

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, 2018



**Assured Guaranty Corp.**  
**March 31, 2018**  
**Financial Supplement**

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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, 2017 and its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018. 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.

**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 or Assured Guaranty's loss experience; (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,	
	2018	2017
<b>Net income (loss)</b>	<b>\$ 76</b>	<b>\$ 124</b>
Non-GAAP operating income <sup>(1)</sup>	58	89
Gain (loss) related to the effect of consolidating financial guaranty variable interest entities (FG VIE consolidation) (net of tax provision of \$0 and \$0) included in non-GAAP operating income	1	1
<b>Effective tax rate on net income</b>	<b>18.6%</b>	<b>19.0%</b>
Effective tax rate on non-GAAP operating income <sup>(2)</sup>	17.7 %	9.2 %
Effect of FG VIE consolidation included in effective tax rate on non-GAAP operating income	0.0 %	0.4 %
<b>Return on equity (ROE) calculations<sup>(3)</sup>:</b>		
<b>GAAP ROE</b>	<b>12.7%</b>	<b>20.3%</b>
Non-GAAP operating ROE <sup>(1)</sup>	10.2 %	14.8 %
Effect of FG VIE consolidation on non-GAAP operating ROE	0.1 %	0.2 %
<b>New business:</b>		
<b>Gross written premiums (GWP)</b>	<b>\$ 1</b>	<b>\$ (1)</b>
Present value of new business production (PVP) <sup>(1)</sup>	2	0
Gross par written	11	—
	<b>As of:</b>	
	March 31, 2018	December 31, 2017
<b>Shareholder's equity</b>	<b>\$ 2,304</b>	<b>\$ 2,518</b>
Non-GAAP operating shareholder's equity <sup>(1)</sup>	2,172	2,367
Non-GAAP adjusted book value <sup>(1)</sup>	2,608	2,837
Gain (loss) related to FG VIE consolidation included in non-GAAP operating shareholders' equity	(7)	(7)
Gain (loss) related to FG VIE consolidation included in non-GAAP adjusted book value	(8)	(9)
<b>Other Information</b>		
Net debt service outstanding	\$ 36,917	\$ 38,985
Net par outstanding	25,305	26,755
Claims-paying resources (including MAC) <sup>(4)</sup>	3,538	3,710

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

2) Represents the ratio of non-GAAP operating provision for income taxes to non-GAAP 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)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2018</b>	<b>2017</b>
<b>Effect of refundings and terminations on GAAP measures:</b>		
Net earned premiums, pre-tax	\$ 21	\$ 25
Net change in fair value of credit derivatives, pre-tax	3	8
Net income effect	21	25
<b>Effect of refundings and terminations on non-GAAP measures:</b>		
Operating net earned premiums and credit derivative revenues <sup>(1)</sup> , pre-tax	24	33
Non-GAAP operating income <sup>(1)</sup> effect	21	25

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

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

	<b>As of:</b>	
	<b>March 31, 2018</b>	<b>December 31, 2017</b>
<b>Assets:</b>		
Investment portfolio:		
Fixed-maturity securities, available-for-sale, at fair value	\$ 2,738	\$ 2,937
Short-term investments, at fair value	50	57
Other invested assets	5	5
Equity method investments in affiliates	227	224
Total investment portfolio	3,020	3,223
Cash	20	46
Premiums receivable, net of commissions payable	168	172
Ceded unearned premium reserve	207	223
Reinsurance recoverable on unpaid losses	203	205
Salvage and subrogation recoverable	189	310
Current income tax receivable	162	168
Financial guaranty variable interest entities (FG VIE) assets, at fair value	117	122
Other assets	232	238
<b>Total assets</b>	<b>\$ 4,318</b>	<b>\$ 4,707</b>
<b>Liabilities and shareholders' equity:</b>		
<b>Liabilities:</b>		
Unearned premium reserve	\$ 822	\$ 891
Loss and loss adjustment expense reserve	446	473
Notes payable to affiliates	300	300
Credit derivative liabilities	188	223
FG VIE liabilities with recourse, at fair value	125	131
FG VIE liabilities without recourse, at fair value	2	2
Other liabilities	131	169
<b>Total liabilities</b>	<b>2,014</b>	<b>2,189</b>
<b>Shareholders' equity:</b>		
Preferred stock	—	—
Common stock	15	15
Additional paid-in capital	842	1,042
Retained earnings	1,282	1,253
Accumulated other comprehensive income	165	208
<b>Total shareholders' equity</b>	<b>2,304</b>	<b>2,518</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 4,318</b>	<b>\$ 4,707</b>

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

	Three Months Ended March 31,	
	2018	2017
<b>Revenues:</b>		
Net earned premiums	\$ 41	\$ 65
Net investment income	33	48
Net realized investment gains (losses)	(1)	40
Net change in fair value of credit derivatives:		
Realized gains (losses) and other settlements	1	1
Net unrealized gains (losses)	28	26
Net change in fair value of credit derivatives	29	27
Fair value gains (losses) on FG VIEs	2	2
Bargain purchase gain and settlement of pre-existing relationships, net	—	58
Other income (loss)	0	8
<b>Total revenues</b>	<b>104</b>	<b>248</b>
<b>Expenses:</b>		
Loss and loss adjustment expenses (LAE)	1	78
Amortization of deferred ceding commissions, net	(1)	(1)
Interest expense	3	3
Other operating expenses	16	25
<b>Total expenses</b>	<b>19</b>	<b>105</b>
<b>Income (loss) before income taxes and equity in net earnings of investee</b>	<b>85</b>	<b>143</b>
Provision (benefit) for income taxes	16	27
Equity in net earnings of investee	7	8
<b>Net income (loss)</b>	<b>\$ 76</b>	<b>\$ 124</b>

## Assured Guaranty Corp.

### Non-GAAP Operating Income Adjustments and Effect of FG VIE Consolidation (dollars in millions)

#### Non-GAAP Operating Income Adjustments and Effect of FG VIE Consolidation for the Three Months Ended March 31, 2018 and March 31, 2017

	Three Months Ended March 31, 2018		Three Months Ended March 31, 2017	
	Non-GAAP Operating Income Adjustments <sup>(1)</sup>	Effect of FG VIE Consolidation <sup>(2)</sup>	Non-GAAP Operating Income Adjustments <sup>(1)</sup>	Effect of FG VIE Consolidation <sup>(2)</sup>
<b>Adjustments to revenues:</b>				
Net earned premiums	\$ —	\$ 0	\$ —	\$ (1)
Net investment income	—	0	—	0
Net realized investment gains (losses)	(1)	—	40	—
Net change in fair value of credit derivatives	25	—	20	—
Fair value gains (losses) on FG VIEs	—	2	—	2
Other income (loss)	(1)	—	3	—
<b>Total revenue adjustments</b>	<u>23</u>	<u>2</u>	<u>63</u>	<u>1</u>
<b>Adjustments to expenses:</b>				
Loss expense	0	1	9	0
<b>Total expense adjustments</b>	<u>0</u>	<u>1</u>	<u>9</u>	<u>0</u>
<b>Pre-tax adjustments</b>	<u>23</u>	<u>1</u>	<u>54</u>	<u>1</u>
Tax effect of adjustments	5	0	19	0
Equity in net earnings of subsidiaries	0	—	0	—
<b>After-tax adjustments</b>	<u>\$ 18</u>	<u>\$ 1</u>	<u>\$ 35</u>	<u>\$ 1</u>

