Meeting Between Federal Reserve Board Staff and
Representatives of the Association of Financial Guaranty Insurers
August 21, 2012

Participants: Thomas Boemio, Constance Horsley, Christine Graham, and Chris Powell (Federal Reserve Staff)

Teresa Casey (Association of Financial Guaranty Insurers); Ling Chow, Ruth Cove, James Michener, and Bruce Stern (Assured Guaranty); Gail Makode and John Dare (MBIA Insurance Corp.); Mara Giorgio, Micah Green and Carolyn Walsh (Patton Boggs LLP) and Ethan James (Debevoise & Plimpton LLP)

Summary: Representatives of the Association of Financial Guaranty Insurers and some of its member institutions met with Federal Reserve Board staff to discuss certain aspects of recent proposals issued by the Federal Reserve. The Association of Financial Guaranty Insurers expressed concerns about the exclusion of insurance companies engaged predominantly in the business of providing credit protection, such as monoline bond insurers or re-insurers, from consideration as eligible guarantors under the Basel III proposal. In addition, the representatives raised concerns about the application of single counterparty credit limits to credit protection providers under the Board's enhanced prudential standards proposal pursuant to sections 165 and 166 of the Dodd-Frank Act. The association also submitted written materials, which are attached.

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ASSOCIATION OF FINANCIAL GUARANTY INSURERS

Unconditional, Irrevocable Guaranty

Overview: Association of Financial Guaranty Insurers

August 21, 2012

Association of Financial Guaranty Insurers ("AFGI"): Background

- AFGI is the trade association of financial guaranty insurers, comprised of 10 insurers and reinsurers of municipal, infrastructure and asset-backed securities ("ABS")
- Financial guaranty insurance is a monoline business, limiting insurers in this sector to financial guaranty and a few other similar lines of insurance (such as surety and credit)
- Financial guaranty insurers enhance the credit of securities, reducing borrowing costs for the issuer, with a portion of the cost savings paid by the issuer to the insurer as a premium
- Financial guaranty insurers have historically played a major role in the municipal bond market, providing cost savings to municipal issuers and facilitating capital market access for small municipal issuers
- The financial strength ratings provided by securities rating agencies influence the market demand for and acceptance of financial guaranty insurance

Impact of Financial Crisis on AFGI Members

- Financial guaranty insurers incurred significant losses in connection with the financial crisis, largely due to insurance of residential mortgage-backed securities ("RMBS") and collateralized debt obligations ("CDOs") backed by RMBS

- Financial guaranty insurers are pursuing remedies against RMBS originators, underwriters and other transaction participants to recover losses incurred

- As a result of losses incurred in connection with the financial crisis, two AFGI members are in full or partial rehabilitation and are currently not paying claims in whole or in part

Response to the Financial Crisis

- Insurance regulators have enacted new regulations in response to lessons learned from the financial crisis
  - New York Insurance Department Circular Letter No.19, for example, prohibits or limits insurance of credit default swaps, CDOs of ABS and mezzanine securities
- Rating agencies have dramatically increased capital charges and decreased risk limits across all sectors taking into account recent experience
- Insurers have adjusted internal underwriting guidelines to reflect recent experience, with requirements typically significantly more conservative than regulatory or rating agency limits
- Securities that proved problematic in the financial crisis, such as CDOs of ABS and auction-rate securities, are no longer being originated

Current State of the Financial Guaranty Insurance Industry

- Two AFGI members remain very strong financially and continue to write new business but share common ownership since the financial crisis: Assured Guaranty Municipal Corp. (formerly Financial Security Assurance Inc.) and Assured Guaranty Corp.
- One AFGI member is very strong financially but is currently constrained from achieving high ratings or writing new business due to ongoing litigation with certain US and foreign banks: National Public Finance Guaranty Corp.
- As a result of losses incurred in connection with the financial crisis, two AFGI members are in full or partial rehabilitation and are currently not paying claims in whole or in part: FGIC and the Ambac segregated account
- All AFGI members other than FGIC and the Ambac segregated account are paying claims in full when due
- A new industry participant, sponsored by the National League of Cities, has been capitalized and recently announced commencement of operations: Build America Mutual Assurance Corp.
- Other new market participants are in various stages of development

Current and Planned New Origination Activity

- Since the financial crisis, financial guaranty insurers have ceased insuring credit default swaps, and the insurance of infrastructure and ABS has been immaterial

- New business originations for the industry are expected to consist largely of the insurance of U.S. municipal bonds

  - Financial guaranty insurers serve a substantial public purpose in reducing borrowing costs and providing improved market access for municipal issuers

  - Financial guaranty insurance can play a valuable role in maintaining stability in the municipal market as municipal issuers face mounting financial stress

- Financial guaranty insurers may yet play a role in restoring the markets for infrastructure and ABS

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ASSOCIATION OF FINANCIAL GUARANTY INSURERS

Unconditional, Irrevocable Guaranty

Contact

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Assured Guaranty, Executive Officer
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Overview:
Assured Guaranty

August 21, 2012

ASSURED GUARANTY®

Assured Guaranty Today

Assured Guaranty Ltd.

