolio and the structured finance portfolio may be faster or slower than expected by management, both portfolios may differ in the same direction and one portfolio may amortize more quickly while the other may amortize more slowly.

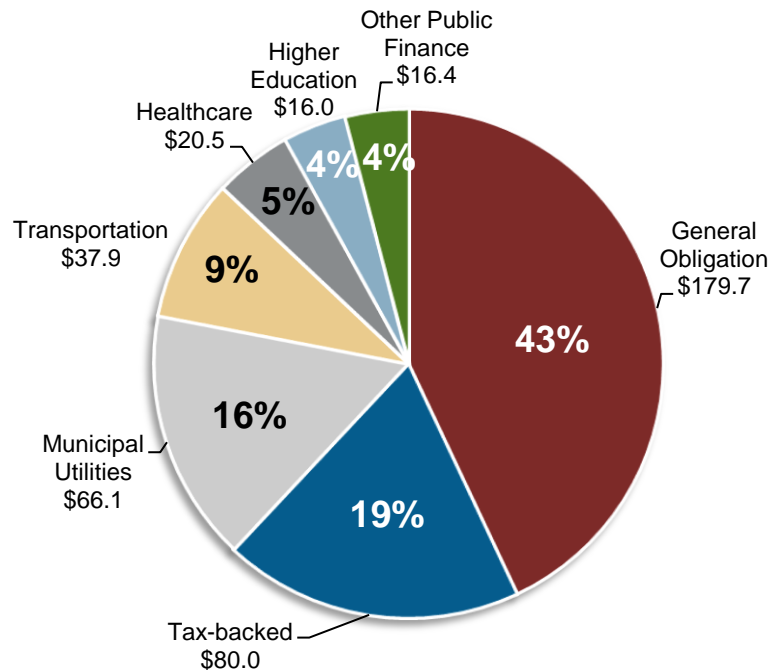
# U.S. Public Finance

## Net Par Outstanding



### U.S. Public Finance

As of March 31, 2012  
(\$ in billions)



**\$416.5 billion, A+ average rating**

- **\$416.5 billion of U.S. public finance net par outstanding, 73% of our total as of March 31, 2012**
- **Our U.S. public finance portfolio has performed well despite increased financial pressure on municipal obligors caused by the recession**
  - 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 1Q-12 we made payments on only two.
- **General obligation, tax-backed and municipal utilities represent 78% of U.S. public finance net par outstanding**
  - 57% of total net par outstanding

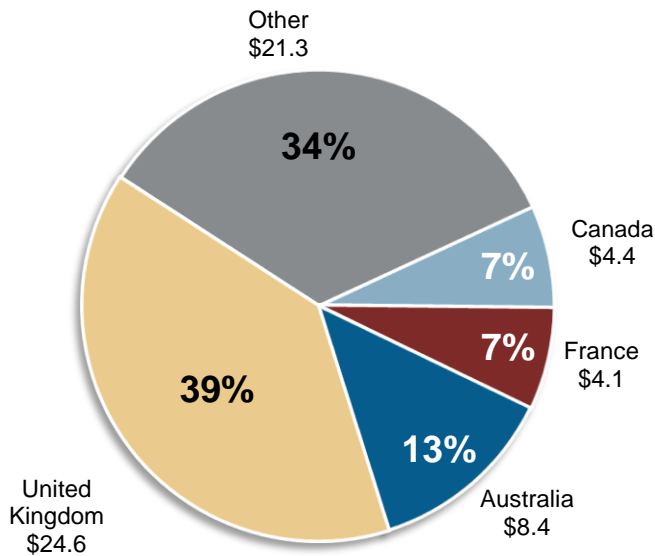
# Consolidated International Finance

## International Public and Structured Finance Net Par Outstanding



### International Finance

As of March 31, 2012  
(\$ in billions)



**\$62.8 billion, A average rating**

- **International exposure is 64% public finance and 36% structured finance**
- **Approximately 76% of structured exposure is to pooled corporates**
- **Direct sovereign debt is limited to:**
  - Poland \$309 million
  - Greece \$291 million

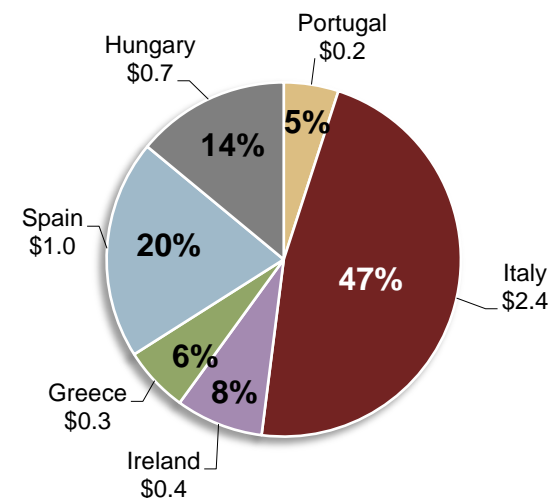
# Insured Obligations Within Troubled Eurozone Countries