1) The "Non-GAAP Operating Income Adjustments" column represents the amounts recorded in the condensed consolidated statements of operations that the Company removes to arrive at non-GAAP 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 condensed 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)

**Non-GAAP Operating Income Reconciliation**

	Three Months Ended March 31,	
	2018	2017
<b>Net income (loss)</b>	<b>\$ 76</b>	<b>\$ 124</b>
Less pre-tax adjustments:		
Realized gains (losses) on investments	(1)	40
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	25	11
Fair value gains (losses) on committed capital securities (CCS) <sup>(1)</sup>	(1)	(1)
Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves <sup>(1)</sup>	0	4
Total pre-tax adjustments	23	54
Less tax effect on pre-tax adjustments	(5)	(19)
<b>Non-GAAP operating income</b>	<b>\$ 58</b>	<b>\$ 89</b>
 <b>Gain (loss) related to FG VIE consolidation (net of tax provision of \$0, and \$0) included in non-GAAP operating income</b>	 <b>\$ 1</b>	 <b>\$ 1</b>

1) Included in other income (loss) in the condensed consolidated statements of operations.

**ROE Reconciliation and Calculation**

	As of			
	March 31, 2018	December 31, 2017	March 31, 2017	December 31, 2016
<b>Shareholder's equity</b>	<b>\$ 2,304</b>	<b>\$ 2,518</b>	<b>\$ 2,505</b>	<b>\$ 2,404</b>
Non-GAAP operating shareholder's equity	2,172	2,367	2,450	2,363
<b>Gain (loss) related to FG VIE consolidation included in non-GAAP operating shareholders' equity</b>	<b>(7)</b>	<b>(7)</b>	<b>(7)</b>	<b>(8)</b>
	Three Months Ended March 31,			
	2018	2017		
<b>Net income (loss)</b>	<b>\$ 76</b>	<b>\$ 124</b>		
Non-GAAP operating income	58	89		
<b>Gain (loss) related to FG VIE consolidation included in non-GAAP operating income</b>	<b>1</b>	<b>1</b>		
 <b>Average shareholder's equity</b>	 <b>\$ 2,411</b>	 <b>\$ 2,455</b>		
Average non-GAAP operating shareholder's equity	2,270	2,407		
 <b>Gain (loss) related to FG VIE consolidation included in average non-GAAP operating shareholder's equity</b>	 <b>(7)</b>	 <b>(8)</b>		
 <b>GAAP ROE <sup>(1)</sup></b>	 <b>12.7%</b>	 <b>20.3%</b>		
Non-GAAP operating ROE <sup>(1)</sup>	10.2 %	14.8 %		
Effect of FG VIE consolidation included in non-GAAP operating ROE	0.1 %	0.2 %		

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.



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

	As of			
	March 31, 2018	December 31, 2017	March 31, 2017	December 31, 2016
<b>Reconciliation of shareholder's equity to non-GAAP adjusted book value:</b>				
<b>Shareholder's equity</b>	<b>\$ 2,304</b>	<b>\$ 2,518</b>	<b>\$ 2,505</b>	<b>\$ 2,404</b>
Less pre-tax reconciling items:				
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(78)	(103)	(116)	(127)
Fair value gains (losses) on CCS	30	31	31	32
Unrealized gain (loss) on investment portfolio	203	249	165	153
Less taxes	(23)	(26)	(25)	(17)
Non-GAAP operating shareholders' equity	2,172	2,367	2,450	2,363
Pre-tax reconciling items:				
Less: Deferred acquisition costs	5	4	(8)	(8)
Plus: Net present value of estimated net future credit derivative revenue	89	95	105	114
Plus: Net unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed	468	504	1,046	777
Plus taxes	(116)	(125)	(406)	(314)
Non-GAAP adjusted book value	<u>\$ 2,608</u>	<u>\$ 2,837</u>	<u>\$ 3,203</u>	<u>\$ 2,948</u>
<b>Gain (loss) related to FG VIE consolidation included in non-GAAP operating shareholder's equity (net of tax benefit of \$2, \$2, \$4 and \$4</b>	<b>\$ (7)</b>	<b>\$ (7)</b>	<b>\$ (7)</b>	<b>\$ (8)</b>
<b>Gain (loss) related to FG VIE consolidation included in non-GAAP adjusted book value (net of tax benefit of \$3, \$2, \$5, and \$5</b>	<b>\$ (8)</b>	<b>\$ (9)</b>	<b>\$ (9)</b>	<b>\$ (9)</b>

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

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

As of:

	March 31, 2018	December 31, 2017
<b>Claims-paying resources</b>		
Policyholders' surplus	\$ 1,847	\$ 2,073
Contingency reserve <sup>(1)</sup>	644	642
<b>Qualified statutory capital</b>	<b>2,491</b>	<b>2,715</b>
Unearned premium reserve <sup>(1)</sup>	336	354
Loss and LAE reserves <sup>(1)</sup>	214	135
<b>Total policyholders' surplus and reserves</b>	<b>3,041</b>	<b>3,204</b>
Present value of installment premium <sup>(1)</sup>	117	126
CCS	200	200
Excess of loss reinsurance facility <sup>(2)</sup>	180	180
<b>Total claims-paying resources (including proportionate MAC ownership for AGC)</b>	<b>3,538</b>	<b>3,710</b>
Adjustment for MAC <sup>(3)</sup>	291	292
<b>Total claims-paying resources (excluding proportionate MAC ownership for AGC)</b>	<b>\$ 3,247</b>	<b>\$ 3,418</b>
Statutory net par outstanding <sup>(4)</sup>	\$ 22,642	\$ 23,914
Equity method adjustment <sup>(3)</sup>	11,189	11,829
<b>Adjusted statutory net par outstanding <sup>(1)</sup></b>	<b>\$ 33,831</b>	<b>\$ 35,743</b>
Net debt service outstanding <sup>(4)</sup>	\$ 34,163	\$ 36,018
Equity method adjustment <sup>(3)</sup>	16,470	17,419
<b>Adjusted net debt service outstanding <sup>(1)</sup></b>	<b>\$ 50,633</b>	<b>\$ 53,437</b>
<b>Ratios:</b>		
Adjusted net par outstanding to qualified statutory capital	14:1	13:1
Capital ratio <sup>(5)</sup>	20:1	20:1
Financial resources ratio <sup>(6)</sup>	14:1	14:1