As of June 30, 2012
($ in billions)

GAAP	
Total investment portfolio	$11.3
Net unearned premium reserve[1]	$5.0
Shareholders' equity	$4.7

Claims-paying resources	$13.0
Net par outstanding	$534.0

- **Assured Guaranty is the only long-standing financial guaranty insurer actively writing new business today**
  - Other industry members plan to resume business or enter the market in the near future
- **Assured Guaranty serves 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
  - AGM and AGC are each rated "AA-/stable" by S&P and "Aa3/on review for possible downgrade" by Moody's
- **Assured also includes the largest financial guaranty reinsurer, Assured Guaranty Re Ltd. ("AG Re"), domiciled in Bermuda**

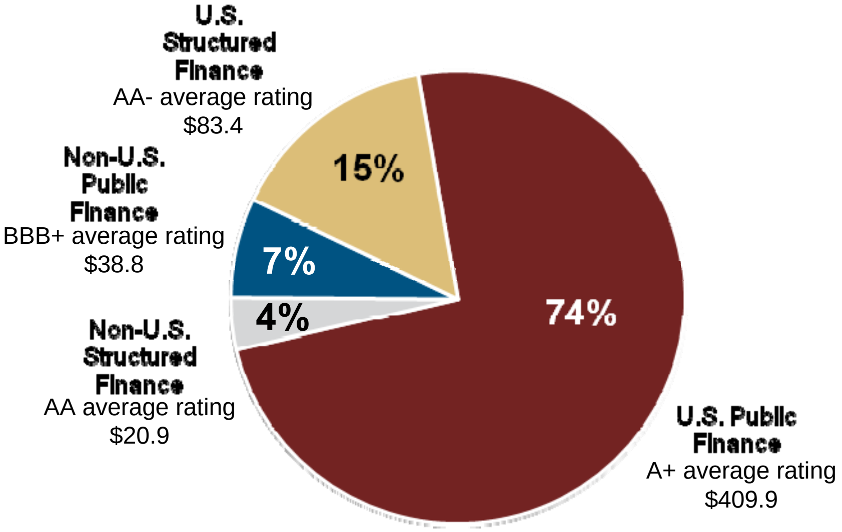
1. Unearned premium reserve net of ceded unearned premium reserve.

Assured Guaranty's 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, and in 2Q-12, we made payments on only three
- **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 AGM nor AGC underwrote collateralized debt obligations ("CDOs") backed by RMBS, protecting us from losses on the scale experienced by our former competitors

Assured Guaranty Consolidated Net Par Outstanding[1]

As of June 30, 2012
($ in billions)



$552.9 billion, A+ average rating

1. Net par outstanding is presented on a GAAP basis.

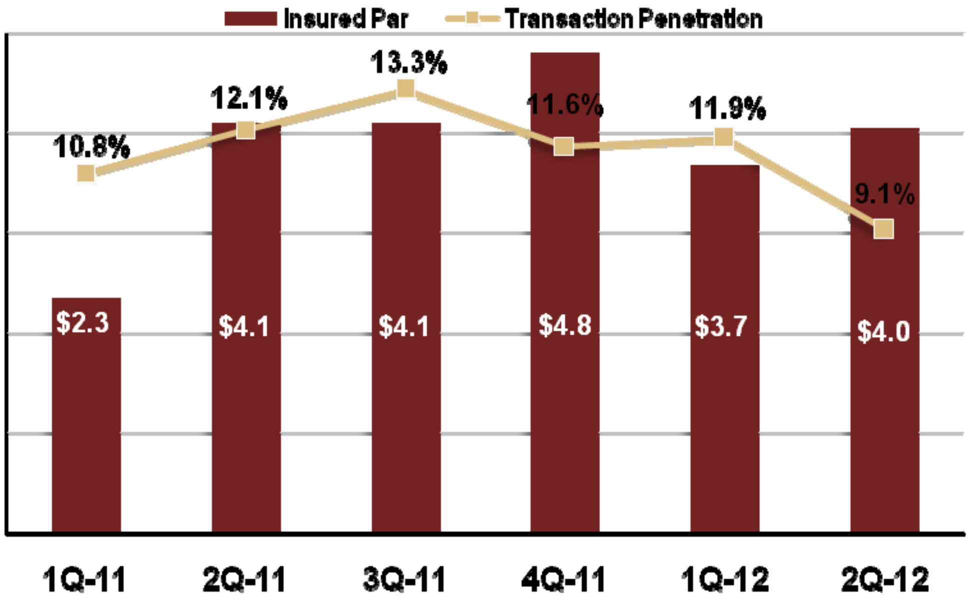
Assured Guaranty's New Business Production