- **Approximately 28%, or \$1.4 billion, of net par outstanding of exposure to troubled Eurozone countries is to structured finance transactions rated A or higher, with 19% rated AAA or higher**
  - 52% of structured net par outstanding represents allocated exposures in diversified pooled corporate transactions
- **Only direct sovereign exposure is to Greece; current net par outstanding is \$291 million on obligations due in 2037 and 2057**
  - Inception-to-date, economic loss development is \$231.9 million
- **Italy exposure consists of 13 transactions with aggregate net par outstanding of \$2.4 billion**
  - Only 2 transactions rated BIG (Rome airport totaling \$250.8 million net par outstanding and an allocated portion of a multi-country CDO exposure totaling \$0.9 million net par outstanding)

## Insured Obligations Within Troubled Eurozone Countries<sup>1</sup> (Only Direct Sovereign Debt is Greece)

As of March 31, 2012  
(\$ in billions)



**\$5.1 billion, A- average rating**

### BIG Exposures to Troubled Eurozone Countries (\$ in millions)

Name or Description	Country	Internal Rating	Net Par Outstanding
M6 Toll Road	Hungary	BB	\$413.7
Hellenic Republic Greece	Greece	B	290.5
Rome Airport	Italy	BB	250.8
Autovia de la Mancha, S.A.	Spain	BB+	145.4
FHB 8.95% 2016	Hungary	BB+	126.1
Metropolitano de Porto Lease and Sublease of Railroad Equipment	Portugal	BB+	56.4
Metropolitano De Lisboa	Portugal	B+	31.5
Metro Lisboa Rail Equip Lease	Portugal	B+	24.9
Caminhos de Ferro Portugueses, EP	Portugal	B+	17.2
Gleneagles Funding Ltd. <sup>2</sup>	Ireland	BB	12.0
Synthetic High Yield Pooled Corporate CDO <sup>2</sup>	Multiple <sup>3</sup>	CCC	4.1
<b>Total</b>			<b>\$1,372.6</b>

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

2. Allocated portion of diversified transaction.

3. Synthetic high yield pooled corporate CDO exposure is \$0.9 million to Italy and \$3.2 million to Ireland.

# Structured Finance Exposures

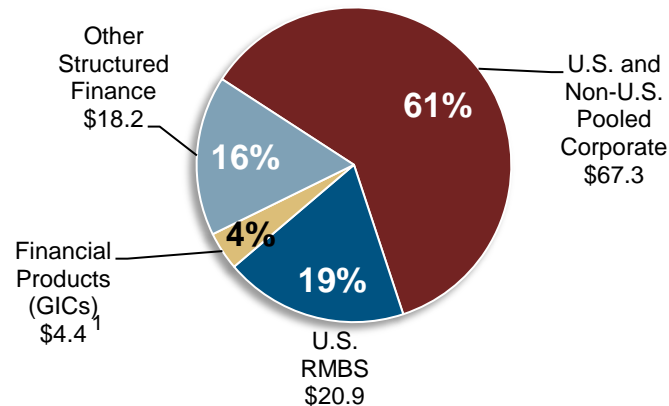
## Net Par Outstanding



(\$ in billions)

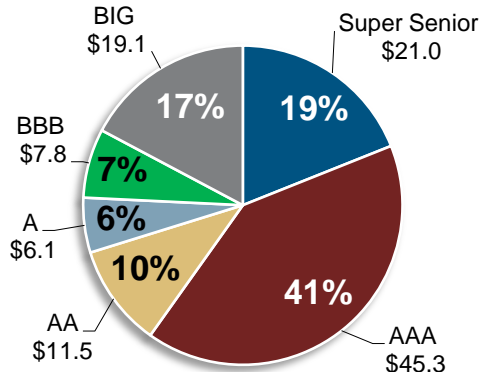
### By Type

As of March 31, 2012



**\$110.7 billion, AA- average rating**

### By Internal Rating



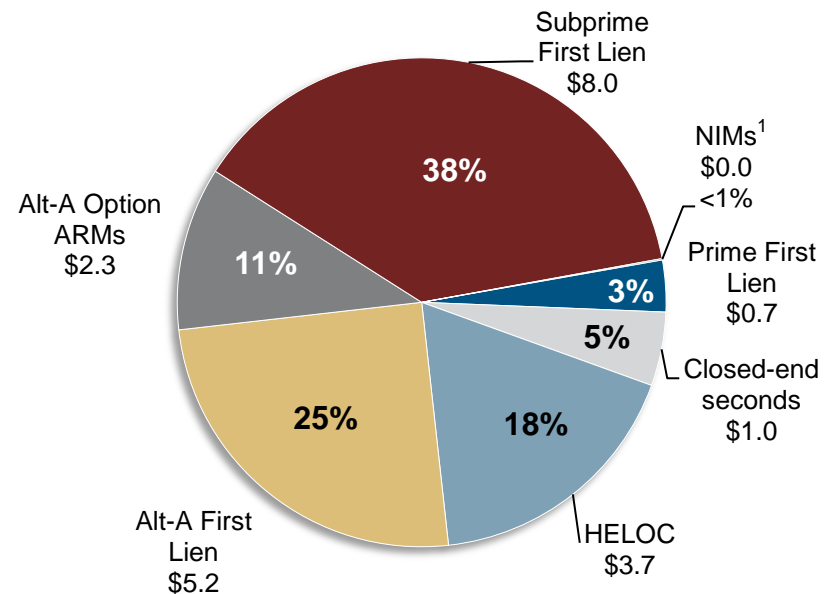
- **We expect Assured Guaranty’s global structured finance insured portfolio (\$110.7 billion as of March 31, 2012) to run off rapidly – 14% by year-end 2012 and 53% by year-end 2014.**
  - \$67.3 billion in global pooled corporate obligations expected to be reduced by 13% by year-end 2012 and by 61% by year-end 2014
  - \$20.9 billion in U.S. RMBS expected to be reduced by 18% by year-end 2012 and by 46% by year-end 2014
- **Assured Guaranty and AGM’s total structured finance exposures of \$240.9 billion at December 31, 2007 have declined by \$130.2 billion to \$110.7 billion through March 31, 2012, a 54% reduction, or approximately \$30 billion per year.**

