

A photograph of a construction worker in silhouette, wearing a hard hat and safety harness, walking across a steel beam of a bridge under construction. The background shows the complex steel truss structure of the bridge against a clear sky.

Financial Supplement

Assured Guaranty Corp.

March 31, 2017



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This financial supplement should be read in conjunction with documents filed by Assured Guaranty Ltd. ("AGL" and, together with its subsidiaries, "Assured Guaranty") with the Securities and Exchange Commission ("SEC"), including its Annual Report on Form 10-K for the year ended December 31, 2016 and its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017. For the purposes of this financial supplement, all references to the "Company" shall mean AGC and its consolidated entities.

Some amounts in this financial supplement may not add due to rounding. Please note that the Company changed its definition of operating income (non-GAAP), operating ROE (non-GAAP), non-GAAP operating shareholders' equity and non-GAAP adjusted book value starting in fourth quarter 2016 in response to the SEC's May 17, 2016 release of new and updated Compliance and Disclosure Interpretations of the rules and regulations on the use of non-GAAP financial measures. These measures for prior periods have been updated to reflect the revised calculation consistently. Please refer to "Non-GAAP Financial Measures" for additional details.

Cautionary Statement Regarding Forward Looking Statements:

Any forward looking statements made in this supplement 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) reduction in the amount of available insurance opportunities and/or in the demand for Assured Guaranty's insurance; (2) rating agency action, including a ratings downgrade, a change in outlook, the placement of ratings on watch for downgrade, or a change in rating criteria, at any time, of AGL or any of its subsidiaries, and/or of any securities AGL or any of its subsidiaries have issued, and/or of transactions that AGL's subsidiaries have insured; (3) developments in the world's financial and capital markets that adversely affect obligors' payment rates, Assured Guaranty's loss experience, or its exposure to refinancing risk in transactions (which could result in substantial liquidity claims on its guarantees); (4) the possibility that budget or pension shortfalls or other factors will result in credit losses or impairments on obligations of state, territorial and local governments and their related authorities and public corporations that Assured Guaranty insures or reinsures; (5) the failure of Assured Guaranty to realize loss recoveries that are assumed in its expected loss estimates; (6) increased competition, including from new entrants into the financial guaranty industry; (7) rating agency action on obligors, including sovereign debtors, resulting in a reduction in the value of securities in Assured Guaranty's investment portfolio and in collateral posted by and to Assured Guaranty; (8) the inability of Assured Guaranty to access external sources of capital on acceptable terms; (9) changes in the world's credit markets, segments thereof, interest rates or general economic conditions; (10) the impact of market volatility on the mark-to-market of Assured Guaranty's contracts written in credit default swap form; (11) changes in applicable accounting policies or practices; (12) changes in applicable laws or regulations, including insurance, bankruptcy and tax laws, or other governmental actions; (13) the impact of changes in the world's economy and credit and currency markets and in applicable laws or regulations relating to the decision of the United Kingdom to exit the European Union; (14) the possibility that acquisitions or alternative investments made by Assured Guaranty do not result in the benefits anticipated or subject Assured Guaranty to unanticipated consequences; (15) 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; (16) difficulties with the execution of Assured Guaranty's business strategy; (17) loss of key personnel; (18) the effects of mergers, acquisitions and divestitures; (19) natural or man-made catastrophes; (20) other risk factors identified in AGL's filings with the SEC; (21) other risks and uncertainties that have not been identified at this time; and (22) management's response to these factors. 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. Assured Guaranty 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.

Assured Guaranty Corp.
Selected Financial Highlights (1 of 2)
(dollars in millions)

	Three Months Ended	
	March 31,	
	2017	2016
Net income (loss)	\$ 124	\$ (5)
Operating income (non-GAAP) ⁽¹⁾	89	35
Gain (loss) related to the effect of consolidating FG VIEs (FG VIE consolidation) (net of tax provision of \$0 and \$1) included in operating income	1	1
Effective tax rate on net income	19.0%	45.6 %
Effective tax rate on operating income (non-GAAP) ⁽²⁾	9.2 %	27.6 %
Effect of FG VIE consolidation included in effective tax rate on operating income	0.4 %	0.4 %
Return on equity (ROE) calculations ⁽³⁾:		
GAAP ROE	20.3%	(0.9)%
Operating ROE (non-GAAP) ⁽¹⁾	14.8 %	7.2 %
Effect of FG VIE consolidation on operating ROE	0.2 %	0.3 %
New business:		
Gross written premiums (GWP)	\$ (1)	\$ (4)
Present value of new business production (PVP) ⁽¹⁾	0	—
Gross par written	—	—
	As of:	
	March 31, 2017	December 31, 2016
Shareholder's equity	\$ 2,505	\$ 2,404
Non-GAAP operating shareholder's equity ⁽¹⁾	2,450	2,363
Non-GAAP adjusted book value ⁽¹⁾	3,203	2,948
Gain (loss) related to FG VIE consolidation included in non-GAAP operating shareholders' equity	(7)	(8)
Gain (loss) related to FG VIE consolidation included in non-GAAP adjusted book value	(9)	(9)
Other Information		
Net debt service outstanding	\$ 71,798	\$ 54,529
Net par outstanding	46,073	37,533
Claims-paying resources (including MAC) ⁽⁴⁾	4,424	4,015

- 1) Please refer to the explanation of Non-GAAP Financial Measures set forth at the end of this Financial Supplement. The prior-year's quarterly non-GAAP financial measures (operating income and operating ROE) have been updated to reflect the revised calculation as discussed in the explanation of Non-GAAP Financial Measures at the end of this Financial Supplement.
- 2) Represents the ratio of non-GAAP operating provision for income taxes to operating income before income taxes.
- 3) Quarterly ROE calculations represent annualized returns. See page 6 for additional information on calculation.
- 4) See page 8 for additional detail on claims-paying resources.

Assured Guaranty Corp.
Selected Financial Highlights (2 of 2)
(dollars in millions)

	Three Months Ended	
	March 31,	
	2017	2016
Effect of refundings and terminations on GAAP measures:		
Net earned premiums, pre-tax	\$ 25	\$ 19
Net change in fair value of credit derivatives, pre-tax	8	11
Net income effect	25	31
Effect of refundings and terminations on non-GAAP measures:		
Operating net earned premiums and credit derivative revenues ⁽¹⁾ , pre-tax	25	19
Operating income ⁽¹⁾ effect (non-GAAP)	20	24
Gain (loss) related to FG VIE consolidation included in the effect of refundings and terminations above for the following measures:		
Net earned premiums, pre-tax	—	—
Net income and operating income, after-tax	—	—

- 1) Consolidated statement of operations items mentioned in this Financial Supplement that are described as operating (i.e. operating net earned premiums) are non-GAAP measures and represent components of operating income. Please refer to the explanation of Non-GAAP Financial Measures set forth at the end of this Financial Supplement. The prior-year non-GAAP financial measures have been updated to reflect the revised calculation as discussed in the explanation of Non-GAAP Financial Measures at the end of this Financial Supplement.

Assured Guaranty Corp.
Consolidated Balance Sheets (unaudited)
(dollars in millions)

	As of:	
	March 31, 2017	December 31, 2016
Assets:		
Investment portfolio:		
Fixed-maturity securities, available-for-sale, at fair value	\$ 2,965	\$ 2,797
Short-term investments, at fair value	250	99
Other invested assets	89	91
Equity method investments in affiliates	309	306
Total investment portfolio	3,613	3,293
Cash	90	68
Premiums receivable, net of commissions payable	470	213
Ceded unearned premium reserve	292	310
Reinsurance recoverable on unpaid losses	203	291
Salvage and subrogation recoverable	125	125
Credit derivative assets	44	58
Deferred tax asset, net	353	422
Financial guaranty variable interest entities (FG VIE) assets, at fair value	136	232
Other assets	147	215
Total assets	\$ 5,473	\$ 5,227
Liabilities and shareholders' equity:		
Liabilities:		
Unearned premium reserve	\$ 1,494	\$ 1,202
Loss and loss adjustment expense reserve	457	479
Reinsurance balances payable, net	79	83
Notes payable to affiliates	300	300
Credit derivative liabilities	269	306
Current income tax payable	45	11
FG VIE liabilities with recourse, at fair value	146	205
FG VIE liabilities without recourse, at fair value	3	41
Other liabilities	175	196
Total liabilities	2,968	2,823
Shareholders' equity:		
Preferred stock	—	—
Common stock	15	15
Additional paid-in capital	1,041	1,041
Retained earnings	1,367	1,283
Accumulated other comprehensive income	82	65
Total shareholders' equity	2,505	2,404
Total liabilities and shareholders' equity	\$ 5,473	\$ 5,227

Assured Guaranty Corp.
Consolidated Statements of Operations (unaudited)
(dollars in millions)

	Three Months Ended	
	March 31,	
	2017	2016
Revenues:		
Net earned premiums	\$ 65	\$ 47
Net investment income	48	19
Net realized investment gains (losses)	40	(4)
Net change in fair value of credit derivatives:		
Realized gains (losses) and other settlements	1	4
Net unrealized gains (losses)	26	(57)
Net change in fair value of credit derivatives	27	(53)
Fair value gains (losses) on committed capital securities (CCS)	(1)	(9)
Fair value gains (losses) on FG VIEs	2	5
Bargain purchase gain and settlement of pre-existing relationships, net	58	—
Other income (loss)	9	20
Total revenues	248	25
Expenses:		
Loss and loss adjustment expenses (LAE)	78	29
Amortization of deferred ceding commissions	(1)	0
Interest expense	3	3
Other operating expenses	25	18
Total expenses	105	50
Income (loss) before income taxes and equity in net earnings of investee	143	(25)
Provision (benefit) for income taxes	27	(11)
Equity in net earnings of investee	8	9
Net income (loss)	\$ 124	\$ (5)

Assured Guaranty Corp.
Operating Income Adjustments and Effect of FG VIE Consolidation
(dollars in millions)

	Three Months Ended March 31, 2017		Three Months Ended March 31, 2016	
	Operating Income Adjustments⁽¹⁾	Effect of FG VIE Consolidation⁽²⁾	Operating Income Adjustments⁽¹⁾	Effect of FG VIE Consolidation⁽²⁾
Adjustments to revenues:				
Net earned premiums	\$ —	\$ (1)	\$ —	\$ 0
Net investment income	—	0	—	(4)
Net realized investment gains (losses)	40	—	(4)	—
Net change in fair value of credit derivatives	20	—	(43)	—
Fair value gains (losses) on CCS	(1)	—	(9)	—
Fair value gains (losses) on FG VIEs	—	2	—	5
Other income (loss)	4	—	1	—
Total revenue adjustments	63	1	(55)	1
Adjustments to expenses:				
Loss expense	9	0	5	(1)
Other operating expenses	—	—	1	—
Total expense adjustments	9	0	6	(1)
Pre-tax adjustments	54	1	(61)	2
Tax effect of adjustments	19	0	(21)	1
Equity in net earnings of subsidiaries	0	—	0	—
After-tax adjustments	\$ 35	\$ 1	\$ (40)	\$ 1

- 1) The "Operating Income Adjustments" column represents the amounts recorded in the consolidated statements of operations that the Company removes to arrive at operating income. Please refer to the explanation of Non-GAAP Financial Measures set forth at the end of this Financial Supplement.
- 2) The "Effect of FG VIE Consolidation" column represents the amounts included in the consolidated statements of operations and non-GAAP operating income that the Company removes to arrive at the core financial measures that management uses in certain of its compensation calculations and its decision making process. Please refer to the explanation of Non-GAAP Financial Measures set forth at the end of this Financial Supplement.