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 79 in 2Q-12
- **The low interest rate environment and ratings uncertainty has put some pressure on our market penetration**
  - Par penetration for all transactions with underlying A ratings decreased to 10.3% in 2Q-12, down from 19.8% in 2Q-11
  - Accounted for 29.0% of A rated transactions in 2Q-12, down from 39.9% in 2Q-11
- **Our penetration for smaller deals remains strong at 9.9% of all transactions under $25 million**

U.S. New Issue Public Finance Par and Transaction Penetration[1]

($ in billions)



	1Q-11	2Q-11	3Q-11	4Q-11	1Q-12	2Q-12
Total Par Issued	$46.7	$68.1	$72.5	$98.7	$78.2	$113.3
Total Transactions Issued	1,860	2,796	2,553	2,967	2,953	3,827

1. Source: SDC database, adjusted for underlying rating. As of June 30, 2012.

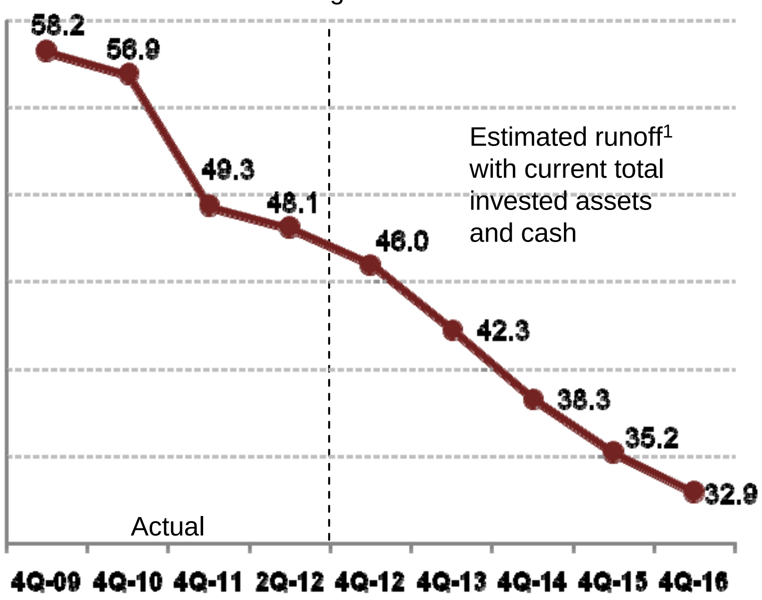
Assured Guaranty's Deleveraging

Deleveraging Without Reducing Total Invested Assets

- **Assured Guaranty's net par outstanding to total invested assets and cash has declined from 58:1 in 4Q-2009 to 48:1 as of 2Q-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**

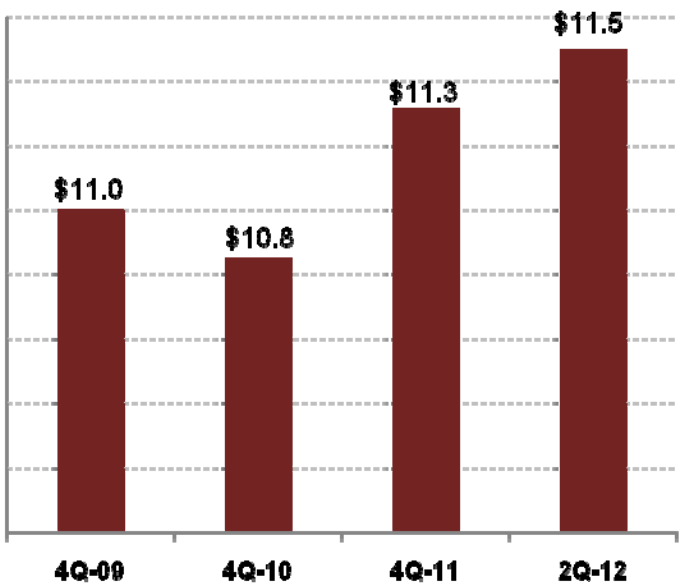
Portfolio Leverage

Net Par Outstanding / Total Invested Assets + Cash



Total Invested Assets and Cash

($ in billions)