- 1) The numbers shown for AGC in 2017 have been adjusted to include its indirect share of Municipal Assurance Corp. (MAC). Assured Guaranty Municipal Corp. (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.
- 2) Represents the \$180 million portion placed with an unaffiliated reinsurer of a \$400 million aggregate excess-of-loss reinsurance facility for the benefit of AGC, AGM and MAC, which became effective January 1, 2018. The facility terminates on January 1, 2020 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, 2018 and March 31, 2017

	Three Months Ended March 31, 2018					Three Months Ended March 31, 2017				
	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.	
<b>Total GWP</b>	\$ 0	\$ 1	\$ 0	\$ 0	\$ 1	\$ (1)	\$ 1	\$ 0	\$ (1)	\$ (1)
Less: Installment GWP and other GAAP adjustments <sup>(1)</sup>	0	0	0	0	0	(1)	1	0	(1)	(1)
Upfront GWP	—	1	—	—	1	—	0	—	—	0
Plus: Installment premium PVP	—	1	0	—	1	—	0	—	—	0
<b>Total PVP</b>	<u>\$ —</u>	<u>\$ 2</u>	<u>\$ 0</u>	<u>\$ —</u>	<u>\$ 2</u>	<u>\$ —</u>	<u>\$ 0</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 0</u>
<b>Gross par written</b>	\$ —	\$ —	\$ 11	\$ —	\$ 11	\$ —	\$ —	\$ —	\$ —	\$ —

- 1) Includes present value of new business on installment policies discounted at the prescribed GAAP discount rates, GWP 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, 2018	
	Gross Par Written	Avg. Internal Rating
<b>Sector</b>		
<b>U.S. public finance</b>		
Total U.S. public finance	\$ —	—
<b>Non-U.S. public finance:</b>		
Total non-U.S. public finance	—	—
<b>Total public finance</b>	—	—
<b>U.S. structured finance:</b>		
Structured credit	11	BBB
Total U.S. structured finance	11	BBB
<b>Non-U.S. structured finance:</b>		
Total non-U.S. structured finance	—	—
<b>Total structured finance</b>	11	BBB
<b>Total gross par written</b>	\$ 11	BBB

**Assured Guaranty Corp.**  
**Available-for-Sale Investment Portfolio and Cash**  
**As of March 31, 2018**  
(dollars in millions)

	<b>Amortized Cost</b>	<b>Pre-Tax Book Yield</b>	<b>After-Tax Book Yield</b>	<b>Fair Value</b>	<b>Annualized Investment Income <sup>(1)</sup></b>
<b>Investment portfolio, available-for-sale:</b>					
Fixed-maturity securities:					
U.S. obligations of states and political subdivisions <sup>(3)</sup>	\$ 1,618	3.54 %	3.24 %	\$ 1,668	\$ 57
Insured obligations of state and political subdivisions <sup>(2)</sup>	35	4.72	3.97	35	2
U.S. Treasury securities and obligations of U.S. government agencies	34	3.19	2.52	34	1
Agency obligations	18	5.37	4.24	20	1
Corporate securities	189	2.83	2.24	186	5
Mortgage-backed securities (MBS):					
Residential MBS (RMBS) <sup>(3)</sup>	78	3.72	2.94	76	3
Commercial MBS (CMBS)	49	2.96	2.34	48	2
Asset-backed securities <sup>(3)</sup>	519	10.84	8.56	671	56
Total fixed-maturity securities	2,540	5.00	4.23	2,738	127
Short-term investments	50	1.23	0.97	50	1
Cash <sup>(4)</sup>	20	—	—	20	—
<b>Total</b>	<b>\$ 2,610</b>	<b>4.92%</b>	<b>4.17%</b>	<b>\$ 2,808</b>	<b>\$ 128</b>

<b>Ratings <sup>(5)</sup>:</b>	<b>Fair Value</b>	<b>% of Portfolio</b>
U.S. Treasury securities and obligations of U.S. government agencies	\$ 34	1.2 %
Agency obligations	20	0.7
AAA/Aaa	226	8.3
AA/Aa	1,328	48.5
A/A	337	12.3
BBB	89	3.3
Below investment grade (BIG) <sup>(6)</sup>	650	23.7
Not rated	54	2.0
<b>Total fixed-maturity securities, available-for-sale</b>	<b>\$ 2,738</b>	<b>100.0%</b>

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

**6.4**

**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 BBB+, after giving effect to the lower of the rating assigned by S&P Global Ratings, a division of 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 or 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 \$926 million in par with carrying value of \$649 million.

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

	Estimated Net Debt Service Amortization <sup>(1)</sup>	Estimated Ending Net Debt Service Outstanding <sup>(1)</sup>	Financial Guaranty Insurance <sup>(2)</sup>			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	
2018 (as of March 31)		\$ 36,917				
2018 Q2	\$ 1,072	35,845	\$ 20	\$ 1	\$ 0	\$ 1
2018 Q3	1,249	34,596	19	1	0	1
2018 Q4	1,027	33,569	18	0	0	2
2019	3,920	29,649	67	2	1	6
2020	2,196	27,453	60	2	1	5
2021	2,114	25,339	54	2	1	5
2022	1,951	23,388	48	2	1	5
2018-2022	13,529	23,388	286	10	4	25
2023-2027	7,346	16,042	180	6	2	21
2028-2032	5,588	10,454	105	4	1	19
2033-2037	5,323	5,131	50	1	1	17
After 2037	5,131	—	29	1	0	19
<b>Total</b>	<b>\$ 36,917</b>		<b>\$ 650</b>	<b>\$ 22</b>	<b>\$ 8</b>	<b>\$ 101</b>

1) Represents the future expected amortization of current debt service outstanding (principal and interest), assuming no advance refundings, as of March 31, 2018. 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 for “Net Expected Loss to be Expensed.”

**Assured Guaranty Corp.**  
Net Expected Loss to be Expensed  
As of March 31, 2018  
(dollars in millions)

	Net Expected Loss to be Expensed <sup>(1)</sup>
	<u>GAAP</u>
2018 Q2	\$ 7
2018 Q3	6
2018 Q4	6
2019	21
2020	22
2021	19
2022	18
2018-2022	99
2023-2027	83
2028-2032	52
2033-2037	19
After 2037	7
<b>Total expected present value of net expected loss to be expensed<sup>(2)</sup></b>	<b>260</b>
Future accretion	(54)
<b>Total expected future loss and LAE</b>	<b>\$ 206</b>

1) The present value of net expected loss to be paid is discounted using risk-free rates ranging from 0.0% to 3.11% for U.S. dollar denominated obligations.