1. Assured Guaranty did not acquire FSAH’s Financial Products (“FP”) segment. Assured Guaranty and its subsidiaries are indemnified against exposure to the FP segment by Dexia. As of March 31, 2012, the aggregate accreted balance of the guaranteed investment contracts (“GICs”) was approximately \$4.3 billion. As of the same date, with respect to the assets supporting the GIC business, the aggregate accreted principal balance was approximately \$6.0 billion, the aggregate market value was approximately \$5.7 billion and the aggregate market value after agreed reductions was approximately \$4.6 billion. Cash and net derivative value constituted another \$0.3 billion of assets.

- Our \$20.9 billion U.S. RMBS portfolio is amortizing on an absolute basis and as a percentage of the portfolio**
  - Total U.S. RMBS has declined from \$29.2 billion at December 31, 2009 to \$20.9 billion at March 31, 2012, a \$8.3 billion or 28% reduction
- Our loss reserving methodology is driven by our assumptions on several factors with a key variable on new delinquencies:**
  - Conditional default rate
  - Conditional prepayment rate
  - Excess spread
  - Loss severity
- We have several initiatives aimed at reducing ultimate losses**

## U.S. RMBS by Exposure Type

As of March 31, 2012  
(\$ in billions)



**\$20.9 billion**  
**(3.7% of net par outstanding)**

1. NIMs= Net Interest Margin securities

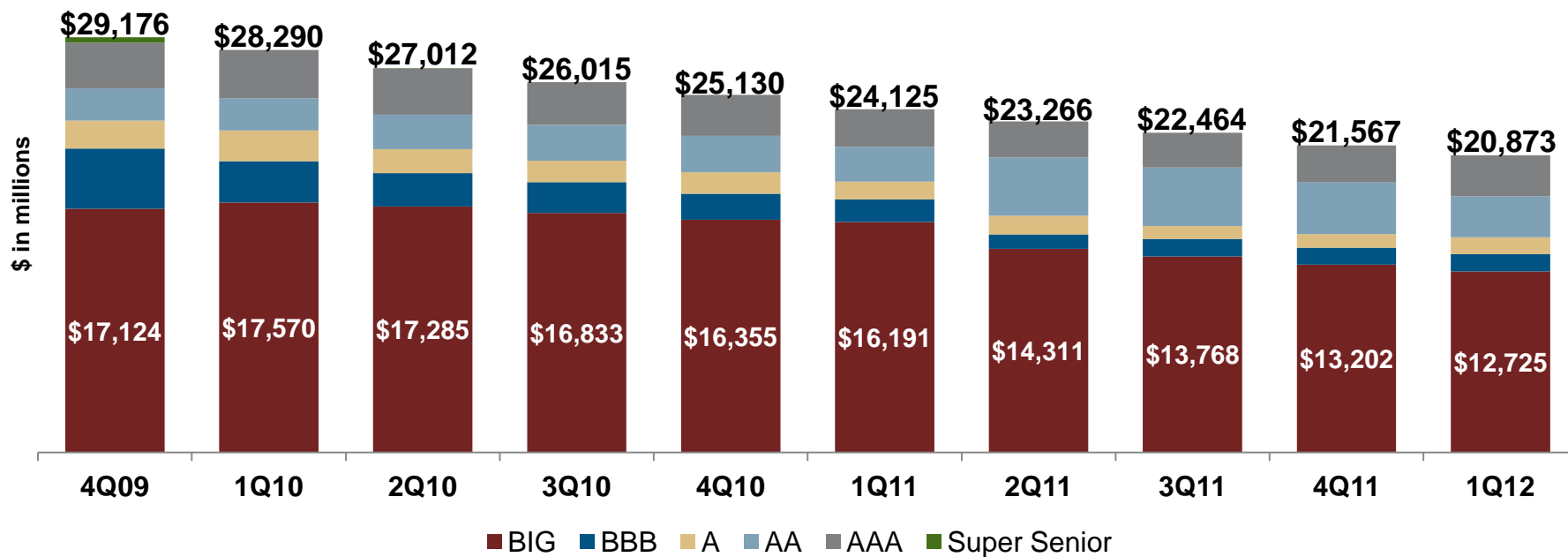
# U.S. RMBS Exposure Continues to Decline



- **U.S. RMBS has declined 28% from December 31, 2009 through March 31, 2012, or approximately \$1 billion per quarter**
- **Below investment grade RMBS peaked at March 31, 2010 and has since declined approximately \$4.8 billion**