1. Assumes no new business production

Assured Guaranty's Four Discrete Operating Companies With Separate Capital Bases

ASSURED GUARANTY®

Consolidated Claims-Paying Resources and Statutory-Basis Exposures

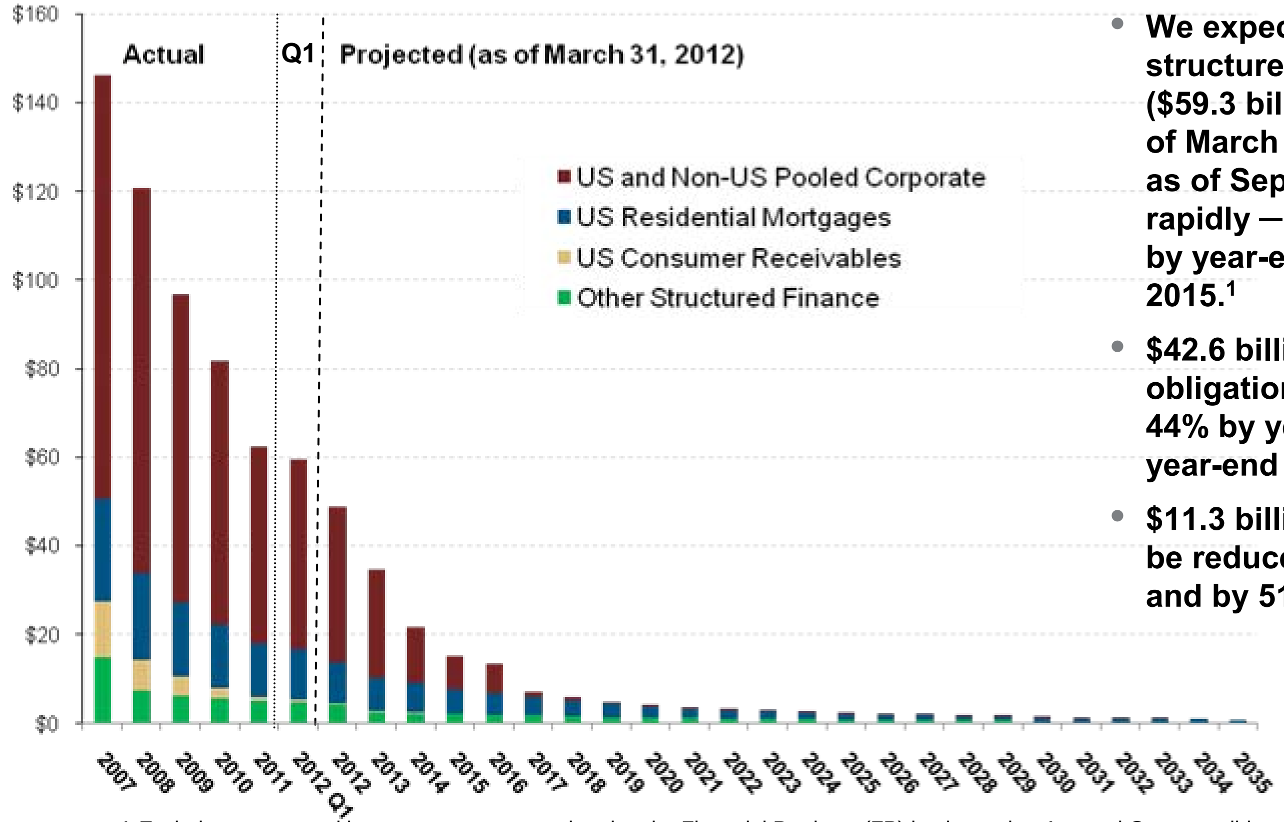
($ in millions)	Assured Guaranty Municipal Corp.	Assured Guaranty Corp.	Assured Guaranty Re Ltd.[1]	Municipal and Infrastructure Assurance Corp.[2]	Eliminations[3]	Consolidated
	As of June 30, 2012					
Claims-paying resources						
Policyholders' surplus	$ 1,034	$ 947	$ 1,112	$ 76	$ (300)	$ 2,869
Contingency reserve	2,135	766	-	-	-	2,901
Qualified statutory capital	**3,169**	**1,713**	**1,112**	**76**	**(300)**	**5,770**
Unearned premium reserve	2,205	804	1,019	-	-	4,028
Loss and loss adjustment expense reserves[4, 5]	333	353	345	-	-	1,031
Total policyholders' surplus and reserves	**5,707**	**2,870**	**2,476**	**76**	**(300)**	**10,829**
Present value of installment premium[5]	487	375	229	-	-	1,091
Standby line of credit/stop loss	200	200	200	-	-	600
Excess of loss reinsurance facility	435	435	-	-	(435)	435
Total claims-paying resources	**$ 6,829**	**$ 3,880**	**$ 2,905**	**$ 76**	**$ (735)**	**$ 12,955**
Net par outstanding[6]	$ 306,981	$ 100,607	$ 127,962	$ -	$ (1,543)	$ 534,007
Net debt service outstanding[6]	$ 464,022	$ 147,993	$ 206,225	$ -	$ (3,645)	$ 814,595
Ratios:						
Net par outstanding to qualified statutory capital	97:1	59:1	115:1	N/A		94:1
Capital ratio[7]	146:1	86:1	185:1	N/A		143:1
Financial resources ratio[8]	68:1	38:1	71:1	N/A		63:1