2) Excludes \$4 million related to FG VIEs, which are eliminated in consolidation.

**Assured Guaranty Corp.**  
**Financial Guaranty Profile (1 of 3)**  
(dollars in millions)

**Net Par Outstanding and Average Rating by Asset Type**

	March 31, 2018		December 31, 2017	
	Net Par Outstanding	Avg. Internal Rating	Net Par Outstanding	Avg. Internal Rating
<b>U.S. public finance:</b>				
Tax backed	\$ 4,259	BBB-	\$ 4,480	BBB-
General obligation	4,025	BBB+	4,276	BBB+
Transportation	2,506	A-	2,759	A-
Municipal utilities	2,012	BBB+	2,107	BBB+
Healthcare	1,909	A-	2,048	A
Infrastructure finance	1,062	A-	1,072	A-
Higher education	723	A-	785	A-
Investor-owned utilities	244	A-	246	A-
Housing revenue	96	BBB	96	BBB
Other public finance	449	A-	502	A-
Total U.S. public finance	17,285	BBB+	18,371	BBB+
<b>Non-U.S. public finance:</b>				
Regulated utilities	1,266	BBB+	1,227	BBB+
Infrastructure finance	985	BBB	989	BBB
Pooled infrastructure	788	AAA	780	AAA
Other public finance	330	A-	323	A-
Total non-U.S. public finance	3,369	A	3,319	A
<b>Total public finance</b>	<b>20,654</b>	<b>BBB+</b>	<b>21,690</b>	<b>BBB+</b>
<b>U.S. structured finance:</b>				
RMBS	1,393	A-	1,452	A-
Pooled corporate obligations	1,039	A+	1,149	A
Consumer receivables	796	A+	955	A
Insurance securitization	510	AA	510	AA
Other structured finance	242	BBB+	243	BBB+
Total U.S. structured finance	3,980	A	4,309	A
<b>Non-U.S. structured finance:</b>				
RMBS	229	AA-	230	AA-
Commercial receivables	219	A	235	A
Pooled corporate obligations	47	AA	78	AA+
Other structured finance	176	BBB+	213	BBB+
Total non-U.S. structured finance	671	A	756	A
<b>Total structured finance</b>	<b>4,651</b>	<b>A</b>	<b>5,065</b>	<b>A</b>
<b>Total</b>	<b>\$ 25,305</b>	<b>A-</b>	<b>\$ 26,755</b>	<b>A-</b>

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 3)  
As of March 31, 2018  
(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	\$ 36	0.2 %		\$ 876	26.0 %		\$ 658	16.4 %		\$ 151	22.4 %		\$ 1,721	6.8 %	
AA	2,624	15.2		1	0.0		1,304	32.8		40	6.0		3,969	15.7	
A	8,273	47.9		619	18.4		1,046	26.3		144	21.5		10,082	39.8	
BBB	4,400	25.4		1,734	51.5		317	8.0		336	50.1		6,787	26.8	
BIG	1,952	11.3		139	4.1		655	16.5		0	0.0		2,746	10.9	
<b>Net Par Outstanding<sup>(1)</sup></b>	<b>\$ 17,285</b>	<b>100.0%</b>		<b>\$ 3,369</b>	<b>100.0%</b>		<b>\$ 3,980</b>	<b>100.0%</b>		<b>\$ 671</b>	<b>100.0%</b>		<b>\$ 25,305</b>	<b>100.0%</b>	

- 1) As of March 31, 2018, excludes \$712 million of net par attributable to loss mitigation strategies, including loss mitigation securities held in the investment portfolio, which are primarily BIG.

**Ceded Par Outstanding**

	Ceded Par Outstanding <sup>(1)(2)</sup>	% of Total
Affiliated reinsurers	\$ 24,554	99.7 %
Non-affiliated reinsurers	74	0.3 %
<b>Total</b>	<b>\$ 24,628</b>	<b>100.0%</b>

- 1) Of the total ceded par to reinsurers rated BIG or not rated, none is rated BIG.  
2) There was no collateral posted by third party reinsurers and \$283 million posted by an affiliated reinsurer as of March 31, 2018.

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 3)  
As of March 31, 2018  
(dollars in millions)

**Geographic Distribution of Financial Guaranty Portfolio**

	<b>Net Par Outstanding</b>	<b>% of Total</b>
<b>U.S.:</b>		
U.S. public finance:		
California	\$ 2,354	9.3 %
Texas	1,760	7.0
Puerto Rico	1,669	6.6
New Jersey	1,514	6.0
New York	1,259	5.0
Florida	1,034	4.1
Illinois	950	3.8
Pennsylvania	651	2.6
District of Columbia	525	2.1
Massachusetts	419	1.7
Other	5,150	20.3
Total U.S. public finance	17,285	68.5
U.S. structured finance:	3,980	15.7
<b>Total U.S.</b>	<b>21,265</b>	<b>84.2</b>
<b>Non-U.S.:</b>		
United Kingdom	2,513	9.9
Australia	478	1.9
Italy	205	0.8
France	132	0.5
Turkey	129	0.5
Other	583	2.2
<b>Total non-U.S.</b>	<b>4,040</b>	<b>15.8</b>
<b>Total net par outstanding</b>	<b>\$ 25,305</b>	<b>100.0%</b>

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

**Assured Guaranty Corp.**  
Exposure to Puerto Rico (1 of 3)  
As of March 31, 2018  
(dollars in millions)

**Exposure to Puerto Rico**

	<u>Gross Par Outstanding</u>	<u>Net Par Outstanding</u>	<u>Gross Debt Service Outstanding</u>	<u>Net Debt Service Outstanding</u>
Total	\$ 2,041	\$ 1,669	\$ 3,449	\$ 2,794

**Net Exposure to Puerto Rico by Risk<sup>(1)</sup>**

	<u>Net Par Outstanding<sup>(2)</sup></u>	<u>Gross Par Outstanding</u>
<b>Commonwealth Constitutionally Guaranteed</b>		
Commonwealth of Puerto Rico - General Obligation Bonds <sup>(3)</sup>	\$ 343	\$ 403
Puerto Rico Public Buildings Authority (PBA)	141	142
<b>Public Corporations - Certain Revenues Potentially Subject to Clawback</b>		
Puerto Rico Highways and Transportation Authority (PRHTA) (Transportation revenue) <sup>(3)</sup>	511	651
PRHTA (Highways revenue) <sup>(3)</sup>	93	97
Puerto Rico Convention Center District Authority (PRCCDA)	152	152
Puerto Rico Infrastructure Financing Authority (PRIFA)	17	18
<b>Other Public Corporations</b>		
Puerto Rico Electric Power Authority (PREPA) <sup>(3)</sup>	73	122
Puerto Rico Aqueduct and Sewer Authority (PRASA) <sup>(4)</sup>	284	373
Puerto Rico Municipal Finance Agency (MFA) <sup>(4)</sup>	54	82
University of Puerto Rico <sup>(4)</sup>	1	1
Total net exposure to Puerto Rico	<u>\$ 1,669</u>	<u>\$ 2,041</u>

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 \$6 million and a fully accreted net par at maturity of \$6 million. Of these amounts, current net par of \$4 million and fully accreted net par at maturity of \$4 million relate to the PRHTA, and current net par of \$2 million and fully accreted net par at maturity of \$2 million relate to the Commonwealth General Obligation Bonds.