## U.S. RMBS by Rating

Net Par Outstanding from December 31, 2009 to March 31, 2012

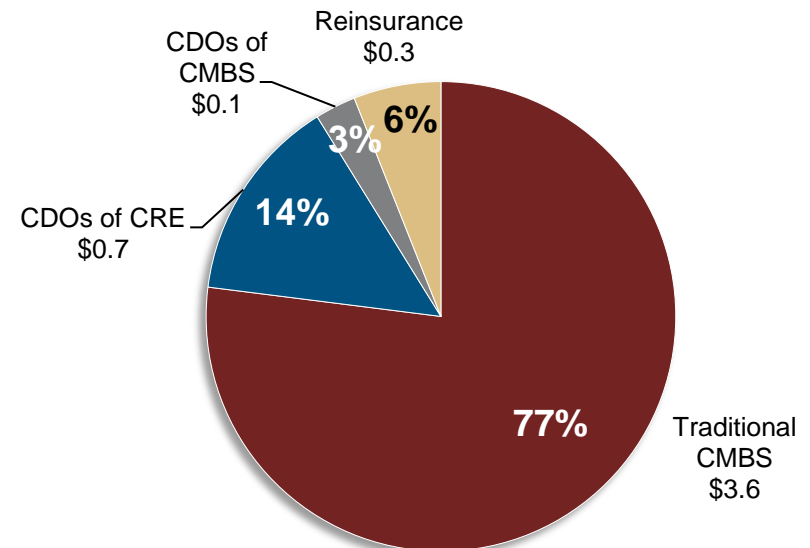


- **We have three types of U.S. commercial mortgage-backed securities (“CMBS”) transactions**
  - Traditional CMBS - \$3.6 billion
  - Collateralized debt obligations (“CDOs”) of commercial real estate (“CRE”) - \$655 million
  - CDOs of CMBS - \$130 million
  - We also have assumed par of \$264 million
- **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 March 31, 2012**
  - Most deals written with triple-A rating at inception with high attachment points
  - One deal was single-A at underwriting
  - Approximately 90% of traditional U.S. CMBS exposure had internal rating of AAA or higher as of March 31, 2012

## U.S. CMBS by Exposure Type

As of March 31, 2012

(\$ in billions)



**\$4.6 billion**  
(0.8% of total net par outstanding)

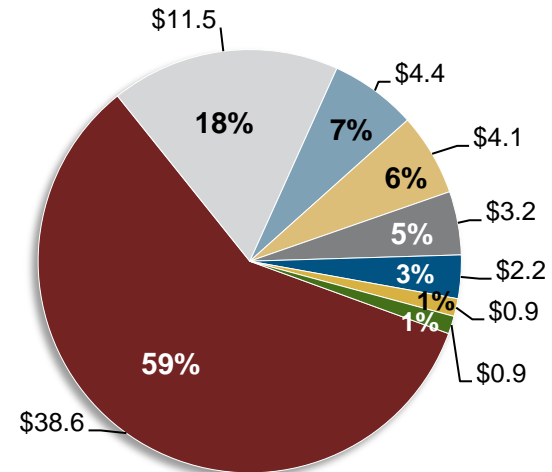
# Direct Pooled Corporate Obligations Credit Quality Remains High



- **Our direct pooled corporate exposure is highly rated and well-protected**
  - Average credit enhancement of 29.2%
  - 86.3% rated super senior or AAA
- **\$2.2 billion of U.S. mortgage and REITs TruPS are the lowest rated asset classes**
  - Average rating BB
  - Credit enhancement at March 31, 2012 remains high at 33.2%, although ratings of collateral have been downgraded sharply due to real estate market and recession

## Direct Pooled Corporate Obligations By Asset Class

As of March 31, 2012  
(\$ in billions)



**\$65.8 billion, AAA average rating**

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

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

# Below Investment Grade Exposures

## Net Par Outstanding by Category



- The majority of our BIG exposures in categories 2 and 3 are in structured finance – specifically RMBS
- Category 1 BIG, which show sufficient deterioration to make lifetime losses possible but none are expected, were \$10.7 billion at March 31, 2012

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

(\$ in millions)	March 31, 2012 <sup>2,3</sup>	December 31, 2011 <sup>2,3</sup>
<b>Category 1</b>		
U.S. public finance	\$3,480	\$3,395
Non-U.S. public finance	2,061	2,046
U.S. structured finance	4,146	5,882
Non-U.S. structured finance	1,053	927
Total Category 1	10,740	12,250
<b>Category 2</b>		
U.S. public finance	270	274
Non-U.S. public finance	291	282
U.S. structured finance	5,513	4,383
Non-U.S. structured finance	42	42
Total Category 2	6,116	4,981
<b>Category 3</b>		
U.S. public finance	820	838
Non-U.S. public finance	-	-
U.S. structured finance	7,373	7,743
Non-U.S. structured finance	950	950
Total Category 3	9,143	9,531
<b>BIG Total</b>	<b>\$ 25,999</b>	<b>\$ 26,762</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.
2. Securities purchased for loss mitigation purposes represented \$1,384.5 million and \$1,293.0 million of gross par outstanding as of March 31, 2012 and December 31, 2011, respectively. In addition, under the terms of certain credit derivative contracts, the Company has obtained the underlying collateral of transactions and recorded it in invested assets in the consolidated balance sheets. Such amounts totaled \$434.6 million and \$222.4 million in gross par outstanding as of March 31, 2012 and December 31, 2011, respectively.
3. Amounts presented for BIG exposures have been revised to reclassify 80% of the amounts that have been collateralized by Bank of America.