1. AG Re numbers are the Company's estimate of U.S. statutory accounting practices prescribed or permitted by insurance regulatory authorities.
2. Assured Guaranty US Holdings Inc. acquired Municipal and Infrastructure Assurance Corporation ("MIAC") insurance company from Radian Asset Assurance Inc. on May 31, 2012. As of June 30, 2012, MIAC has not written any business.
3. 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 under which an Assured Guaranty insurance subsidiary guarantees an obligation already insured by another Assured Guaranty insurance subsidiary.
4. Reserves are reduced by approximately $1.4 billion for benefit related to representation and warranty recoverables.
5. Includes financial guaranty insurance and credit derivatives.
6. 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).
7. The capital ratio is calculated by dividing net debt service outstanding by qualified statutory capital.
8. The financial resources ratio is calculated by dividing net debt service outstanding by total claims-paying resources.

Assured Guaranty Municipal Corp.'s Legacy Structured Finance Exposure Runs Off Rapidly

AGM Structured Finance Gross Par Outstanding[1]

($ in Billions)

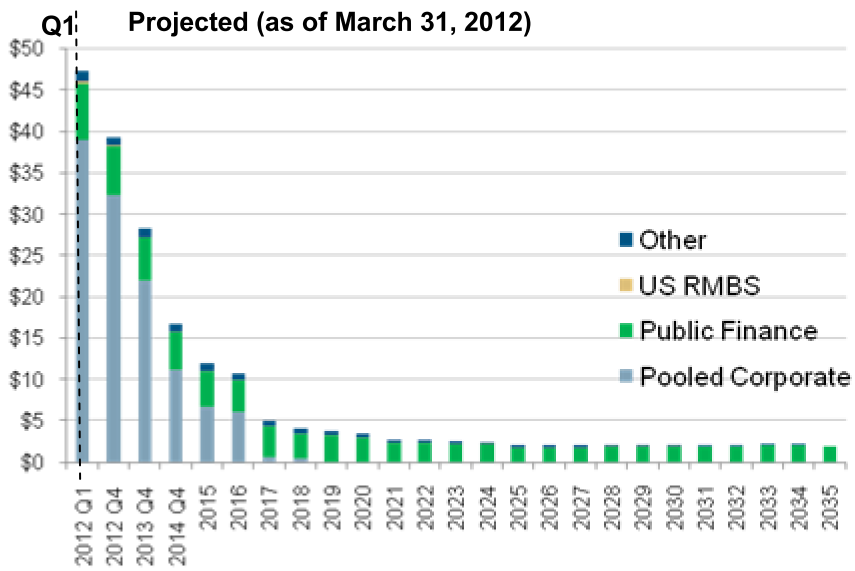


- **We expect AGM's legacy global structured finance insured portfolio ($59.3 billion gross par outstanding as of March 31, 2012 versus $127.1 billion as of September 30, 2008) to run off rapidly — 18% by year-end 2012, 42% by year-end 2013, and 74% by year-end 2015.[1]**
- **$42.6 billion in global pooled corporate obligations expected to be reduced by 44% by year-end 2013 and by 82% by year-end 2015**
- **$11.3 billion in U.S. RMBS expected to be reduced by 31% by year-end 2013 and by 51% by year-end 2015**