Assured Guaranty Corp.
Selected Financial Highlights
GAAP to Non-GAAP Reconciliations (1 of 2)
(dollars in millions)

Operating Income (non-GAAP) Reconciliation

	Three Months Ended March 31,	
	2017	2016
Net income (loss)	\$ 124	\$ (5)
Less pre-tax adjustments:		
Realized gains (losses) on investments	40	(4)
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	11	(48)
Fair value gains (losses) on CCS	(1)	(9)
Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves	4	0
Total pre-tax adjustments	\$ 54	\$ (61)
Less tax effect on pre-tax adjustments	(19)	21
Operating income (non-GAAP)	\$ 89	\$ 35
Gain (loss) related to FG VIE consolidation (net of tax provision of \$0 and \$1) included in operating income	\$ 1	\$ 1

ROE Reconciliation and Calculation

	As of			
	March 31, 2017	December 31, 2016	March 31, 2016	December 31, 2015
Shareholder's equity	\$ 2,505	\$ 2,404	\$ 1,910	\$ 1,898
Non-GAAP operating shareholder's equity	2,450	2,363	1,942	1,913
Gain (loss) related to FG VIE consolidation included in non-GAAP operating shareholders' equity	(7)	(8)	(12)	(13)
	Three Months Ended March 31,			
	2017	2016		
Net income (loss)	\$ 124	\$ (5)		
Operating income (non-GAAP)	89	35		
Gain (loss) related to FG VIE consolidation included in operating income	1	1		
Average shareholder's equity	\$ 2,455	\$ 1,904		
Average non-GAAP operating shareholder's equity	2,407	1,928		
Gain (loss) related to FG VIE consolidation included in average non-GAAP operating shareholder's equity	(8)	(13)		
GAAP ROE ⁽¹⁾	20.3%	(0.9)%		
Operating ROE (non-GAAP) ⁽¹⁾	14.8	7.2		
Effect of FG VIE consolidation included in operating ROE	0.2	0.3		

1) Quarterly ROE calculations represent annualized returns.

Please refer to the explanation of Non-GAAP Financial Measures set forth at the end of this Financial Supplement. The prior-year non-GAAP financial measures have been updated to reflect the revised calculation as discussed in the explanation of Non-GAAP Financial Measures at the end of this Financial Supplement.

Assured Guaranty Corp.
Selected Financial Highlights
GAAP to Non-GAAP Reconciliations (2 of 2)
(dollars in millions)

	As of			
	March 31, 2017	December 31, 2016	March 31, 2016	December 31, 2015
Reconciliation of shareholder's equity to non-GAAP adjusted book value:				
Shareholder's equity	\$ 2,505	\$ 2,404	\$ 1,910	\$ 1,898
Less pre-tax reconciling items:				
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(116)	(127)	(200)	(153)
Fair value gains (losses) on CCS	31	32	24	34
Unrealized gain (loss) on investment portfolio	165	153	118	89
Less taxes	(25)	(17)	26	15
Non-GAAP operating shareholders' equity	2,450	2,363	1,942	1,913
Pre-tax reconciling items:				
Less: Deferred acquisition costs	(8)	(8)	(13)	(14)
Plus: Net present value of estimated net future credit derivative revenue	105	114	92	120
Plus: Net unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed	1,046	777	832	903
Plus taxes	(406)	(314)	(328)	(363)
Non-GAAP adjusted book value	<u>\$ 3,203</u>	<u>\$ 2,948</u>	<u>\$ 2,551</u>	<u>\$ 2,587</u>
Gain (loss) related to FG VIE consolidation included in non-GAAP operating shareholder's equity (net of tax benefit (provision) of \$4, \$4, \$6 and \$7)	\$ (7)	\$ (8)	\$ (12)	\$ (13)
Gain (loss) related to FG VIE consolidation included in non-GAAP adjusted book value (net of tax benefit of \$5, \$5, \$9 and \$10)	\$ (9)	\$ (9)	\$ (17)	\$ (18)

Please refer to the explanation of Non-GAAP Financial Measures set forth at the end of this Financial Supplement. The prior-year non-GAAP financial measures have been updated to reflect the revised calculation as discussed in the explanation of Non-GAAP Financial Measures at the end of this Financial Supplement.

Assured Guaranty Corp.
Claims-Paying Resources
(dollars in millions)

As of:

	March 31, 2017	December 31, 2016
Claims-paying resources		
Policyholders' surplus	\$ 1,873	\$ 1,896
Contingency reserve	776	772
Qualified statutory capital	2,649	2,668
Unearned premium reserve ⁽¹⁾	847	491
Loss and LAE reserves ⁽¹⁾	223	140
Total policyholders' surplus and reserves	3,719	3,299
Present value of installment premium	145	156
CCS	200	200
Excess of loss reinsurance facility ⁽²⁾	360	360
Total claims-paying resources (including proportionate MAC ownership for AGC)	4,424	4,015
Adjustment for MAC ⁽³⁾	418	425
Total claims-paying resources (excluding proportionate MAC ownership for AGC)	\$ 4,006	\$ 3,590
Statutory net par outstanding ⁽⁴⁾	\$ 42,936	\$ 34,479
Equity method adjustment ⁽³⁾	15,236	16,486
Adjusted statutory net par outstanding ⁽¹⁾	\$ 58,172	\$ 50,965
Net debt service outstanding ⁽⁴⁾	\$ 68,450	\$ 51,233
Equity method adjustment ⁽³⁾	22,461	24,299
Adjusted net debt service outstanding ⁽¹⁾	\$ 90,911	\$ 75,532
Ratios:		
Adjusted net par outstanding to qualified statutory capital	22:1	19:1
Capital ratio ⁽⁵⁾	34:1	28:1
Financial resources ratio ⁽⁶⁾	21:1	19:1

- 1) The numbers shown for AGC have been adjusted to include (i) its 100% share of its U.K. insurance subsidiary and (ii) its indirect share of Municipal Assurance Corp. (MAC). AGM and AGC own 60.7% and 39.3%, respectively, of the outstanding stock of Municipal Assurance Holdings Inc., which owns 100% of the outstanding common stock of MAC. Amounts include financial guaranty insurance and credit derivatives.
- 2) Represents an aggregate \$360 million excess-of-loss reinsurance facility for the benefit of AGC, AGM and MAC, which became effective January 1, 2016. The facility terminates on January 1, 2018, unless AGC, AGM and MAC choose to extend it.
- 3) Represents adjustment for AGC's interest and indirect ownership of MAC.
- 4) Net par outstanding and net debt service outstanding are presented on a statutory basis.
- 5) The capital ratio is calculated by dividing adjusted net debt service outstanding by qualified statutory capital.
- 6) The financial resources ratio is calculated by dividing adjusted net debt service outstanding by total claims-paying resources (including MAC adjustment for AGC).

Assured Guaranty Corp.

New Business Production

(dollars in millions)

Reconciliation of GWP to PVP for the Three Months Ended March 31, 2017 and March 31, 2016

	Three Months Ended March 31, 2017					Three Months Ended March 31, 2016				
	Public Finance		Structured Finance		Total	Public Finance		Structured Finance		Total
	U.S.	Non-U.S.	U.S.	Non-U.S.		U.S.	Non-U.S.	U.S.	Non-U.S.	
Total GWP	\$ (1)	\$ 1	\$ 0	\$ (1)	\$ (1)	\$ (1)	\$ 0	\$ (3)	\$ 0	\$ (4)
Less: Installment GWP and other GAAP adjustments ⁽¹⁾	(1)	1	0	(1)	(1)	(1)	0	(3)	0	(4)
Plus: Financial guaranty installment premium PVP	—	0	—	—	0	—	—	—	—	—
Plus: PVP of non-financial guaranty insurance	—	—	—	—	—	—	—	—	—	—
Total PVP	<u>\$ —</u>	<u>\$ 0</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 0</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Gross par written	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

- 1) Includes present value of new business on installment policies discounted at the prescribed GAAP discount rates, gross written premium adjustments on existing installment policies due to changes in assumptions, any cancellations of assumed reinsurance contracts, and other GAAP adjustments.

Please refer to the explanation of Non-GAAP Financial Measures set forth at the end of this Financial Supplement.

Assured Guaranty Corp.