# BIG Exposures > \$250 Million



(\$ in millions)

## BIG Exposures Greater Than \$250 Million as of March 31, 2012

<u>Name or Description</u>	<u>Net Par Outstanding</u>	<u>Internal Rating</u>	<u>Current Credit Enhancement</u>	<u>60+ Day Delinquencies <sup>1</sup></u>
Skyway Concession Company LLC	\$1,086	BB	N/A	N/A
Deutsche Alt-A Securities Mortgage Loan 2007-2	752	CCC	0.0%	32.4%
Reliance Rail Finance Pty. Limited	692	BB	N/A	N/A
MABS 2007-NCW	539	BB	27.3%	62.9%
Ballantyne Re, PLC (includes \$106.4 million repurchased, 21% owned) <sup>2</sup>	500	CC	N/A	N/A
Jefferson County Alabama Sewer	479	D	N/A	N/A
Orkney Re II, Plc	423	CCC	N/A	N/A
M6 Duna Autopalya Koncesszios Zartkoruen Mukodo Reszvenytarsasag	414	BB	N/A	N/A
Countrywide HELOC 2006-I	407	CCC	0.0%	6.6%
Private Residential Mortgage Transaction	396	BB	14.4%	29.0%
Private Residential Mortgage Transaction	392	BB	17.4%	29.7%
Detroit (City of) Michigan	385	BB	N/A	N/A
Mortgage IT Securities Corp. Mortgage Loan 2007-2	381	B	7.9%	18.8%
Gleneagles Funding Ltd.	374	BB	N/A	N/A
Option One 2007-FXD2	366	CCC	13.6%	29.5%
Deutsche Alt-A Securities Mortgage Loan 2007-3	358	B	3.1%	22.8%
Private Residential Mortgage Transaction	354	CCC	14.8%	30.9%
Countrywide HELOC 2006-F (includes \$102.9 million repurchased, 37% owned) <sup>2</sup>	338	CCC	0.0%	17.0%
MASTR 2007-3 (NEGAM)	334	CCC	0.0%	53.4%
Private Residential Mortgage Transaction	321	BB	6.1%	34.8%
Private Residential Mortgage Transaction	320	BB	16.7%	28.0%
Cross City Tunnel Motorway Finance Limited	313	BB	N/A	N/A
Nomura Asset Accept. Corp. 2007-1 (includes \$0.7 million repurchased, 1% owned) <sup>2</sup>	313	CCC	0.0%	41.5%
AAA Trust 2007-2 (includes \$103.1 million repurchased, 100% owned)	292	CCC	22.2%	44.1%
Taberna Preferred Funding IV, Ltd	292	CCC	24.0%	N/A
Hellenic Republic	291	B	N/A	N/A
Taberna Preferred Funding III, Ltd	287	CCC	15.9%	N/A
Countrywide Home Equity Loan Trust 2007-D	258	CCC	0.0%	7.9%
Countrywide Home Equity Loan Trust 2005-J	257	CCC	0.0%	15.8%
Alesco Preferred Funding XVI, Ltd	256	B	5.5%	N/A
Aeroporti Di Roma (ADR) Romulus Finance S.R.L. (Rome Airport)	251	BB	N/A	NA
<b>Total</b>	<b>\$12,421</b>			

1. 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.
2. 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