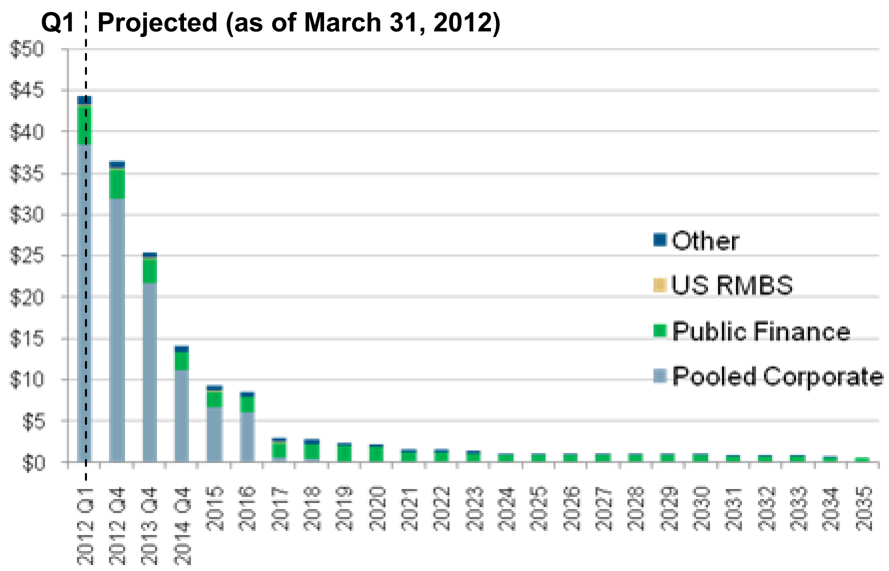
1. Excludes guaranteed investment contracts related to the Financial Products (FP) business that Assured Guaranty did not acquire when it acquired AGM in 2009 from Dexia. As of March 31, 2012, the aggregate accreted balance of the guaranteed investment contracts (GICs) was approximately $4.3 billion. 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.

Assured Guaranty Municipal Corp.'s CDS and MTM Exposures Run Off Rapidly

AGM Gross Par Outstanding of CDS[1]
($ in Billions)



AGM Gross Par Outstanding of Transactions That Are Marked to Market (MTM)[2]
($ in Billions)

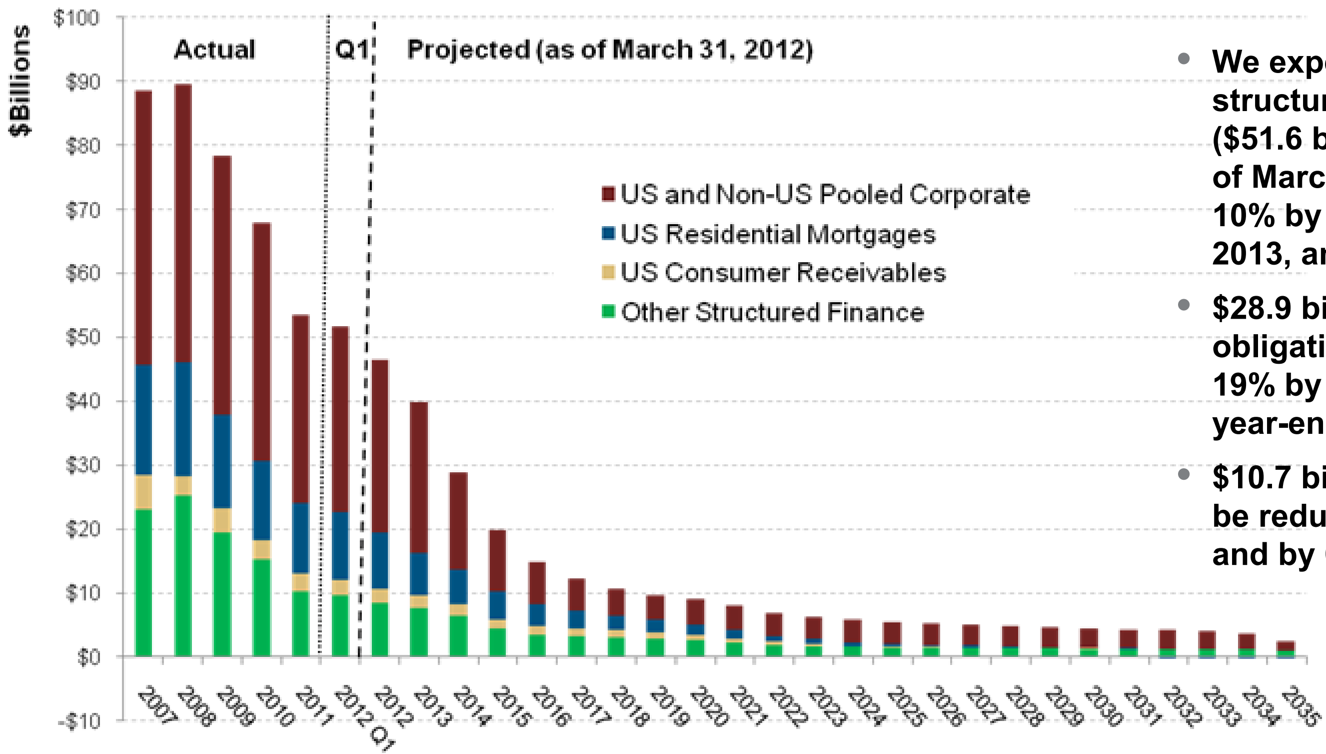


1. Includes all CDS whether marked to market or not marked.
2. Includes all insured transactions that are marked to market whether executed in CDS or financial guaranty form.