Gross Par Written
(dollars in millions)

Gross Par Written by Asset Type

	Three Months Ended March 31, 2017	
	Gross Par Written	Avg. Internal Rating
Sector		
U.S. public finance		
Total U.S. public finance	—	—
Non-U.S. public finance:		
Total non-U.S. public finance	—	—
Total public finance	—	—
U.S. structured finance:		
Total U.S. structured finance	—	—
Non-U.S. structured finance:		
Total non-U.S. structured finance	—	—
Total structured finance	—	—
Total gross par written	\$ —	—

Assured Guaranty Corp.
Available-for-Sale Investment Portfolio and Cash
As of March 31, 2017
(dollars in millions)

	Amortized Cost	Pre-Tax Book Yield	After-Tax Book Yield	Fair Value	Annualized Investment Income ⁽¹⁾
Investment portfolio, available-for-sale:					
Fixed-maturity securities:					
Obligations of states and political subdivisions ⁽³⁾	\$ 1,588	3.61 %	3.25 %	\$ 1,628	\$ 57
Insured obligations of state and political subdivisions ⁽²⁾	33	4.75	3.55	34	2
U.S. Treasury securities and obligations of U.S. government agencies	71	2.16	1.40	73	1
Agency obligations	49	3.85	2.50	51	2
Corporate securities	475	1.64	1.06	486	8
Mortgage-backed securities (MBS):					
Residential MBS (RMBS) ⁽³⁾	89	3.79	2.46	85	3
Commercial MBS (CMBS)	77	2.60	1.69	76	2
Asset-backed securities ⁽³⁾	259	6.04	3.92	366	16
Foreign government securities	159	1.14	0.74	166	2
Total fixed-maturity securities	2,800	3.32	2.68	2,965	93
Short-term investments	248	0.55	0.36	250	1
Cash ⁽⁴⁾	90	—	—	90	—
Total	\$ 3,138	3.09%	2.49%	\$ 3,305	\$ 94

Ratings ⁽⁵⁾:	Fair Value	% of Portfolio
U.S. Treasury securities and obligations of U.S. government agencies	\$ 73	2.5 %
Agency obligations	51	1.7
AAA/Aaa	438	14.8
AA/Aa	1,503	50.7
A/A	425	14.3
BBB	66	2.2
Below investment grade (BIG) ⁽⁶⁾	366	12.3
Not rated	43	1.5
Total fixed-maturity securities, available-for-sale	\$ 2,965	100.0%

Duration of fixed-maturity securities and short-term investments (in years):

5.9

Average ratings of fixed-maturity securities and short-term investments

A+

- 1) Represents annualized investment income based on amortized cost and pre-tax book yields.
- 2) Reflects obligations of state and local political subdivisions that have been insured by other financial guarantors. The underlying ratings of these bonds, average A, after giving effect to the lower of the rating assigned by Standard & Poor's Financial Services LLC (S&P) or Moody's Investors Service, Inc. (Moody's).
- 3) Includes securities purchased or obtained for loss mitigation purposes.
- 4) Cash is not included in the yield calculation.
- 5) Ratings are represented by the lower of the Moody's and S&P classifications except for bonds purchased for loss mitigation (loss mitigation securities) or other risk management strategies which use internal ratings classifications.
- 6) Includes below investment grade securities that were purchased or obtained as part of loss mitigation or other risk management strategies of \$599 million in par with carrying value of \$362 million.

Assured Guaranty Corp.
Estimated Net Exposure Amortization⁽¹⁾ and Estimated Future Net Premium
and Credit Derivative Revenues
(dollars in millions)

	Estimated Net Debt Service Amortization ⁽¹⁾	Estimated Ending Net Debt Service Outstanding ⁽¹⁾	Financial Guaranty Insurance ⁽²⁾			Future Credit Derivative Revenues
			Expected PV Net Earned Premiums	Accretion of Discount	Effect of FG VIE Consolidation on Expected PV Net Earned Premiums and Accretion of Discount	
2017 (as of March 31)		\$ 71,798				
2017 Q2	\$ 1,349	70,449	\$ 37	\$ 2	\$ 0	\$ 3
2017 Q3	2,178	68,271	34	2	0	2
2017 Q4	1,271	67,000	33	2	(1)	2
2018	5,156	61,844	126	6	(1)	7
2019	4,951	56,893	109	6	(1)	7
2020	3,514	53,379	97	5	(1)	6
2021	3,844	49,535	88	5	(1)	7
2017-2021	22,263	49,535	524	28	(5)	34
2022-2026	14,725	34,810	333	18	(2)	26
2027-2031	11,954	22,856	199	9	(1)	22
2032-2036	10,508	12,348	108	4	(1)	19
After 2036	12,348	—	59	3	0	21
Total	\$ 71,798		\$ 1,223	\$ 62	\$ (9)	\$ 122

1) Represents the future expected amortization of current debt service outstanding (principal and interest), assuming no advance refundings, as of March 31, 2017. Actual amortization differs from expected maturities because borrowers may have the right to call or prepay guaranteed obligations, terminations and because of management's assumptions on structured finance amortization.

2) See page 13, "Net Expected Loss to be Expensed."

Assured Guaranty Corp.
Net Expected Loss to be Expensed
As of March 31, 2017
(dollars in millions)

	Net Expected Loss to be Expensed ⁽¹⁾
	<u>GAAP</u>
2017 Q2	\$ 6
2017 Q3	4
2017 Q4	4
2018	21
2019	20
2020	17
2021	19
2017-2021	91
2022-2026	100
2027-2031	60
2032-2036	28
After 2036	10
Total expected PV of net expected loss to be expensed⁽²⁾	289
Future accretion	102
Total expected future loss and LAE	\$ 391

1) The present value of net expected loss to be paid is discounted using risk-free rates ranging from 0.0% to 3.14% for U.S. dollar denominated obligations.

2) Excludes \$5 million related to FG VIEs, which are eliminated in consolidation.

Assured Guaranty Corp.
Financial Guaranty Profile (1 of 4)
(dollars in millions)

Net Par Outstanding and Average Rating by Asset Type

	March 31, 2017		December 31, 2016	
	Net Par Outstanding	Avg. Internal Rating	Net Par Outstanding	Avg. Internal Rating
U.S. public finance:				
General obligation	\$ 6,093	BBB+	\$ 6,546	BBB+
Tax backed	5,442	BBB	5,599	BBB
Transportation	3,062	A-	3,048	A-
Healthcare	2,943	A-	3,147	A-
Municipal utilities	2,384	BBB+	2,466	BBB+
Higher education	1,354	BBB+	1,404	BBB+
Infrastructure finance	1,319	A-	1,330	BBB+
Investor-owned utilities	306	A-	307	A-
Housing	101	BBB	152	BBB
Other public finance	584	A-	592	A-
Total U.S. public finance	23,588	BBB+	24,591	BBB+
Non-U.S. public finance:				
Infrastructure finance	7,411	BBB	1,365	BBB
Regulated utilities	6,355	A-	1,388	A-
Pooled infrastructure	633	AAA	702	AAA
Other public finance	1,240	A	303	A
Total non-U.S. public finance	15,639	BBB+	3,758	A-
Total public finance	39,227	BBB+	28,349	BBB+
U.S. structured finance:				
Pooled corporate obligations	2,071	AA-	4,305	AA+
RMBS	1,679	BBB+	1,774	BBB+
Consumer receivables	973	A-	979	A
Insurance securitization	736	A	736	A
Commercial receivables	96	BBB+	111	BBB
CMBS and other commercial real estate related exposures	—	—	37	A
Other structured finance	215	A	181	A
Total U.S. structured finance	5,770	A	8,123	AA-
Non-U.S. structured finance:				
RMBS	337	A-	229	AA-
Commercial receivables	241	A	267	A-
Pooled corporate obligations	229	A+	289	A+
Other structured finance	269	BBB+	276	BBB+
Total non-U.S. structured finance	1,076	A	1,061	A
Total structured finance	6,846	A	9,184	AA-
Total	\$ 46,073	A-	\$ 37,533	A-

Please refer to the Glossary for an explanation of the presentation of net par outstanding and the Company's internal rating approach, and of the various sectors.

Assured Guaranty Corp.
Financial Guaranty Profile (2 of 4)
As of March 31, 2017
(dollars in millions)

Distribution by Ratings of Financial Guaranty Portfolio

Ratings:	Public Finance - U.S.		Public Finance - Non-U.S.		Structured Finance - U.S.		Structured Finance - Non-U.S.		Total	
	Net Par Outstanding	%	Net Par Outstanding	%	Net Par Outstanding	%	Net Par Outstanding	%	Net Par Outstanding	%
AAA	\$ 69	0.3 %	\$ 716	4.6 %	\$ 1,445	25.0 %	\$ 214	19.9 %	\$ 2,444	5.3 %
AA	3,230	13.7	290	1.9	1,613	28.0	61	5.7	5,194	11.3
A	11,485	48.7	6,750	43.2	1,273	22.1	196	18.2	19,704	42.7
BBB	6,309	26.7	6,791	43.3	330	5.7	511	47.5	13,941	30.3
BIG	2,495	10.6	1,092	7.0	1,109	19.2	94	8.7	4,790	10.4
Net Par Outstanding⁽¹⁾	\$ 23,588	100.0%	\$ 15,639	100.0%	\$ 5,770	100.0%	\$ 1,076	100.0%	\$ 46,073	100.0%

1) As of March 31, 2017, excludes \$733 million of net par as a result of loss mitigation strategies, including loss mitigation securities held in the investment portfolio, which are primarily BIG. Includes \$11.9 billion of net par from the acquisition of MBIA UK Insurance Limited.

Ceded Par Outstanding by Reinsurer

Reinsurer	Ceded Par Outstanding ⁽¹⁾	% of Total
Affiliated companies ⁽³⁾	\$ 32,405	98.1 %
Non-affiliated companies:		
Reinsurers rated BIG or not rated:		
American Overseas Reinsurance Company Limited ⁽²⁾	472	1.4
Ambac Assurance Corporation	115	0.3
Subtotal	587	1.7
Other	34	0.2
Non-Affiliated Companies	621	1.9
Total	\$ 33,026	100.0%

1) Of the total ceded par to reinsurers rated BIG or not rated, \$21 million is rated BIG.

2) The total collateral posted by all affiliated and non-affiliated reinsurers required to post or that had agreed to post collateral as of March 31, 2017, was approximately \$439 million. The collateral excludes amounts for the benefit of AGUK.

Please refer to the Glossary for an explanation of the presentation of net par outstanding and the Company's internal rating approach, and of the various sectors.