3) As of the date of this filing, the seven-member federal financial oversight board established by the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) has certified a filing under Title III of PROMESA for these exposures.

4) As of the date of this filing, the Company has not paid claims on these credits.

**Assured Guaranty Corp.**  
Exposure to Puerto Rico (2 of 3)  
As of March 31, 2018  
(dollars in millions)

**Amortization Schedule of Net Par Outstanding of Puerto Rico<sup>(1)</sup>**

	2018 (2Q)	2018 (3Q)	2018 (4Q)	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028 -2032	2033 -2037	2038 -2042	2043 -2047	Total
<b>Commonwealth Constitutionally Guaranteed</b>																	
Commonwealth of Puerto Rico - General Obligation Bonds	\$ 0	\$ 41	\$ 0	\$ 33	\$ 84	\$ 15	\$ 13	\$ 8	\$ 9	\$ 8	\$ 16	\$ 23	\$ 59	\$ 34	\$ —	\$ —	\$ 343
PBA	—	—	—	3	5	13	0	6	0	7	11	39	17	40	—	—	141
<b>Public Corporations - Certain Revenues Potentially Subject to Clawback</b>																	
PRHTA (Transportation revenue)	0	16	—	14	8	5	14	19	4	21	17	8	64	228	93	—	511
PRHTA (Highway revenue)	—	10	—	10	11	12	—	0	0	1	0	—	30	19	—	—	93
PRCCDA	—	—	—	—	—	—	—	—	—	—	—	19	24	109	—	—	152
PRIFA	—	2	—	—	—	—	—	2	—	—	—	—	—	—	13	—	17
<b>Other Public Corporations</b>																	
PREPA	—	1	—	0	1	1	1	1	1	1	19	17	29	1	—	—	73
PRASA	—	—	—	—	—	—	—	—	2	19	20	21	22	—	1	199	284
MFA	—	14	—	7	9	7	8	3	1	0	2	1	2	—	—	—	54
University of Puerto Rico	—	0	—	0	0	0	0	0	0	0	0	0	1	0	—	—	1
Total	\$ 0	\$ 84	\$ 0	\$ 67	\$ 118	\$ 53	\$ 36	\$ 39	\$ 17	\$ 57	\$ 85	\$ 128	\$ 248	\$ 431	\$ 107	\$ 199	\$ 1,669

- 1) Includes exposure to capital appreciation bonds with a current aggregate net par outstanding of \$6 million and a fully accreted net par at maturity of \$6 million. Of these amounts, current net par of \$4 million and fully accreted net par at maturity of \$4 million relate to the PRHTA, and current net par of \$2 million and fully accreted net par at maturity of \$2 million relate to the Commonwealth General Obligation Bonds.

**Assured Guaranty Corp.**  
Exposure to Puerto Rico (3 of 3)  
As of March 31, 2018  
(dollars in millions)

**Amortization Schedule of Net Debt Service Outstanding of Puerto Rico<sup>(1)</sup>**

	2018 (2Q)	2018 (3Q)	2018 (4Q)	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028 -2032	2033 -2037	2038 -2042	2043 -2047	Total
<b>Commonwealth Constitutionally Guaranteed</b>																	
Commonwealth of Puerto Rico - General Obligation Bonds	\$ 0	\$ 49	\$ 0	\$ 48	\$ 97	\$ 25	\$ 22	\$ 16	\$ 17	\$ 16	\$ 23	\$ 29	\$ 75	\$ 38	\$ —	\$ —	\$ 455
PBA	—	3	—	10	12	20	6	13	6	13	17	44	31	45	—	—	220
<b>Public Corporations - Certain Revenues Potentially Subject to Clawback</b>																	
PRHTA (Transportation revenue)	0	29	—	40	33	30	38	43	27	44	38	28	156	288	106	—	900
PRHTA (Highway revenue)	—	12	—	15	15	15	3	3	3	3	3	3	42	21	—	—	138
PRCCDA	—	3	—	7	7	7	7	7	7	7	7	26	54	122	—	—	261
PRIFA	—	2	—	1	1	1	1	2	1	1	1	1	3	3	15	—	33
<b>Other Public Corporations</b>																	
PREPA	0	3	0	4	4	5	4	5	4	4	22	19	31	1	—	—	106
PRASA	—	7	—	15	15	15	15	15	16	33	33	33	75	52	54	239	617
MFA	—	16	—	9	11	9	8	3	1	1	2	1	2	—	—	—	63
University of Puerto Rico	—	0	—	0	0	0	0	0	0	0	0	0	1	0	—	—	1
Total	\$ 0	\$124	\$ 0	\$149	\$195	\$127	\$104	\$107	\$ 82	\$122	\$146	\$184	\$ 470	\$ 570	\$ 175	\$ 239	\$2,794

- 1) Includes exposure to capital appreciation bonds with a current aggregate net par outstanding of \$6 million and a fully accreted net par at maturity of \$6 million. Of these amounts, current net par of \$4 million and fully accreted net par at maturity of \$4 million relate to the PRHTA, and current net par of \$2 million and fully accreted net par at maturity of \$2 million relate to the Commonwealth General Obligation Bonds.