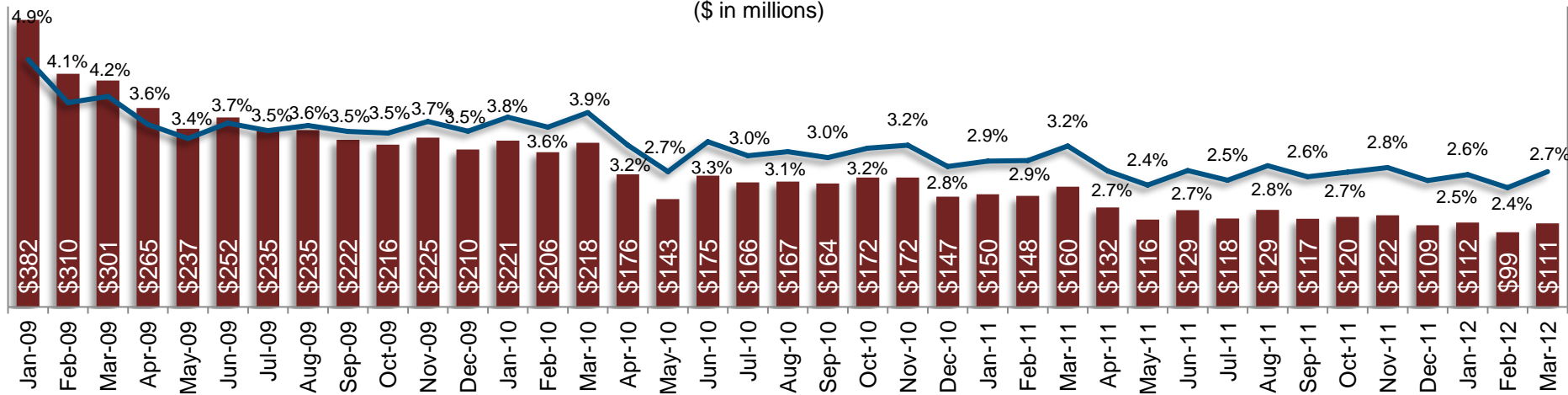


# HELOC and Options-ARMs Delinquencies For Financial Guaranty Direct Transactions Originated 2005-2008<sup>1</sup>



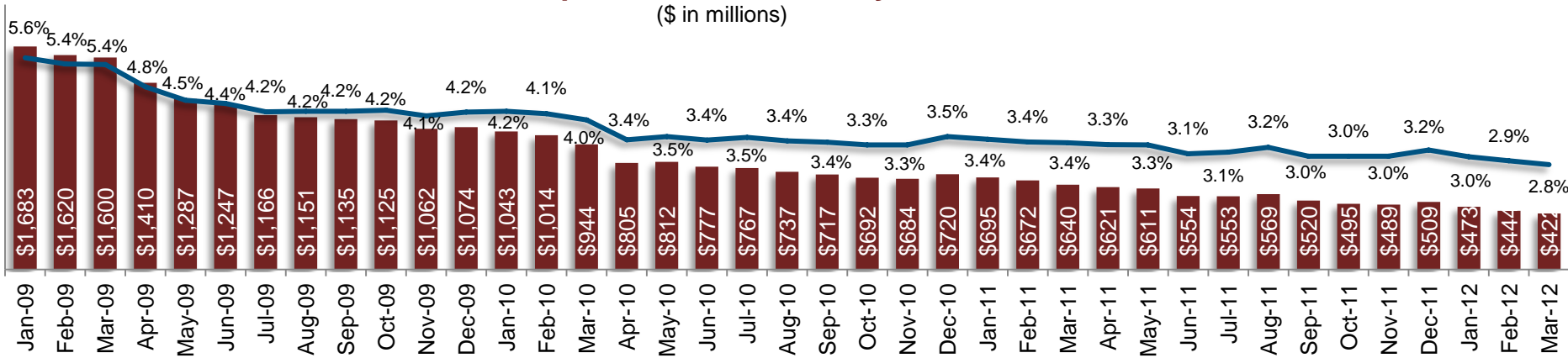
## Troubled HELOCs 30-59 Days

(\$ in millions)



## Option-ARMs 30-59 Days

(\$ in millions)



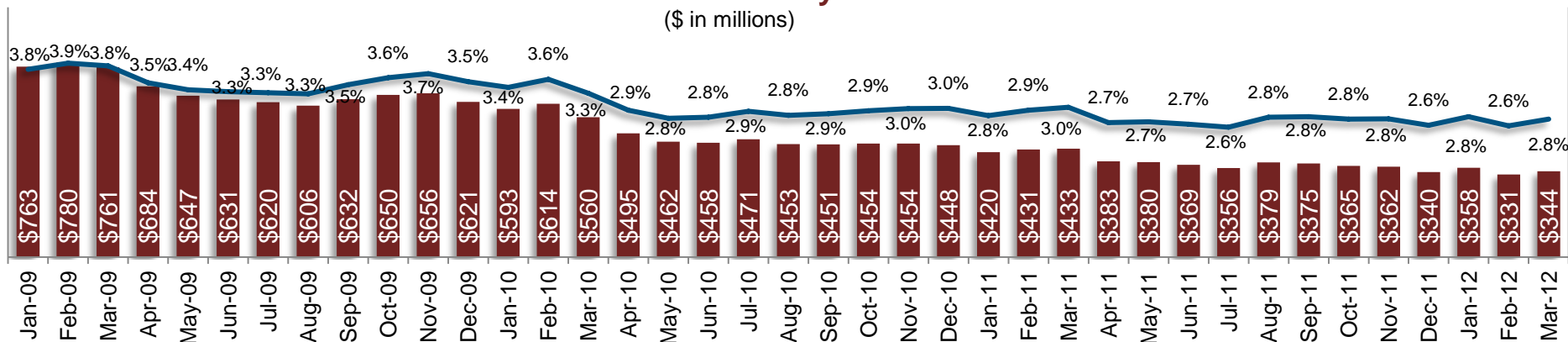
1. Assured Guaranty has not insured any U.S. RMBS since 2008.

Reflects actual AGC and AGM direct data.