Assured Guaranty Corp.
Financial Guaranty Profile (3 of 4)
As of March 31, 2017
(dollars in millions)

Geographic Distribution of Financial Guaranty Portfolio

	Net Par Outstanding	% of Total
U.S.:		
U.S. public finance:		
California	\$ 3,252	7.1 %
Texas	2,167	4.7
New Jersey	1,810	3.9
New York	1,749	3.8
Puerto Rico	1,748	3.8
Florida	1,489	3.2
Illinois	1,323	2.9
Pennsylvania	1,153	2.5
Georgia	631	1.4
District of Columbia	594	1.3
Other states	7,672	16.7
Total public finance	23,588	51.3
U.S. structured finance:	5,770	12.5
Total U.S.	29,358	63.8
Non-U.S.:		
United Kingdom	12,661	27.5
France	1,451	3.1
Australia	747	1.6
Malaysia	355	0.8
Turkey	197	0.4
Other	1,304	2.8
Total non-U.S.	16,715	36.2
Total net par outstanding	\$ 46,073	100.0%

Please refer to the Glossary for an explanation of the presentation of net par outstanding and of the various sectors.

Assured Guaranty Corp.
Financial Guaranty Profile (4 of 4)
As of March 31, 2017
(dollars in millions)

Net Direct Economic Exposure to Selected European Countries ⁽¹⁾

	<u>Hungary</u>	<u>Italy</u>	<u>Portugal</u>	<u>Spain</u>	<u>Turkey ⁽⁴⁾</u>	<u>Total</u>
Sub-sovereign exposure ⁽²⁾	\$ 11	\$ 156	\$ 1	\$ 43	\$ —	\$ 211
Non-sovereign exposure ⁽³⁾	112	18	—	—	180	310
Total	<u>\$ 123</u>	<u>\$ 174</u>	<u>\$ 1</u>	<u>\$ 43</u>	<u>\$ 180</u>	<u>\$ 521</u>
Total BIG	<u>\$ 55</u>	<u>\$ —</u>	<u>\$ 1</u>	<u>\$ 43</u>	<u>\$ —</u>	<u>\$ 99</u>

- 1) While exposures are shown in U.S. dollars, the obligations are in various currencies, primarily euros.
- 2) Sub-sovereign exposure in Selected European Countries includes transactions backed by receivables from or supported by sub-sovereigns, which are governmental or government-backed entities other than the ultimate governing body of the country.
- 3) Non-sovereign exposure in Selected European Countries includes debt of regulated utilities, RMBS and diversified payment rights (DPR) securitizations.
- 4) The \$180 million net insured par exposure in Turkey is to DPR securitizations sponsored by a major Turkish bank. These DPR securitizations were established outside of Turkey and involve payment orders in U.S. dollars, pounds sterling and Euros from persons outside of Turkey to beneficiaries in Turkey who are customers of the sponsoring bank. The sponsoring bank's correspondent banks have agreed to remit all such payments to a trustee-controlled account outside Turkey, where debt service payments for the DPR securitization are given priority over payments to the sponsoring bank.

Please refer to the Glossary for an explanation of the Company's net par outstanding, internal rating approach and of the various sectors.

Assured Guaranty Corp.
Exposure to Puerto Rico (1 of 3)
As of March 31, 2017
(dollars in millions)

Exposure to Puerto Rico

	Gross Par Outstanding	Net Par Outstanding	Gross Debt Service Outstanding	Net Debt Service Outstanding
Total	\$ 2,128	\$ 1,748	\$ 3,643	\$ 2,960

Exposure to Puerto Rico by Risk⁽¹⁾

	Net Par Outstanding⁽²⁾	Gross Par Outstanding
Commonwealth Constitutionally Guaranteed		
Commonwealth of Puerto Rico - General Obligation Bonds ⁽³⁾	\$ 378	\$ 443
Puerto Rico Public Buildings Authority (PBA) ⁽³⁾	169	169
Public Corporations - Certain Revenues Potentially Subject to Clawback		
Puerto Rico Highways and Transportation Authority (PRHTA) (Transportation revenue) ⁽³⁾	519	660
PRHTA (Highways revenue)	93	97
Puerto Rico Convention Center District Authority (PRCCDA)	152	152
Puerto Rico Infrastructure Financing Authority (PRIFA) ⁽³⁾	17	18
Other Public Corporations		
Puerto Rico Electric Power Authority (PREPA)	73	123
Puerto Rico Aqueduct and Sewer Authority (PRASA)	285	373
Puerto Rico Municipal Finance Agency (MFA)	61	92
University of Puerto Rico	1	1
Total net exposure to Puerto Rico	\$ 1,748	\$ 2,128

1) The general obligation bonds of Puerto Rico and various obligations of its related authorities and public corporations are rated BIG.

2) Includes exposure to capital appreciation bonds with a current aggregate net par outstanding of \$13 million and a fully accreted net par at maturity of \$13 million. Of these amounts, current net par of \$7 million and fully accreted net par at maturity of \$7 million relate to the PRHTA, and current net par of \$5 million and fully accreted net par at maturity of \$5 million relate to the Commonwealth General Obligation Bonds.

3) As of the date of this filing, the Company has paid claims on these credits.

Assured Guaranty Corp.
Exposure to Puerto Rico (2 of 3)
As of March 31, 2017
(dollars in millions)

Amortization Schedule of Net Par Outstanding of Puerto Rico⁽¹⁾

	2017 (Q2)	2017 (Q3)	2017 (Q4)	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027 -2031	2032 -2036	2037 -2041	2042 -2047	Total
Commonwealth Constitutionally Guaranteed																	
Commonwealth of Puerto Rico - General Obligation Bonds	\$ 0	\$ 35	\$ 0	\$ 41	\$ 33	\$ 84	\$ 15	\$ 13	\$ 8	\$ 9	\$ 8	\$ 16	\$ 76	\$ 40	\$ —	\$ —	\$ 378
PBA	—	28	—	—	3	5	13	0	6	0	7	11	42	54	—	—	169
Public Corporations - Certain Revenues Potentially Subject to Clawback																	
PRHTA (Transportation revenue)	0	9	0	16	14	8	5	14	19	4	21	17	48	248	91	5	519
PRHTA (Highway revenue)	—	5	—	5	10	11	12	—	0	0	1	0	26	23	—	—	93
PRCCDA	—	—	—	—	—	—	—	—	—	—	—	—	19	133	—	—	152
PRIFA	—	—	—	2	—	—	—	—	2	—	—	—	—	—	13	—	17
Other Public Corporations																	
PREPA	0	1	—	1	0	1	1	1	1	1	1	19	40	6	0	—	73
PRASA	—	—	—	—	—	—	—	—	—	2	19	20	43	—	2	199	285
MFA	—	7	—	14	7	9	7	8	3	1	0	2	3	—	—	—	61
University of Puerto Rico	—	0	—	0	0	0	0	0	0	0	0	0	0	1	—	—	1
Total	\$ 0	\$ 85	\$ 0	\$ 79	\$ 67	\$ 118	\$ 53	\$ 36	\$ 39	\$ 17	\$ 57	\$ 85	\$ 297	\$ 505	\$ 106	\$ 204	\$ 1,748

- 1) Includes exposure to capital appreciation bonds with a current aggregate net par outstanding of \$13 million and a fully accreted net par at maturity of \$13 million. Of these amounts, current net par of \$7 million and fully accreted net par at maturity of \$7 million relate to the PRHTA, and current net par of \$5 million and fully accreted net par at maturity of \$5 million relate to the Commonwealth General Obligation Bonds.

Assured Guaranty Corp.
Exposure to Puerto Rico (3 of 3)
As of March 31, 2017
(dollars in millions)

Amortization Schedule of Net Debt Service Outstanding of Puerto Rico⁽¹⁾

	2017 (2Q)	2017 (3Q)	2017 (4Q)	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027 -2031	2032 -2036	2037 -2041	2042 -2047	Total
Commonwealth Constitutionally Guaranteed																	
Commonwealth of Puerto Rico - General Obligation Bonds	\$ 0	\$ 44	\$ 0	\$ 58	\$ 48	\$ 97	\$ 25	\$ 22	\$ 16	\$ 17	\$ 16	\$ 23	\$ 96	\$ 46	\$ —	\$ —	\$ 508
PBA	—	32	—	7	10	12	20	6	13	6	13	17	58	62	—	—	256
Public Corporations - Certain Revenues Potentially Subject to Clawback																	
PRHTA (Transportation revenue)	0	22	0	43	40	33	30	38	43	27	44	38	144	321	108	5	936
PRHTA (Highway revenue)	—	7	—	10	15	15	15	3	3	3	3	3	39	27	—	—	143
PRCCDA	—	3	—	7	7	7	7	7	7	7	7	7	50	152	—	—	268
PRIFA	—	0	—	3	1	1	1	1	2	1	1	1	2	3	16	—	33
Other Public Corporations																	
PREPA	0	2	0	5	4	4	5	4	5	4	4	22	45	6	0	—	110
PRASA	—	7	—	15	15	15	15	15	15	17	33	33	98	52	53	250	633
MFA	—	8	—	17	9	11	9	8	3	1	1	2	3	—	—	—	72
University of Puerto Rico	—	0	—	0	0	0	0	0	0	0	0	0	0	1	—	—	1
Total	\$ 0	\$ 125	\$ 0	\$ 165	\$ 149	\$ 195	\$ 127	\$ 104	\$ 107	\$ 83	\$ 122	\$ 146	\$ 535	\$ 670	\$ 177	\$ 255	\$2,960

- 1) Includes exposure to capital appreciation bonds with a current aggregate net par outstanding of \$13 million and a fully accreted net par at maturity of \$13 million. Of these amounts, current net par of \$7 million and fully accreted net par at maturity of \$7 million relate to the PRHTA, and current net par of \$5 million and fully accreted net par at maturity of \$5 million relate to the Commonwealth General Obligation Bonds.