Assured Guaranty Corp.'s Structured Finance Exposure Runs Off Rapidly

AGC Structured Finance Gross Par Outstanding

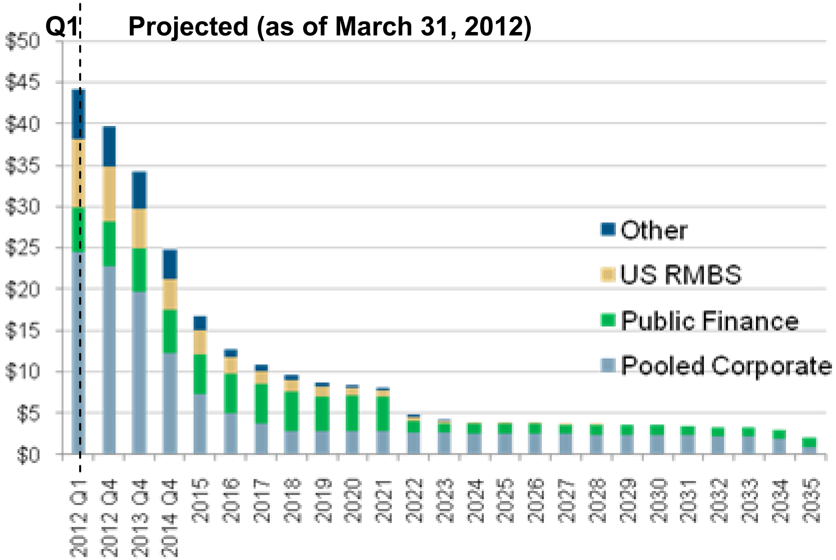
($ in Billions)



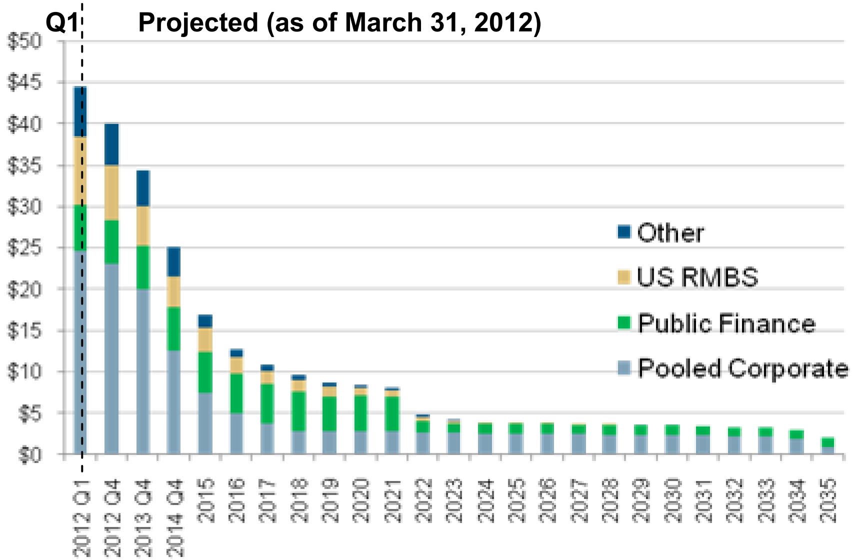
- We expect AGC's legacy global structured finance insured portfolio ($51.6 billion gross par outstanding as of March 31, 2012) to run off rapidly — 10% by year-end 2012, 23% by year-end 2013, and 61% by year-end 2015.
- $28.9 billion in global pooled corporate obligations expected to be reduced by 19% by year-end 2013 and by 66% by year-end 2015
- $10.7 billion in U.S. RMBS expected to be reduced by 37% by year-end 2013 and by 60% by year-end 2015

Assured Guaranty Corp.'s CDS and MTM Exposures Run Off Rapidly

AGC Gross Par Outstanding of CDS[1]
($ in Billions)



AGC Gross Par Outstanding of Transactions That Are Marked to Market (MTM)[2]
($ in Billions)



1. Includes all CDS whether marked to market or not marked.
2. Includes all insured transactions that are marked to market whether executed in CDS or financial guaranty form.