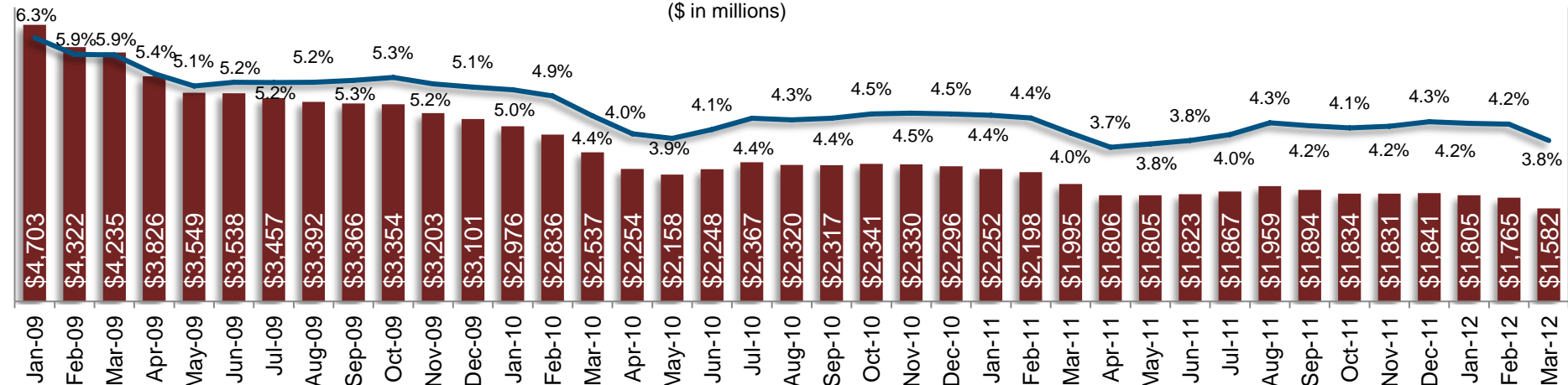
# Alt-A and Subprime 30-59 Day Delinquencies For Financial Guaranty Direct Transactions Originated 2005-2008



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



## 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.

# 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 and loss and LAE reserves. Long-dated receivables constitute a significant portion of the net premium receivable balance and represent the present value of future contractual or expected collections. Therefore, the current period's foreign exchange 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 FG VIEs in order to present all financial guaranty contracts on a more consistent basis of accounting, whether or not GAAP requires consolidation. GAAP requires the Company to consolidate certain VIEs that have issued debt obligations insured by the Company even though the Company does not own such VIEs.

# Appendix (Cont'd)

## Explanation of Non-GAAP Financial Measures



**Operating Shareholders' Equity:** Management believes that operating shareholders' equity is a useful measure because it presents the equity of Assured Guaranty Ltd. with all financial guaranty contracts accounted for on a more consistent basis and excludes fair value adjustments that are not expected to result in economic loss. Many investors, analysts and financial news reporters use operating shareholders' equity as the principal financial measure for valuing Assured Guaranty Ltd.'s current share price or projected share price and also as the basis of their decision to recommend, buy or sell Assured Guaranty Ltd.'s common shares. Many of the Company's fixed income investors also use operating shareholders' equity to evaluate the Company's capital adequacy. Operating shareholders' equity is the basis of the calculation of adjusted book value (see below). Operating shareholders' equity is defined as shareholders' equity attributable to Assured Guaranty Ltd., as reported under GAAP, adjusted for the following:

1. Elimination of the effects of consolidating FG VIEs in order to present all financial guaranty contracts on a more consistent basis of accounting, whether or not GAAP requires consolidation. GAAP requires the Company to consolidate certain VIEs that have issued debt obligations insured by the Company even though the Company does not own such VIEs.
2. Elimination of the after-tax non-credit-impairment unrealized fair value gains (losses) on credit derivatives, which is the amount in excess of the present value of the expected estimated economic credit losses and non-economic payments. Such fair value adjustments are heavily affected by, and in part fluctuate with, changes in market interest rates, credit spreads and other market factors and are not expected to result in an economic gain or loss.
3. Elimination of the after-tax fair value gains (losses) on the Company's committed capital securities. Such amounts are heavily affected by, and in part fluctuate with, changes in market interest rates, credit spreads and other market factors and are not expected to result in an economic gain or loss.
4. Elimination of the after-tax unrealized gains (losses) on the Company's investments that are recorded as a component of accumulated other comprehensive income ("AOCI") (excluding foreign exchange 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 should not recognize an economic gain or loss.

**Operating return on equity ("Operating ROE"):** Operating ROE represents operating income for a specified period divided by the average of operating shareholders' equity at the beginning and the end of that period. Management believes that operating ROE is a useful measure to evaluate the Company's return on invested capital. Many investors, analysts and members of the financial news media use operating ROE to evaluate Assured Guaranty Ltd.'s share price and as the basis of their decision to recommend, buy or sell the Assured Guaranty Ltd. common shares. Quarterly and year-to-date operating ROE are calculated on an annualized basis.

# Appendix (Cont'd)

## Explanation of Non-GAAP Financial Measures



**Adjusted Book Value:** Management believes that adjusted book value is a useful measure because it enables an evaluation of the net present value of the Company's in-force premiums and revenues in addition to operating shareholders' equity. The premiums and revenues included in adjusted book value will be earned in future periods, but actual earnings may differ materially from the estimated amounts used in determining current adjusted book value due to changes in foreign exchange rates, prepayment speeds, terminations, credit defaults and other factors. Many investors, analysts and financial news reporters use adjusted book value to evaluate Assured Guaranty Ltd.'s share price and as the basis of their decision to recommend, buy or sell the Assured Guaranty Ltd. common shares. Adjusted book value is operating shareholders' equity, as defined above, further adjusted for the following:

1. Elimination of after-tax deferred acquisition costs. These amounts represent net deferred expenses that have already been paid or accrued and will be expensed in future accounting periods.
2. Addition of the after-tax net present value of estimated net future credit derivative revenue. See below.
3. Addition of the after-tax value of the unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed, net of reinsurance. This amount represents the expected future net earned premiums, net of expected losses to be expensed. Net expected losses to be expensed are not reflected in GAAP equity.