Assured Guaranty Corp.
Direct Pooled Corporate Obligations Profile
As of March 31, 2017
(dollars in millions)

Distribution of Direct Pooled Corporate Obligations by Ratings

	Net Par Outstanding	% of Total	Avg. Initial Credit Enhancement	Avg. Current Credit Enhancement
Ratings:				
AAA	\$ 761	34.6 %	18.8 %	27.9 %
AA	769	35.0	45.9	54.9
A	294	13.4	43.7	52.0
BBB	175	8.0	47.2	47.8
BIG	197	9.0	41.3	27.8
Total exposures	\$ 2,196	100.0%	35.9%	42.2%

Distribution of Direct Pooled Corporate Obligations by Asset Class

	Net Par Outstanding	% of Total	Avg. Initial Credit Enhancement	Avg. Current Credit Enhancement	Avg. Rating
Asset class:					
Synthetic investment grade pooled corporate	\$ 508	23.1 %	12.8 %	9.4 %	AAA
CBOs/CLOs	298	13.6	31.7	62.4	AAA
Trust preferred					
Banks and insurance	1,115	50.8	44.6	49.8	A+
U.S. mortgage and real estate investment trusts	275	12.5	48.1	50.0	BBB-
Total exposures	\$ 2,196	100.0%	35.9%	42.2%	AA-

Please refer to the Glossary for an explanation of internal ratings, performance indicators and sectors.

Assured Guaranty Corp.
Consolidated U.S. RMBS Profile
As of March 31, 2017
(dollars in millions)

Distribution of U.S. RMBS by Rating and Type of Exposure ⁽¹⁾

Ratings:	Prime First Lien	Alt-A First Lien	Option ARMs	Subprime First Lien	Second Lien	Total Net Par Outstanding
AAA	\$ 1	\$ 112	\$ 21	\$ 527	\$ 0	\$ 661
AA	14	144	10	52	0	220
A	13	3	0	53	0	70
BBB	13	2	—	20	0	35
BIG	62	169	30	215	217	693
Total exposures	\$ 104	\$ 430	\$ 61	\$ 868	\$ 217	\$ 1,679

Distribution of U.S. RMBS by Year Insured and Type of Exposure

Year insured:	Prime First Lien	Alt-A First Lien	Option ARMs	Subprime First Lien	Second Lien	Total Net Par Outstanding
2004 and prior	\$ 27	\$ 11	\$ 11	\$ 156	\$ 2	\$ 206
2005	64	157	11	2	54	288
2006	13	1	13	500	10	536
2007	—	261	26	211	151	649
Total exposures	\$ 104	\$ 430	\$ 61	\$ 868	\$ 217	\$ 1,679

1) AGC has not insured any U.S. RMBS transactions since 2008.

Please refer to the Glossary for an explanation of the Company's presentation of net par outstanding, and a description of sectors.

Assured Guaranty Corp.
Credit Derivative Net Par Outstanding Profile
As of March 31, 2017
(dollars in millions)

Distribution of Credit Derivative Net Par Outstanding by Rating

Rating	Net Par Outstanding	% of Total
AAA	\$ 1,916	36.8 %
AA	1,299	25.0
A	779	15.0
BBB	615	11.8
BIG	592	11.4
Total credit derivative net par outstanding	\$ 5,201	100.0%

Distribution of Credit Derivative Net Par Outstanding by Sector and Average Rating

	Net Par Outstanding	Average Internal Rating
Public finance		
U.S. public finance	\$ 620	AA-
Non-U.S. public finance	1,560	A+
Total public finance	2,180	A+
U.S. structured finance:		
Pooled corporate obligations	1,659	AA-
RMBS	849	AA-
Consumer receivables	283	A-
Insurance securitizations	30	CCC
Commercial receivables	14	BBB+
Total U.S. structured finance	2,835	AA-
Non-U.S. structured finance:		
RMBS	134	A
Pooled corporate obligations	49	AAA
Commercial receivables	3	A
Total non-U.S. structured finance	186	AA-
Total structured finance	3,021	AA-
Total credit derivative net par outstanding	\$ 5,201	AA-

Please refer to the Glossary for a description of net par outstanding, internal ratings and sectors.

Assured Guaranty Corp.
Below Investment Grade Exposures (1 of 3)
(dollars in millions)

BIG Exposures by Asset Exposure Type

	<u>March 31, 2017</u>	<u>December 31, 2016</u>
U.S. public finance:		
Tax backed	\$ 960	\$ 965
General obligation	857	921
Municipal utilities	384	383
Higher education	139	156
Healthcare	84	129
Infrastructure finance	34	282
Housing	18	18
Transportation	11	11
Other public finance	8	8
Total U.S. public finance	<u>2,495</u>	<u>2,873</u>
Non-U.S. public finance:		
Infrastructure finance	1,056	313
Other public finance	36	36
Total non-U.S. public finance	<u>1,092</u>	<u>349</u>
Total public finance	<u>3,587</u>	<u>3,222</u>
U.S. structured finance:		
RMBS	693	727
Pooled corporate obligations	197	338
Insurance securitizations	149	149
Consumer receivables	49	47
Commercial receivables	13	25
Other structured finance	8	11
Total U.S. structured finance	<u>1,109</u>	<u>1,297</u>
Non-U.S. structured finance:		
Pooled corporate obligations	50	50
Commercial receivables	0	23
RMBS	44	3
Total non-U.S. structured finance	<u>94</u>	<u>76</u>
Total structured finance	<u>1,203</u>	<u>1,373</u>
Total BIG net par outstanding	<u>\$ 4,790</u>	<u>\$ 4,595</u>

Please refer to the Glossary for an explanation of the Company's presentation of net par outstanding and a description of various sectors.

Assured Guaranty Corp.
Below Investment Grade Exposures (2 of 3)
(dollars in millions)

Net Par Outstanding by BIG Category⁽¹⁾

	March 31, 2017	December 31, 2016
Category 1		
U.S. public finance	\$ 743	\$ 872
Non-U.S. public finance	829	295
U.S. structured finance	305	396
Non-U.S. structured finance	56	16
Total Category 1	<u>1,933</u>	<u>1,579</u>
Category 2		
U.S. public finance	1,116	1,364
Non-U.S. public finance	263	54
U.S. structured finance	250	325
Non-U.S. structured finance	38	60
Total Category 2	<u>1,667</u>	<u>1,803</u>
Category 3		
U.S. public finance	636	637
Non-U.S. public finance	—	—
U.S. structured finance	554	576
Non-U.S. structured finance	—	—
Total Category 3	<u>1,190</u>	<u>1,213</u>
BIG Total	<u><u>\$ 4,790</u></u>	<u><u>\$ 4,595</u></u>

- 1) Assured Guaranty's surveillance department is responsible for monitoring the Company's portfolio of credits and maintains a list of BIG credits. BIG Category 1: Below-investment-grade transactions showing sufficient deterioration to make future losses possible, but for which none are currently expected. BIG Category 2: Below-investment-grade transactions for which future losses are expected but for which no claims (other than liquidity claims which is a claim that the Company expects to be reimbursed within one year) have yet been paid. BIG Category 3: Below-investment-grade transactions for which future losses are expected and on which claims (other than liquidity claims) have been paid.

Please refer to the Glossary for an explanation of the Company's internal rating approach, presentation of net par outstanding and a description of various sectors.

Assured Guaranty Corp.
Below Investment Grade Exposures (3 of 3)
As of March 31, 2017
(dollars in millions)

BIG Exposures with Revenue Sources Greater Than \$50 Million

Name or description	Net Par Outstanding	Internal Rating
U.S. public finance:		
Puerto Rico Highways & Transportation Authority	\$ 612	CC-
Puerto Rico, General Obligation, Appropriations and Guarantees of the Commonwealth	564	CCC-
Puerto Rico Aqueduct & Sewer Authority	285	CCC
Puerto Rico Convention Center District Authority	152	CC-
Puerto Rico Electric Power Authority	73	CC
Puerto Rico Municipal Finance Agency	61	CCC-
Southlands Metropolitan District No. 1, Colorado	51	BB-
Subtotal U.S. public finance	1,798	
Non-U.S. public finance:		
Coventry & Rugby Hospital Company Plc Walsgrave Hospital Guaranteed Secured	533	BB+
Reliance Rail Finance Pty Limited	219	BB
Road Management Services PLC (A13 Highway)	210	B+
Breeze Finance S.A.	53	B-
Subtotal non-U.S. public finance	1,015	
U.S. structured finance		
RMBS:		
Countrywide Home Equity Loan Trust 2007-D	92	CCC
Subtotal RMBS	92	
Non-RMBS:		
Orkney Re II, Plc	149	CCC
Taberna Preferred Funding II, Ltd.	95	BB
Alesco Preferred Funding XVI, Ltd.	56	BB
Subtotal non-RMBS	300	
Subtotal U.S. structured finance	392	
Total	\$ 3,205	

Please refer to the Glossary for the Company's internal rating approach, presentation of net par outstanding and a description of various sectors.