**Assured Guaranty Corp.**  
Direct Pooled Corporate Obligations Profile  
As of March 31, 2018  
(dollars in millions)

**Distribution of Direct Pooled Corporate Obligations by Ratings**

	<b>Net Par Outstanding</b>	<b>% of Total</b>	<b>Avg. Initial Credit Enhancement</b>	<b>Avg. Current Credit Enhancement</b>
<b>Ratings:</b>				
AAA	\$ 57	5.6 %	46.0 %	73.0 %
AA	592	57.2	46.4	55.0
A	196	18.9	44.6	52.9
BBB	115	11.1	39.0	35.2
BIG	75	7.2	48.4	49.4
<b>Total exposures</b>	<b>\$ 1,035</b>	<b>100.0%</b>	<b>45.4%</b>	<b>53.0%</b>

**Distribution of Direct Pooled Corporate Obligations by Asset Class**

	<b>Net Par Outstanding</b>	<b>% of Total</b>	<b>Avg. Initial Credit Enhancement</b>	<b>Avg. Current Credit Enhancement</b>	<b>Avg. Rating</b>
<b>Asset class:</b>					
Trust preferred					
Banks and insurance	\$ 850	82.1 %	45.0 %	52.6 %	A+
U.S. mortgage and real estate investment trusts	185	17.9	47.3	54.9	BBB+
<b>Total exposures</b>	<b>\$ 1,035</b>	<b>100.0%</b>	<b>45.4%</b>	<b>53.0%</b>	<b>A+</b>

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, 2018  
(dollars in millions)

**Distribution of U.S. RMBS by Rating and Type of Exposure <sup>(1)</sup>**

<b>Ratings:</b>	<b>Prime First Lien</b>	<b>Alt-A First Lien</b>	<b>Option ARMs</b>	<b>Subprime First Lien</b>	<b>Second Lien</b>	<b>Total Net Par Outstanding</b>
AAA	\$ 3	\$ 76	\$ 17	\$ 468	\$ 0	\$ 564
AA	18	113	9	23	—	163
A	0	—	0	71	0	71
BBB	2	—	—	30	1	34
BIG	53	149	22	167	170	560
<b>Total exposures</b>	<b>\$ 76</b>	<b>\$ 338</b>	<b>\$ 48</b>	<b>\$ 760</b>	<b>\$ 171</b>	<b>\$ 1,393</b>

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

<b>Year insured:</b>	<b>Prime First Lien</b>	<b>Alt-A First Lien</b>	<b>Option ARMs</b>	<b>Subprime First Lien</b>	<b>Second Lien</b>	<b>Total Net Par Outstanding</b>
2004 and prior	\$ 17	\$ 9	\$ 9	\$ 123	\$ 1	\$ 158
2005	48	93	9	2	42	194
2006	11	1	10	447	3	473
2007	—	236	19	188	125	567
<b>Total exposures</b>	<b>\$ 76</b>	<b>\$ 338</b>	<b>\$ 48</b>	<b>\$ 760</b>	<b>\$ 171</b>	<b>\$ 1,393</b>

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, 2018  
(dollars in millions)

**Distribution of Credit Derivative Net Par Outstanding by Rating**

<b>Rating</b>	<b>Net Par Outstanding</b>	<b>% of Total</b>
AAA	\$ 1,229	36.3 %
AA	828	24.5
A	628	18.5
BBB	489	14.5
BIG	210	6.2
<b>Total credit derivative net par outstanding</b>	<b>\$ 3,384</b>	<b>100.0%</b>

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

	<b>Net Par Outstanding</b>	<b>Average Internal Rating</b>
<b>Public finance</b>		
U.S. public finance	\$ 348	AA-
Non-U.S. public finance	1,343	AA-
<b>Total public finance</b>	<b>1,691</b>	<b>AA-</b>
<b>U.S. structured finance:</b>		
RMBS	717	AA-
Pooled corporate obligations	709	A
Consumer receivables	120	A+
Other structured finance	4	A
<b>Total U.S. structured finance</b>	<b>1,550</b>	<b>A+</b>
<b>Non-U.S. structured finance:</b>		
RMBS	141	A
Other structured finance	2	A
<b>Total non-U.S. structured finance</b>	<b>143</b>	<b>A</b>
<b>Total structured finance</b>	<b>1,693</b>	<b>A+</b>
<b>Total credit derivative net par outstanding</b>	<b>\$ 3,384</b>	<b>AA-</b>

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**

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
<b>U.S. public finance:</b>		
Tax backed	\$ 877	\$ 863
General obligation	561	621
Municipal utilities	380	380
Healthcare	77	77
Higher education	26	64
Housing	18	18
Transportation	5	12
Infrastructure finance	2	2
Other public finance	6	6
Total U.S. public finance	<u>1,952</u>	<u>2,043</u>
<b>Non-U.S. public finance:</b>		
Infrastructure finance	98	98
Other public finance	41	40
Total non-U.S. public finance	<u>139</u>	<u>138</u>
<b>Total public finance</b>	<u><b>2,091</b></u>	<u><b>2,181</b></u>
<b>U.S. structured finance:</b>		
RMBS	560	597
Pooled corporate obligations	75	122
Consumer receivables	6	6
Other structured finance	14	18
Total U.S. structured finance	<u>655</u>	<u>743</u>
<b>Non-U.S. structured finance:</b>		
Pooled corporate obligations	0	1
Other structured finance	—	0
Total non-U.S. structured finance	<u>0</u>	<u>1</u>
<b>Total structured finance</b>	<u><b>655</b></u>	<u><b>744</b></u>
<b>Total BIG net par outstanding</b>	<u><b>\$ 2,746</b></u>	<u><b>\$ 2,925</b></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<sup>(1)</sup>**

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
<b>Category 1</b>		
U.S. public finance	\$ 291	\$ 381
Non-U.S. public finance	82	83
U.S. structured finance	199	278
Non-U.S. structured finance	0	1
Total Category 1	<u>572</u>	<u>743</u>
<b>Category 2</b>		
U.S. public finance	302	302
Non-U.S. public finance	57	55
U.S. structured finance	104	109
Non-U.S. structured finance	—	0
Total Category 2	<u>463</u>	<u>466</u>
<b>Category 3</b>		
U.S. public finance	1,359	1,360
Non-U.S. public finance	—	—
U.S. structured finance	352	356
Non-U.S. structured finance	—	—
Total Category 3	<u>1,711</u>	<u>1,716</u>
<b>BIG Total</b>	<u><u>\$ 2,746</u></u>	<u><u>\$ 2,925</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 are claims 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, 2018  
(dollars in millions)

**BIG Exposures with Revenue Sources Greater Than \$50 Million**

<b>Name or description</b>	<b>Net Par Outstanding</b>	<b>Internal Rating</b>
<b>U.S. public finance:</b>		
Puerto Rico Highways & Transportation Authority	\$ 604	CC-
Puerto Rico, General Obligation, Appropriations and Guarantees of the Commonwealth	501	CCC-
Puerto Rico Aqueduct & Sewer Authority	284	CCC
Puerto Rico Convention Center District Authority	152	C
Puerto Rico Electric Power Authority	73	CC
Puerto Rico Municipal Finance Agency	54	CCC-
<b>Subtotal U.S. public finance</b>	<b><u>1,668</u></b>	
<b>Non-U.S. public finance:</b>		
Breeze Finance S.A.	56	B-
<b>Subtotal non-U.S. public finance</b>	<b><u>56</u></b>	
<b>U.S. structured finance</b>		
<b>RMBS:</b>		
Countrywide Home Equity Loan Trust 2007-D	77	B
<b>Subtotal RMBS</b>	<b><u>77</u></b>	
<b>Non-RMBS:</b>		
Taberna Preferred Funding II, Ltd.	75	BB
<b>Subtotal non-RMBS</b>	<b><u>75</u></b>	
<b>Subtotal U.S. structured finance</b>	<b><u>152</u></b>	
<b>Total</b>	<b><u>\$ 1,876</u></b>	