**Net present value of estimated net future credit derivative revenue:** Management believes that this amount is a useful measure because it enables an evaluation of the value of future estimated credit derivative revenue. There is no corresponding GAAP financial measure. This amount represents the present value of estimated future revenue from the Company's credit derivative in-force book of business, net of reinsurance, ceding commissions and premium taxes for contracts without expected economic losses, and is discounted at 6%. Estimated net future credit derivative revenue may change from period to period due to changes in foreign exchange rates, prepayment speeds, terminations, credit defaults or other factors that affect par outstanding or the ultimate maturity of an obligation.

**VVP or present value of new business production:** Management believes that VVP 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. VVP 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%. For purposes of the VVP 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 VVP 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 VVP due to factors including, but not limited to, changes in foreign exchange rates, prepayment speeds, terminations, credit defaults, or other factors that affect par outstanding or the ultimate maturity of an obligation.

# Appendix

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



(\$ in millions)

	Three Months Ended March 31		% Change versus 1Q-11
	2012	2011	
<b>Consolidated new business production analysis:</b>			
Present value of new business production ("PVP")			
Public finance - U.S.:			
Assumed from Radian	\$21.9	\$ -	NM
Primary markets	27.2	26.7	2%
Secondary markets	3.3	7.3	(55)%
Public finance - non-U.S.			
Primary markets	-	-	NM
Secondary markets	-	-	NM
Structured finance - U.S.	3.9	11.3	(65)%
Structured finance - non-U.S.	-	7.2	NM
Total PVP	<u>56.3</u>	<u>52.5</u>	7%
Less: PVP of credit derivatives	-	-	NM
PVP of financial guaranty insurance	<u>56.3</u>	<u>52.5</u>	7%
Less: Financial guaranty installment premium PVP	<u>4.0</u>	<u>18.7</u>	(79)%
Total: Financial guaranty upfront GWP	52.3	33.8	55%
Plus: Financial guaranty installment PVP adjustment <sup>2</sup>	<u>36.1</u>	<u>(45.3)</u>	NM
<b>Total GWP</b>	<b><u>\$88.4</u></b>	<b><u>\$(11.5)</u></b>	NM

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)

	<u>1Q-12</u>	<u>1Q-11</u>
<b>Operating income</b>	<b>\$71.2</b>	<b>\$247.4</b>
Plus after-tax adjustments:		
Realized gains (losses) on investments	(0.7)	1.9
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(517.0)	(217.7)
Fair value gains (losses) on committed capital securities	(9.1)	0.3
Foreign exchange gains (losses) on revaluation of premiums receivable and loss and LAE reserves	6.5	9.2
Effect of consolidating FG VIEs	(33.9)	98.2
<b>Net income (loss)</b>	<b><u>\$(483.0)</u></b>	<b><u>\$139.3</u></b>

### Per Diluted Share

	<u>1Q-12</u>	<u>1Q-11</u>
<b>Operating income</b>	<b>\$0.38</b>	<b>\$1.32</b>
Plus after-tax adjustments:		
Realized gains (losses) on investments	-	0.01
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(2.83)	(1.16)
Fair value gains (losses) on committed capital securities	(0.05)	-
Foreign exchange gains (losses) on revaluation of premiums receivable and loss and LAE reserves	0.04	0.05
Effect of consolidating FG VIEs	(0.19)	0.52
<b>Net income (loss)</b>	<b><u>\$(2.65)</u></b>	<b><u>\$0.74</u></b>

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

*(dollars in millions, except per share amounts)*

	As of :			
	March 31, 2012		December 31, 2011	
	Total	Per share	Total	Per share
<b>Shareholders' equity</b>	<b>\$ 4,182.5</b>	<b>\$ 22.91</b>	<b>\$ 4,651.6</b>	<b>\$ 25.52</b>
Less after-tax adjustments:				
Effect of consolidating FG VIEs	(438.7)	(2.40)	(405.2)	(2.22)
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(1,021.1)	(5.59)	(498.0)	(2.74)
Fair value gains (losses) on committed capital securities	26.0	0.14	35.0	0.19
Unrealized gain (loss) on investment portfolio excluding foreign exchange effect	353.9	1.93	318.4	1.75
<b>Operating shareholders' equity</b>	<b>\$ 5,262.4</b>	<b>\$ 28.83</b>	<b>\$ 5,201.4</b>	<b>\$ 28.54</b>
After-tax adjustments:				
Less: Deferred acquisition costs	173.0	0.95	174.1	0.95
Plus: Net present value of estimated net future credit derivative revenue	274.8	1.51	302.3	1.66
Plus: Net unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed	3,646.1	19.98	3,658.0	20.07
<b>Adjusted book value</b>	<b>\$ 9,010.3</b>	<b>\$ 49.37</b>	<b>\$ 8,987.6</b>	<b>\$ 49.32</b>

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# Equity Investor Presentation

## March 31, 2012