Assured Guaranty Corp.
Largest Exposures by Sector (1 of 4)
As of March 31, 2017
(dollars in millions)

50 Largest U.S. Public Finance Exposures by Revenue Source

Credit Name	Net Par Outstanding	Internal Rating
New Jersey (State of)	\$ 1,159	BBB+
North Texas Tollway Authority	785	A
Puerto Rico Highways & Transportation Authority	612	CC-
Puerto Rico, General Obligation, Appropriations and Guarantees of the Commonwealth	564	CCC-
California (State of)	552	A
Georgia Board of Regents	373	A
Metro Washington Airports Authority (Dulles Toll Road)	316	BBB+
Miami-Dade County, Florida	309	A+
Puerto Rico Aqueduct & Sewer Authority	285	CCC
Philadelphia (City of), Pennsylvania	275	BBB+
San Diego Family Housing, LLC Military Housing Revenue Bonds	272	AA
Louisville Arena Authority Inc.	248	BBB-
Dallas (City of) Civic Center Convention Complex, Texas	228	A+
New York (City of), New York	220	AA-
Miami-Dade County Aviation Authority (Miami International Airport), Florida	220	A
Yankee Stadium LLC New York City Industrial Development Authority	218	BBB-
New York (State of)	209	AA-
Indianapolis Local Public Improvement Bond Bank, Indiana	169	A+
Kentucky (Commonwealth of)	168	A+
North Carolina Turnpike Authority - Triangle Expressway	165	BBB-
San Joaquin Hills Transportation, California	163	BBB-
Orlando Tourist Development Tax, Florida	160	BBB
LifeBridge Health, Inc.	159	A
Fairview Health Services	157	A+
Denver (City & County) Airport System, Colorado	155	A+
Nassau County, New York	153	A-
Puerto Rico Hotel Occupancy Tax Puerto Rico Convention Center District Authority	152	CC-
Pennsylvania Turnpike Commission	152	A-
Massachusetts (Commonwealth of)	148	AA
CHRISTUS Health	147	A
San Francisco Airports Commission (San Francisco International Airport), California	147	A+
MultiCare Health System	140	AA-
Chicago Transit Authority (Capital Grant Receipts), Illinois	139	A-
American Municipal Power, Inc.	135	A
Navy Midwest Family Housing LLC	130	BBB+
UnityPoint Health System (f/k/a Iowa Health System)	129	AA-
Bon Secours Health System Obligated Group	125	A-
Chicago Public Schools, Illinois	122	BBB
Virtua Health	121	A+
District of Columbia Water and Sewer Authority Public Utility Bonds	114	A+
San Jose Merged Area Redevelopment Agency, California	111	BBB
Essentia Health	108	A
Covenant Health	107	A
Orange County Schools, Florida	107	A+
Florida (State of) Department of Environmental Protection	100	AA-
Chicago-O'Hare International Airport, Illinois	98	A-
Illinois (State of)	95	BBB
Houston Water and Sewer Authority, Texas	95	AA-
Austin Combined Utility System, Texas	94	AA
New York Metropolitan Transportation Authority	91	A
Total top 50 U.S. public finance exposures	\$ 11,201	

Please refer to the Glossary for an explanation of net par outstanding, internal ratings and sectors.

Assured Guaranty Corp.
Largest Exposures by Sector (2 of 4)
As of March 31, 2017
(dollars in millions)

50 Largest U.S. Structured Finance Exposures

Credit Name	Net Par Outstanding	Internal Rating
SLM Private Credit Student Trust 2007-A	\$ 375	A-
SLM Private Credit Student Loan Trust 2006-C	267	A+
Synthetic Investment Grade Pooled Corporate CDO	204	AAA
Synthetic Investment Grade Pooled Corporate CDO	204	AAA
Private US Insurance Securitization	180	AA
Private US Insurance Securitization	180	AA
Access Group Private Student Loan Series 2007-A	166	A-
Private US Insurance Securitization	150	AA
Orkney Re II, Plc	149	CCC
ALESCO Preferred Funding XIII, Ltd.	137	AA
CWALT Alternative Loan Trust 2007-HY9	129	A
Trapeza CDO XI	101	A-
Synthetic Investment Grade Pooled Corporate CDO	100	AAA
ALESCO Preferred Funding XII, Ltd.	95	A-
Taberna Preferred Funding II, Ltd.	95	BB
Countrywide Home Equity Loan Trust 2007-D	92	CCC
Preferred Term Securities XXIV, Ltd.	89	AA-
OwnIt Mortgage Loan ABS Certificates 2006-3	83	AAA
Structured Asset Investment Loan Trust 2006-1	83	AAA
New Century Home Equity Loan Trust 2006-1	83	AAA
Soundview Home Equity Loan Trust 2006-OPT1	83	AAA
First Franklin Mortgage Loan ABS 2005-FF12	83	AAA
ALESCO Preferred Funding XI	83	AA
LIICA Holdings, LLC	78	AA
Merrill Lynch Mortgage Investors 2006-HE1	74	AAA
Specialty Underwriting & Residential Fin 06-BC1	74	AAA
IMPAC CMB Trust Series 2007-A Class A	71	AAA
Trapeza CDO X, Ltd.	70	AA
ALESCO Preferred Funding X LTD	69	AA
First Franklin Mortgage Loan ABS 2005-FF12	68	AAA
Preferred Term Securities XXIII	61	AA
Attentus CDO I Limited	60	BBB
Alesco Preferred Funding XVI, Ltd.	56	BB
CAPCO - Excess SIPC Excess of Loss Reinsurance	54	BBB
MASTR Asset Backed Securities Trust 2005-NC2	54	AAA
ACE Securities Corp. Home Equity Loan Trust, Series 2006-HE1	52	A
Argent Securities Inc. 2005-W2	52	AAA
ALESCO Preferred Funding VII	51	AA
Fortress Credit Opportunities I	49	AA
Kingsland IV	49	AAA
Countrywide Home Equity Loan Trust 2005-J	49	CCC
Airspeed Limited Series 2007-1	47	A-
US Capital Funding IV, LTD	46	CCC
ALESCO Preferred Funding VI	46	AA
Home Equity Asset Trust 2006-2	46	AAA
Trapeza Edge CDO	46	AA
Mountain View CLO II	45	AAA
Taberna Preferred Funding VI, Ltd.	45	BBB-
Greenpoint Manufactured Housing Trust 2001-2	43	AA
Argent Securities Inc. 2005-W2	42	AAA
Total top 50 U.S. structured finance exposures	\$ 4,708	

Please refer to the Glossary for the Company's internal rating approach, presentation of net par outstanding and a description of various sectors.

Assured Guaranty Corp.
Largest Exposures by Sector (3 of 4)
As of March 31, 2017
(dollars in millions)

25 Largest Non-U.S. Exposures by Revenue Source

Credit Name	Country	Net Par Outstanding	Internal Rating
Southern Water Services Limited	United Kingdom	\$ 1,714	A-
Anglian Water Services Financing	United Kingdom	1,327	A-
Dwr Cymru Financing Limited	United Kingdom	1,323	A-
British Broadcasting Corporation	United Kingdom	891	A+
Aspire Defence Finance plc	United Kingdom	871	BBB+
SANEF	France	851	BBB+
National Grid Gas PLC	United Kingdom	635	BBB+
NATS (En Route) PLC	United Kingdom	539	A
Coventry & Rugby Hospital Company	United Kingdom	533	BB+
Derby Healthcare PLC	United Kingdom	505	BBB
North Staffordshire PFI	United Kingdom	448	BBB-
BBC 3 White City	United Kingdom	426	A+
Millau Viaduct Refinancing - Prima	France	359	BBB-
Sarawak Capital Incorporated	Malaysia	350	BBB+
National Grid Company PLC	United Kingdom	272	BBB+
Thames Water Utility Finance PLC	United Kingdom	255	A-
International Infrastructure Pool	United Kingdom	243	AAA
Reliance Rail Finance Pty. Limited	Australia	219	BB
Airspeed Limited	Refer to Note 1	217	A-
Road Management Services Plc (A13)	United Kingdom	210	B+
International Infrastructure Pool	United Kingdom	195	AAA
International Infrastructure Pool	United Kingdom	195	AAA
DirectRoute (Limerick) Finance Ltd	Ireland	187	BBB-
Garanti DPR 2014-C	Turkey	180	BBB+
Sydney Airport Finance Company	Australia	156	BBB
Total top 25 non-U.S. exposures		\$ 13,101	

1) Primarily Russia, South Korea, Mexico, Germany, and China.

Please refer to the Glossary for an explanation of net par outstanding, internal ratings and sectors.

Assured Guaranty Corp.
Largest Exposures by Sector (4 of 4)
As of March 31, 2017
(dollars in millions)

10 Largest U.S. Residential Mortgage Servicer Exposures

Servicer:	Net Par Outstanding
Ocwen Loan Servicing, LLC ⁽¹⁾	\$ 524
Bank of America, N.A. ⁽²⁾	403
Specialized Loan Servicing, LLC	222
Wells Fargo Bank N.A.	177
Select Portfolio Servicing, Inc.	102
JPMorgan Chase Bank	87
Carrington Mortgage Services, LLC	36
Nationstar Mortgage LLC	23
Citicorp Mortgage Securities, Inc.	20
Capital One Financial Corporation	20
Total top 10 U.S. residential mortgage servicer exposures	\$ 1,614

1) Includes GMAC Mortgage LLC, Residential Funding Company, LLC and Homeward Residential Inc.

2) Includes Countrywide Home Loans Servicing LP.

10 Largest U.S. Healthcare Exposures

Credit Name:	Net Par Outstanding	Internal Rating	State
LifeBridge Health, Inc.	\$ 159	A	MD
Fairview Health Services	157	A+	MN
CHRISTUS Health	147	A	TX
MultiCare Health System	140	AA-	WA
UnityPoint Health System (f/k/a Iowa Health System)	129	AA-	IA
Bon Secours Health System Obligated Group	126	A-	MD
Virtua Health, New Jersey	121	A+	NJ
Essentia Health	108	A	MN
Covenant Health	107	A	TN
Illinois Health Facilities Authority (The Children's Memorial Hospital), Illinois	89	A+	IL
Total top 10 U.S. healthcare exposures	\$ 1,283		

Please refer to the Glossary for the Company's internal rating approach and presentation of net par outstanding.

Assured Guaranty Corp.
Rollforward of Net Expected Loss and LAE to be Paid
(dollars in millions)

Rollforward of Net Expected Loss and LAE to be Paid⁽¹⁾ for the Three Months Ended March 31, 2017

	Net Expected Loss to be Paid (Recovered) at December 31, 2016	Net Expected Loss to be Paid (Recovered) on MBIA UK as of January 10, 2017	Economic Loss Development During 1Q-17	(Paid) Recovered Losses During 1Q-17	Net Expected Loss to be Paid (Recovered) as of March 31, 2017
Public finance:					
U.S. public finance	\$ 374	\$ —	\$ 86	\$ (13)	\$ 447
Non-U.S public finance	6	13	(1)	—	18
Public finance	<u>380</u>	<u>13</u>	<u>85</u>	<u>(13)</u>	<u>465</u>
Structured finance:					
U.S. RMBS ⁽²⁾	29	—	(7)	1	23
Triple-X life insurance transactions	(57)	—	9	0	(48)
Other structured finance	(15)	8	3	(8)	(12)
Structured finance	<u>(43)</u>	<u>8</u>	<u>5</u>	<u>(7)</u>	<u>(37)</u>
Total	<u>\$ 337</u>	<u>\$ 21</u>	<u>\$ 90</u>	<u>\$ (20)</u>	<u>\$ 428</u>

1) Includes expected loss to be paid, economic loss development and paid (recovered) losses for all contracts (i.e. those accounted for as insurance, credit derivatives and FG VIEs).