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.**  
**Largest Exposures by Sector (1 of 4)**  
**As of March 31, 2018**  
(dollars in millions)

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

<b>Credit Name</b>	<b>Net Par Outstanding</b>	<b>Internal Rating</b>
New Jersey (State of)	\$ 1,106	BBB
North Texas Tollway Authority	722	A
Puerto Rico Highways & Transportation Authority	604	CC-
Puerto Rico, General Obligation, Appropriations and Guarantees of the Commonwealth	501	CCC-
Metro Washington Airports Authority (Dulles Toll Road)	323	BBB+
Miami-Dade County, Florida	295	A+
Puerto Rico Aqueduct & Sewer Authority	284	CCC
California (State of)	280	A
San Diego Family Housing, LLC	269	AA
Dallas (City of) Civic Center Convention Complex, Texas	222	A+
Yankee Stadium LLC New York City Industrial Development Authority	218	BBB-
Philadelphia (City of), Pennsylvania	217	BBB+
San Joaquin Hills Transportation, California	172	BBB-
North Carolina Turnpike Authority - Triangle Expressway	167	BBB-
Indianapolis Local Public Improvement Bond Bank, Indiana	166	A+
Kentucky (Commonwealth of)	165	A
Fairview Health Services	157	A
New York (City of), New York	156	AA-
Denver (City & County) Airport System, Colorado	154	A+
Puerto Rico Convention Center District Authority	152	C
Georgia Board of Regents	151	A
Nassau County, New York	149	A-
Chicago Transit Authority (Capital Grant Receipts), Illinois	141	A-
CHRISTUS Health	140	A-
San Francisco Airports Commission (San Francisco International Airport), California	136	A+
Miami-Dade County Aviation Authority (Miami International Airport), Florida	133	A
UnityPoint Health System (f/k/a Iowa Health System)	129	AA-
Navy Midwest Family Housing LLC	128	A-
Virtua Health	121	AA-
Bon Secours Health System Obligated Group	120	A-
District of Columbia Water and Sewer Authority Public Utility Bonds	119	AA-
Massachusetts (Commonwealth of)	117	AA-
Chicago Public Schools, Illinois	117	BBB
Orange County Schools, Florida	110	A+
Essentia Health	108	A
Covenant Health	106	A
Chicago-O'Hare International Airport, Illinois	98	A-
New York (State of)	90	A+
Houston Water and Sewer Authority, Texas	90	AA-
Piedmont Municipal Power Authority, South Carolina	89	A-
Ohana Military Communities, LLC	87	BBB+
Anderson Area Medical Center, South Carolina	81	A
Aurora Military Housing I & II, LLC Elmendorf Air Force Base	79	AA
Children's National Medical Center, District of Columbia	78	A-
Kentucky Municipal Power Agency	76	BBB
Port St. Lucie Water & Sewer Special Assessment, Florida	75	A-
North Oaks Health System	74	BBB-
Austin Combined Utility System, Texas	73	AA
Puerto Rico Electric Power Authority	73	CC
E-470 Public Highway Authority, Colorado	71	A-
<b>Total top 50 U.S. public finance exposures</b>	<b>\$ 9,489</b>	

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, 2018**  
(dollars in millions)

**50 Largest U.S. Structured Finance Exposures**

<b>Credit Name</b>	<b>Net Par Outstanding</b>	<b>Internal Rating</b>
SLM Private Credit Student Trust 2007-A	\$ 425	A+
SLM Private Credit Student Loan Trust 2006-C	233	A+
Private US Insurance Securitization	180	AA
Private US Insurance Securitization	180	AA
Private US Insurance Securitization	150	AA
ALESCO Preferred Funding XIII, Ltd.	127	AA
CWALT Alternative Loan Trust 2007-HY9	110	A
ALESCO Preferred Funding XII, Ltd.	87	A-
Preferred Term Securities XXIV, Ltd.	87	AA-
OwnIt Mortgage Loan ABS Certificates 2006-3	83	AAA
Structured Asset Investment Loan Trust 2006-1	83	AAA
Soundview Home Equity Loan Trust 2006-OPT1	83	AAA
New Century Home Equity Loan Trust 2006-1	83	AAA
First Franklin Mortgage Loan ABS 2005-FF12	79	AAA
ALESCO Preferred Funding XI	79	AA
Countrywide Home Equity Loan Trust 2007-D	77	B
Taberna Preferred Funding II, Ltd.	75	BB
Trapeza CDO XI	74	A-
IMPAC CMB Trust Series 2007-A	68	AAA
First Franklin Mortgage Loan ABS 2005-FF12	65	AAA
ALESCO Preferred Funding X Ltd.	61	AA
Preferred Term Securities XXIII	61	AA
Alesco Preferred Funding XVI, Ltd.	59	BBB-
Trapeza CDO X, Ltd.	59	AA
CAPCO - Excess SIPC Excess of Loss Reinsurance	54	BBB
Attentus CDO I Limited	53	AA
ACE Securities Corp. Home Equity Loan Trust, Series 2006-HE1	52	A
MASTR Asset Backed Securities Trust 2005-NC2	49	AAA
ALESCO Preferred Funding VII	44	AAA
Taberna Preferred Funding VI, Ltd.	44	BBB-
Specialty Underwriting & Residential Fin 06-BC1	41	AAA
Airspeed Limited Series 2007-1 Class G-1	40	A
Countrywide Home Equity Loan Trust 2005-J	38	CCC
Option One Mortgage Loan Trust 2007-HL1	37	BB
Argent Securities Inc. 2005-W2	36	AAA
GreenPoint Manufactured Housing Trust 2001-2	36	AA
IMPAC CMB Trust Series 2007-A	36	BB
L2L Education Loan Trust 2006-1	35	A+
Home Equity Asset Trust 2006-2	33	AAA
MASTR Asset-Backed Securities Trust 2005-NC2	33	CCC
ALESCO Preferred Funding VI	31	AA
Argent Securities Inc. 2005-W2	30	AAA
Merrill Lynch Mortgage Investors 2006-HE1	28	AAA
ACE Home Equity Loan Trust 2007-SL3	21	CCC
ALESCO Preferred Funding XV	21	A
Five Guys Series 2017-1	20	BBB
Argent Securities Inc. 2003-W6	20	BBB-
Ameriquest Mortgage Securities Inc. 2004-R10	19	AAA
Ameriquest Mortgage Securities Inc. 2006-R1	18	AAA
U.S. Capital Funding V Ltd.	17	AA-
<b>Total top 50 U.S. structured finance exposures</b>	<b>\$ 3,554</b>	