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, including from new entrants into the financial guaranty industry; (12) changes in applicable accounting policies or practices; (13) changes in applicable laws or regulations, including insurance and tax laws; (14) other governmental actions; (15) difficulties with the execution of Assured Guaranty’s business strategy; (16) contract cancellations; (17) 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”).

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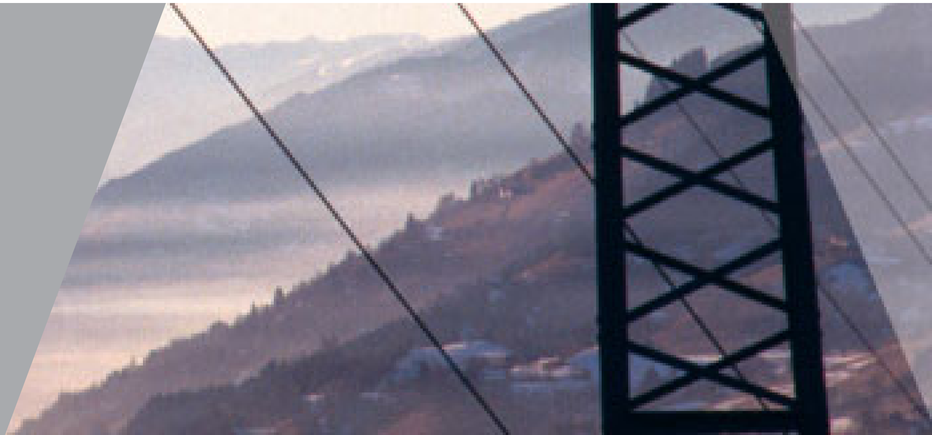
August 21, 2012



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ASSOCIATION OF FINANCIAL GUARANTY INSURERS

Unconditional, Irrevocable Guaranty

Application to Financial Guaranty Insurers of Basel III Implementation / Regulatory Capital Reforms and Dodd-Frank Act / Enhanced Prudential Standards

August 21, 2012

Basel III Implementation / Regulatory Capital Reforms

- The Federal Reserve proposed regulatory capital reforms to implement Basel III, which provide a definition for “eligible guarantor” that is significantly broader than the Basel III definition
  - The “eligible guarantor” definition continues to exclude insurance companies “engaged predominantly in the business of providing credit protection (such as a monoline bond insurer or re-insurer)”
- Under Basel III, while monolines are excluded from the “eligible guarantor” definition, they are given credit as risk mitigators through credit rating enhancement
  - The Federal Reserve rule also excludes monolines from the “eligible guarantor” definition but strikes out the credit rating enhancement, effectively assigning no value where value clearly exists
- Eliminating all capital credit for FG insurers is inappropriate and will impact the insurance and banking industries. Moreover, the approach taken by the Federal Reserve does not discriminate between FG insurers on the basis of the claims-paying ability of the FG insurer

Basel III Implementation / Regulatory Capital Reforms

- The Federal Reserve should consider existing insurance capital standards, which provide appropriate and suitable standards for insurance company risks
  - Correlation of exposure
    - While FG insurers, like many financial institutions, were correlated to residential mortgage loan risk, this correlation no longer applies
    - A re-examination of correlation is warranted
  - Activities of FG insurers during the crisis
    - FG insurers have discontinued some of their business lines as a result of the financial crisis. Particularly, since 2009, FG insurers have ceased insuring credit default swaps, other than in connection with remediation activities
  - Levels of capital and capital supervision over FG insurers
    - FG insurers are sufficiently regulated at the State and international level and are subject to more conservative underwriting guidelines and rating agency criteria that take into account the financial crisis experience

- Continued -

Dodd-Frank Act / Enhanced Prudential Standards

- In January 2012, the Federal Reserve proposed enhanced prudential standards for systemically important financial institutions (SIFIs)

- The proposed rule requires that covered companies buying eligible protection shift the face amount of the exposure from the reference name to the eligible protection provider

- The single counterparty credit limits in the proposed rule provide for aggregating qualifying guarantees as if they represented the full notional amount of the guaranteed obligation

Dodd-Frank Act / Enhanced Prudential Standards

- The requirements of the proposed rule overstate the exposure covered companies have to eligible protection providers by ignoring the reduced likelihood that the covered company will experience a loss because both the counterparty and the protection provider would need to fail

- The likely consequences of this shifting requirement are a significant reduction in the availability of protection products, higher costs, and the perverse effect of transforming a risk mitigant into a risk exaggeration

- This requirement should be eliminated, and the final rules should permit a SIFI to make its own good faith determination, subject to written policies and procedures on whether to shift an exposure from an underlying obligor to an eligible credit protection provider when the covered company purchases credit protection

- Continued -

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