2) Includes future net representations and warranties (R&W) recoverable (payable) of \$32 million as of December 31, 2016 and \$37 million as of March 31, 2017.

Assured Guaranty Corp.

Loss Measures

As of March 31, 2017

(dollars in millions)

	Total Net Par Outstanding for BIG Transactions	1Q-17 Loss and LAE	1Q-17 Loss and LAE included in Operating Income ⁽¹⁾	1Q-17 Effect of FG VIE Consolidation ⁽²⁾
Public finance:				
U.S. public finance	\$ 2,495	\$ 59	\$ 59	\$ —
Non-U.S public finance	1,092	0	0	—
Public finance	3,587	59	59	—
Structured finance:				
U.S. RMBS	693	(1)	(3)	0
Triple-X life insurance transactions	149	15	9	—
Other structured finance	361	5	4	—
Structured finance	1,203	19	10	0
Total	\$ 4,790	\$ 78	\$ 69	\$ 0

1) Operating income includes financial guaranty insurance and credit derivatives.

2) The "Effect of FG VIE Consolidation" column represents amounts included in the consolidated statements of operations and operating income that the Company removes to arrive at the core financial measures that management uses in certain of its compensation calculations and its decision making process. Please refer to the explanation of Non-GAAP Financial Measures set forth at the end of this Financial Supplement.

Please refer to the Glossary for an explanation of the presentation of net par outstanding and of the various sectors.

Assured Guaranty Corp.
Summary of Statutory Financial and Statistical Data
(dollars in millions)

	As of and for Three Months Ended March 31,					Year Ended December 31,				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Statutory Data										
Policyholders' surplus	\$ 1,873	\$ 1,896	\$ 1,365	\$ 1,086	\$ 693					
Contingency reserve	776	772	906	834	1,151					
Qualified statutory capital	2,649	2,668	2,271	1,920	1,844					
Unearned premium reserve	847	491	654	650	720					
Loss and LAE reserves	223	140	224	93	153					
Total policyholders' surplus and reserves	3,719	3,299	3,149	2,663	2,717					
Present value of installment premium	145	156	215	224	262					
CCS	200	200	200	200	200					
Excess of loss reinsurance facility	360	360	360	450	435					
Total claims-paying resources (including proportionate MAC ownership for AGC)	4,424	4,015	3,924	3,537	3,614					
Adjustment for MAC	418	425	544	553	593					
Total claims-paying resources (excluding proportionate MAC ownership for AGC)	\$ 4,006	\$ 3,590	\$ 3,380	\$ 2,984	\$ 3,021					
Other Financial Information (Statutory Basis)										
Net debt service outstanding (end of period) ⁽¹⁾	\$ 90,911	\$ 75,532	\$ 103,862	\$ 116,211	\$ 139,334					
Gross debt service outstanding (end of period) ⁽¹⁾	111,568	97,249	137,292	159,140	188,486					
Net par outstanding (end of period) ⁽¹⁾	58,172	50,965	69,766	78,077	95,010					
Gross par outstanding (end of period) ⁽¹⁾	71,981	65,503	92,273	106,866	128,222					
Ceded to Assured Guaranty affiliates	13,221	13,905	21,448	27,354	31,317					
Ratios:										
Net par outstanding to qualified statutory capital	22:1	19:1	31:1	41:1	52:1					
Capital ratio ⁽¹⁾	34:1	28:1	46:1	61:1	76:1					
Financial resources ratio ⁽¹⁾	21:1	19:1	26:1	33:1	39:1					
Gross debt service written:										
Public finance - U.S.	\$ —	\$ 1	38	\$ 15	\$ 30					
Public finance - non-U.S.	—	—	—	—	—					
Structured finance - U.S.	—	105	349	423	297					
Structured finance - non-U.S.	—	30	63	387	—					
Total gross debt service written	\$ —	\$ 136	\$ 450	\$ 825	\$ 327					

1) See page 8 for additional detail on claims-paying resources and exposure.

Please refer to the Glossary for an explanation of the presentation of net debt service and net par outstanding and of the various sectors.

Glossary

Net Par Outstanding and Internal Ratings

Net Par Outstanding is insured par exposure, net of reinsurance cessions. Unless otherwise indicated, GAAP net par outstanding amounts exclude amounts as a result of loss mitigation strategies, including securities the Company has purchased for loss mitigation purposes that are held in the investment portfolio.

Internal Rating utilizes the Company's ratings scale, which is similar to that used by the nationally recognized statistical rating organizations; however, the ratings in the tables may not be the same as ratings assigned by any such rating agency.

Statutory Net Par and Net Debt Service Outstanding. Under statutory accounting, net par and net debt service outstanding 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 United States (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).

Performance Indicators

The performance information described below is obtained from third parties and/or provided by the trustee and may be subject to revision as updated or additional information are obtained:

60+ Day Delinquencies are defined as loans that are greater than 60 days delinquent and all loans that are in foreclosure, bankruptcy or real estate owned divided by current collateral balance.

Average Credit Enhancement is intended to provide a measure of the amount of equity and/or subordinated tranches that are junior in the capital structure to Assured Guaranty's exposure, expressed as a percentage of the total transaction size, and reflects any reduction of that credit support resulting from defaults or other factors. For transactions where excess spread may be available to absorb certain losses, the amounts shown do not include any benefit from excess spread. The calculation methodologies differ for the various asset classes to reflect differences in transaction structures in order to provide a measure that management believes is comparable across asset classes. Some asset classes may not have subordinated tranches so they are excluded from the weighted averages.

Sectors

Below are brief descriptions of selected types of public and structured finance obligations that the Company insures and reinsures. For a more complete description, please refer to Assured Guaranty Ltd.'s Annual Report on Form 10-K for the year ended December 31, 2016.

Public Finance:

General Obligation Bonds are full faith and credit bonds that are issued by states, their political subdivisions and other municipal issuers, and are supported by the general obligation of the issuer to pay from available funds and by a pledge of the issuer to levy ad valorem taxes in an amount sufficient to provide for the full payment of the bonds.

Tax-Backed Bonds are obligations that are supported by the issuer from specific and discrete sources of taxation. They include tax-backed revenue bonds, general fund obligations and lease revenue bonds. Tax-backed obligations may be secured by a lien on specific pledged tax revenues, such as a gasoline or excise tax, or incrementally from growth in property tax revenue associated with growth in property values. These obligations also include obligations secured by special assessments levied against property owners and often benefit from issuer covenants to enforce collections of such assessments and to foreclose on delinquent properties. Lease revenue bonds typically are general fund obligations of a municipality or other governmental authority that are subject to annual appropriation or abatement; projects financed and subject to such lease payments ordinarily include real estate or equipment serving an essential public purpose. Bonds in this category also include moral obligations of municipalities or governmental authorities.

Municipal Utility Bonds are obligations of all forms of municipal utilities, including electric, water and sewer utilities and resource recovery revenue bonds. These utilities may be organized in various forms, including municipal enterprise systems, authorities or joint action agencies.

Transportation Bonds include a wide variety of revenue-supported bonds, such as bonds for airports, ports, tunnels, municipal parking facilities, toll roads and toll bridges.

Healthcare Bonds are obligations of healthcare facilities, including community-based hospitals and systems, as well as of health maintenance organizations and long-term care facilities.

Higher Education Bonds are obligations secured by revenue collected by either public or private secondary schools, colleges and universities. Such revenue can encompass all of an institution's revenue, including tuition and fees, or in other cases, can be specifically restricted to certain auxiliary sources of revenue.

Glossary (continued)

Sectors (continued)

Infrastructure Bonds include obligations issued by a variety of entities engaged in the financing of infrastructure projects, such as roads, airports, ports, social infrastructure and other physical assets delivering essential services supported by long-term concession arrangements with a public sector entity.

Investor-Owned Utility Bonds are obligations primarily backed by investor-owned utilities, first mortgage bond obligations of for-profit electric or water utilities providing retail, industrial and commercial service, and also include sale-leaseback obligation bonds supported by such entities.

Housing Revenue Bonds are obligations relating to both single and multi-family housing, issued by states and localities, supported by cash flow and, in some cases, insurance from entities such as the Federal Housing Administration.

Regulated Utilities Obligations are issued by government-regulated providers of essential services and commodities, including electric, water and gas utilities. The majority of the Company's international regulated utility business is conducted in the United Kingdom.

Pooled Infrastructure Obligations are synthetic asset-backed obligations that take the form of credit default swap obligations or credit-linked notes that reference either infrastructure finance obligations or a pool of such obligations, with a defined deductible to cover credit risks associated with the referenced obligations.

Other Public Finance primarily includes government insured student loans, government-sponsored project finance and structured municipal transactions, which includes excess of loss reinsurance on portfolios of municipal credits.

Structured Finance:

Pooled Corporate Obligations are securities primarily backed by various types of corporate debt obligations, such as secured or unsecured bonds, bank loans or loan participations and trust preferred securities (TruPS). These securities are often issued in "tranches," with subordinated tranches providing credit support to the more senior tranches. The Company's financial guaranty exposures generally are to the more senior tranches of these issues.

Residential Mortgage-Backed Securities (RMBS) are obligations backed by closed-end and open-end first and second lien mortgage loans on one-to-four family residential properties, including condominiums and cooperative apartments. First lien mortgage loan products in these transactions include fixed rate, adjustable rate (ARM) and option adjustable-rate (Option ARM) mortgages. The credit quality of borrowers covers a broad range, including "prime", "subprime" and "Alt-A". A prime borrower is generally defined as one with strong risk characteristics as measured by factors such as payment history, credit score, and debt-to-income ratio. A subprime borrower is a borrower with higher risk characteristics, usually as determined by credit score and/or credit history. An Alt-A borrower is generally defined as a prime quality borrower that lacks certain ancillary characteristics, such as fully documented income.

Additional insured obligations within RMBS include Home Equity Lines of Credit (HELOCs), which refers to a type of residential mortgage-backed transaction backed by second-lien loan collateral consisting of home equity lines of credit. U.S. Prime First Lien is a type of residential mortgage-backed securities transaction backed primarily by prime first-lien loan collateral plus an insignificant amount of other miscellaneous RMBS transactions.

CBOs/CLOs (collateralized bond obligations and collateralized loan obligations) are asset-backed securities largely backed by non-investment grade/high yield collateral.

Consumer Receivables Securities are obligations backed by non-mortgage consumer receivables, such as student loans, automobile loans and leases, manufactured home loans and other consumer receivables.

Commercial Receivables Securities are obligations backed by equipment loans or leases, aircraft and aircraft engine financings, business loans and trade receivables. Credit support is derived from the cash flows generated by the underlying obligations, as well as property or equipment values as applicable.

Insurance Securitization Obligations are obligations secured by the future earnings from pools of various types of insurance/reinsurance policies and income produced by invested assets.

Other Structured Finance Obligations are obligations backed by assets not generally described in any of the other described categories. One such type of asset is a tax benefit to be realized by an investor in one of the Federal or state programs that permit such investor to receive a credit against taxes (such as Federal corporate income tax or state insurance premium tax) for making qualified investments in specified enterprises, typically located in designated low-income areas.

Non-GAAP Financial Measures

To reflect the key financial measures that management analyzes in evaluating the Company's operations and progress towards long-term goals, the Company discloses both financial measures determined in accordance with GAAP and financial measures not determined in accordance with GAAP (non-GAAP financial measures).

Financial measures identified as non-GAAP should not be considered substitutes for GAAP financial measures. The primary limitation of non-GAAP financial measures is the potential lack of comparability to financial measures of other companies, whose definitions of non-GAAP financial measures may differ from those of Assured Guaranty. Beginning in fourth quarter 2016, the Company's publicly disclosed non-GAAP financial measures are different from the financial measures used by management in its decision making process and in its calculation of certain components of management compensation (core financial measures). The Company had previously excluded the effect of consolidating FG VIEs (FG VIE consolidation) in its calculation of its non-GAAP financial measures of operating income (non-GAAP), operating ROE, non-GAAP operating shareholders' equity and non-GAAP adjusted book value. Starting in fourth quarter 2016, based on the SEC's May 17, 2016 release of new and updated Compliance and Disclosure Interpretations of the rules and regulations on the use of non-GAAP financial measures, the Company will no longer adjust for FG VIE consolidation. However, wherever possible, the Company has separately disclosed the effect of FG VIE consolidation that is included in its non-GAAP financial measures. The prior-year's quarterly non-GAAP financial measures have been updated to reflect the revised calculation.

Management and the Board of Directors use core financial measures, which are based on non-GAAP financial measures adjusted to remove FG VIE consolidation, as well as GAAP financial measures and other factors, to evaluate the Company's results of operations, financial condition and progress towards long-term goals. The Company removes FG VIE consolidation in its core financial measures because, although GAAP requires the Company to consolidate certain VIEs that have issued debt obligations insured by the Company, the Company does not own such VIEs and its exposure is limited to its obligation under its financial guaranty insurance contract. By disclosing non-GAAP financial measures, along with FG VIE consolidation, the Company gives investors, analysts and financial news reporters access to information that management and the Board of Directors review internally. Assured Guaranty believes its presentation of non-GAAP financial measures and FG VIE consolidation provides information that is necessary for analysts to calculate their estimates of Assured Guaranty's financial results in their research reports on Assured Guaranty and for investors, analysts and the financial news media to evaluate Assured Guaranty's financial results.

Many investors, analysts and financial news reporters use non-GAAP operating shareholders' equity, adjusted for FG VIE consolidation, as the principal financial measure for valuing AGL's current share price or projected share price and also as the basis of their decision to recommend, buy or sell AGL's common shares. Many of the Company's fixed income investors also use this measure to evaluate the Company's capital adequacy.

Many investors, analysts and financial news reporters also use non-GAAP adjusted book value, adjusted for FG VIE consolidation, to evaluate AGL's share price and as the basis of their decision to recommend, buy or sell the AGL common shares. Operating income adjusted for the effect of FG VIE consolidation enables investors and analysts to evaluate the Company's financial results as compared with the consensus analyst estimates distributed publicly by financial databases.

The core financial measures that are used to help determine compensation are: (1) operating income, adjusted for FG VIE consolidation, (2) non-GAAP operating shareholders' equity, adjusted for FG VIE consolidation, (3) growth in non-GAAP adjusted book value per share, adjusted for FG VIE consolidation, and (4) PVP.

The following paragraphs define each non-GAAP financial measure disclosed by the Company and describe why it is useful. A reconciliation of the non-GAAP financial measure and the most directly comparable GAAP financial measure is presented within this financial supplement.

Operating Income (non-GAAP): Management believes that operating income is a useful measure because it clarifies the understanding of the underwriting results and financial condition of the Company and presents the results of operations of the Company excluding the fair value adjustments on credit derivatives and CCS that are not expected to result in economic gain or loss, as well as other adjustments described below. Management adjusts operating income further by removing FG VIE consolidation to arrive at its core operating income measure. Operating income is defined as net income (loss) attributable to AGL, as reported under GAAP, adjusted for the following:

- 1) Elimination of 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.
- 2) Elimination of non-credit-impairment unrealized fair value gains (losses) on credit derivatives, which is the amount of unrealized fair value gains (losses) 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, the Company's credit spreads, and other market factors and are not expected to result in an economic gain or loss.
- 3) Elimination of fair value gains (losses) on the Company's CCS. Such amounts are affected by changes in market interest rates, the Company's credit spreads, price indications on the Company's publicly traded debt, and other market factors and are not expected to result in an economic gain or loss.

Non-GAAP Financial Measures (continued)

4) Elimination of foreign exchange gains (losses) on remeasurement of net premium receivables and loss and LAE reserves. Long-dated receivables and loss and LAE reserves represent the present value of future contractual or expected cash flows. Therefore, the current period's foreign exchange remeasurement gains (losses) are not necessarily indicative of the total foreign exchange gains (losses) that the Company will ultimately recognize.

5) Elimination of the tax effects related to the above adjustments, which are determined by applying the statutory tax rate in each of the jurisdictions that generate these adjustments.

Non-GAAP Operating Shareholders' Equity: Management believes that non-GAAP operating shareholders' equity is a useful measure because it presents the equity of the Company excluding the fair value adjustments on investments, credit derivatives and CCS, that are not expected to result in economic gain or loss, along with other adjustments described below. Management adjusts non-GAAP operating shareholders' equity further by removing FG VIE consolidation to arrive at its core operating shareholders' equity and core adjusted book value.

Non-GAAP operating shareholders' equity is the basis of the calculation of non-GAAP adjusted book value (see below). Non-GAAP operating shareholders' equity is defined as shareholders' equity attributable to AGL, as reported under GAAP, adjusted for the following:

- 1) Elimination of non-credit-impairment unrealized fair value gains (losses) on credit derivatives, which is the amount of unrealized fair value gains (losses) 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.
- 2) Elimination of fair value gains (losses) on the Company's CCS. Such amounts are affected by changes in market interest rates, the Company's credit spreads, price indications on the Company's publicly traded debt, and other market factors and are not expected to result in an economic gain or loss.
- 3) Elimination of unrealized gains (losses) on the Company's investments that are recorded as a component of accumulated other comprehensive income (AOCI) (excluding foreign exchange remeasurement). 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.
- 4) Elimination of the tax asset or liability related to the above adjustments, which are determined by applying the statutory tax rate in each of the jurisdictions that generate these adjustments.

Non-GAAP Adjusted Book Value: Management uses non-GAAP adjusted book value, adjusted for FG VIE consolidation, to measure the intrinsic value of the Company, excluding franchise value. Growth in non-GAAP adjusted book value per share adjusted for FG VIE consolidation (core adjusted book value) is one of the key financial measures used in determining the amount of certain long-term compensation elements to management and employees and used by rating agencies and investors. Management believes that this is a useful measure because it enables an evaluation of the net present value of the Company's in-force premiums and revenues net of expected losses. Non-GAAP adjusted book value is non-GAAP operating shareholders' equity, as defined above, further adjusted for the following:

- 1) Elimination of deferred acquisition costs, net. 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 net present value of estimated net future revenue on non financial guaranty contracts. See below.
- 3) Addition of the deferred premium revenue 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, which are not reflected in GAAP equity.
- 4) Elimination of the tax asset or liability related to the above adjustments, which are determined by applying the statutory tax rate in each of the jurisdictions that generate these adjustments.

The unearned premiums and revenues included in non-GAAP adjusted book value will be earned in future periods, but actual earnings may differ materially from the estimated amounts used in determining current non-GAAP adjusted book value due to changes in foreign exchange rates, prepayment speeds, terminations, credit defaults and other factors.

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, adjusted for FG VIE consolidation, to evaluate AGL's share price and as the basis of their decision to recommend, buy or sell the AGL common shares. Quarterly and year-to-date operating ROE are calculated on an annualized basis. Operating ROE, adjusted for FG VIE consolidation, is one of the key management financial measures used in determining the amount of certain long-term compensation to management and employees and used by rating agencies and investors.

Non-GAAP Financial Measures (continued)

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

PVP or Present Value of New Business Production: Management believes that PVP is a useful measure because it enables the evaluation of the value of new business production for the Company 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 management believes GAAP gross written premiums and the net credit derivative premiums received and receivable portion of net realized gains and other settlements on credit derivatives (Credit Derivative Realized Gains (Losses)) do not adequately measure. PVP in respect of 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, discounted, in each case, at 6%. For purposes of the PVP calculation, management discounts estimated future installment premiums on insurance contracts at 6%. Under GAAP, financial guaranty installment premiums are discounted at a risk free rate. Additionally, under GAAP, management records future installment premiums on financial guaranty insurance contracts covering non-homogeneous pools of assets based on the contractual term of the transaction, whereas for PVP purposes, management records an estimate of the future installment premiums the Company expects to receive, which may be based upon a shorter period of time than the contractual term of the transaction. Actual future net earned or written premiums and Credit Derivative Realized Gains (Losses) may differ from PVP 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.



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