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, 2018**  
(dollars in millions)

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

<b>Credit Name</b>	<b>Country</b>	<b>Net Par Outstanding</b>	<b>Internal Rating</b>
International Infrastructure Pool	United Kingdom	\$ 263	AAA
International Infrastructure Pool	United Kingdom	263	AAA
International Infrastructure Pool	United Kingdom	263	AAA
Thames Water Utility Finance PLC	United Kingdom	223	A-
Airspeed Limited	Refer to Note 1	197	A
Regione Lazio	Italy	159	BBB-
Sydney Airport Finance Company	Australia	156	BBB
National Grid Gas PLC	United Kingdom	156	BBB+
Equity Release Funding (No. 4) PLC	United Kingdom	140	A
Dali Capital PLC-Northumbrian Water	United Kingdom	138	BBB+
Garanti Diversified Payment Rights Finance Company	Turkey	122	BBB+
South Lanarkshire Schools	United Kingdom	105	BBB-
Anglian Water Services Financing PLC	United Kingdom	102	A-
Orange and Associated Health Services Ancora (OAHS) Pty Ltd.	Australia	101	BBB
Verbund (Lease and Sublease of Hydro-Electric equipment)	Austria	87	AAA
Envestra Limited	Australia	82	BBB+
BBi (DBCT) Finance Pty Limited	Australia	77	BBB
Southern Water Services Limited	United Kingdom	70	A-
Dwr Cymru Financing Limited Welsh Water Plc	United Kingdom	65	A-
Channel Link Enterprises Finance PLC (Eurotunnel)	France and United Kingdom	63	BBB
Société des Autoroutes du Nord et de l'Est de la France S.A.	France	60	BBB+
Breeze Finance S.A. Class A Secured Bonds due 2026	Germany	55	B-
Private Diversified Payment Rights Transaction	Guatemala	52	BBB
Capital Hospitals (Issuer) PLC	United Kingdom	50	BBB-
ALBA 2005-1 PLC	United Kingdom	48	AAA
<b>Total top 25 non-U.S. exposures</b>		<b>\$ 3,097</b>	

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

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, 2018**  
(dollars in millions)

**10 Largest U.S. Residential Mortgage Servicer Exposures**

<b>Servicer:</b>	<b>Net Par Outstanding</b>
Ocwen Loan Servicing, LLC <sup>(1)</sup>	\$ 439
Bank of America, N.A. <sup>(2)</sup>	338
Specialized Loan Servicing, LLC	183
Wells Fargo Bank N.A.	122
Select Portfolio Servicing, Inc.	95
JPMorgan Chase Bank	69
Carrington Mortgage Services, LLC	44
Mr. Cooper	19
Citicorp Mortgage Securities, Inc.	17
Capital One Financial Corporation	16
<b>Total top 10 U.S. residential mortgage servicer exposures</b>	<b>\$ 1,342</b>

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

2) Includes Countrywide Home Loans, Inc.

**10 Largest U.S. Healthcare Exposures**

<b>Credit Name:</b>	<b>Net Par Outstanding</b>	<b>Internal Rating</b>	<b>State</b>
Fairview Health Services	\$ 157	A	MN
CHRISTUS Health	140	A-	TX
UnityPoint Health System (f/k/a Iowa Health System)	129	AA-	IA
Virtua Health, New Jersey	121	AA-	NJ
Bon Secours Health System Obligated Group	120	A-	MD
Essentia Health	108	A	MN
Covenant Health	106	A	TN
Anderson Area Medical Center, South Carolina	81	A	SC
Children's National Medical Center, District of Columbia	78	A-	DC
North Oaks Health System	75	BBB-	LA
<b>Total top 10 U.S. healthcare exposures</b>	<b>\$ 1,115</b>		

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<sup>(1)</sup> for the Three Months Ended March 31, 2018**

	Net Expected Loss to be Paid (Recovered) as of December 31, 2017	Economic Loss Development During 1Q-18	(Paid) Recovered Losses During 1Q-18	Net Expected Loss to be Paid (Recovered) as of March 31, 2018
Public Finance:				
U.S. public finance	\$ 444	\$ (1)	\$ (35)	\$ 408
Non-U.S public finance	5	0	0	5
Public Finance	<u>449</u>	<u>(1)</u>	<u>(35)</u>	<u>413</u>
Structured Finance:				
U.S. RMBS <sup>(2)</sup>	(111)	1	116	6
Other structured finance	(114)	(5)	3	(116)
Structured Finance	<u>(225)</u>	<u>(4)</u>	<u>119</u>	<u>(110)</u>
Total	<u><u>\$ 224</u></u>	<u><u>\$ (5)</u></u>	<u><u>\$ 84</u></u>	<u><u>\$ 303</u></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) receivable of \$30 million as of March 31, 2018 and \$140 million as of December 31, 2017.



# Assured Guaranty Corp.

## Loss Measures

As of March 31, 2018

(dollars in millions)

	Total Net Par Outstanding for BIG Transactions	1Q-18 Loss and LAE	1Q-18 Loss and LAE included in Non- GAAP Operating Income (1)	1Q-18 Effect of FG VIE Consolidation (2)
Public finance:				
U.S. public finance	\$ 1,952	\$ 10	\$ 10	\$ —
Non-U.S public finance	139	0	0	—
Public finance	2,091	10	10	—
Structured finance:				
U.S. RMBS	560	1	2	1
Other structured finance	95	(10)	(11)	—
Structured finance	655	(9)	(9)	1
<b>Total</b>	<b>\$ 2,746</b>	<b>\$ 1</b>	<b>\$ 1</b>	<b>\$ 1</b>

1) Non-GAAP operating income includes financial guaranty insurance and credit derivatives.

2) The "Effect of FG VIE Consolidation" column represents amounts included in the condensed 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.

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,				
	2018	2017	2016	2015	2014	2018	2017	2016	2015	2014
<b>Statutory Data</b>										
Policyholders' surplus	\$ 1,847	\$ 2,073	\$ 1,896	\$ 1,365	\$ 1,086					
Contingency reserve	644	642	772	906	834					
<b>Qualified statutory capital</b>	<b>2,491</b>	<b>2,715</b>	<b>2,668</b>	<b>2,271</b>	<b>1,920</b>					
Unearned premium reserve	336	354	491	654	650					
Loss and LAE reserves	214	135	140	224	93					
<b>Total policyholders' surplus and reserves</b>	<b>3,041</b>	<b>3,204</b>	<b>3,299</b>	<b>3,149</b>	<b>2,663</b>					
Present value of installment premium	117	126	156	215	224					
CCS	200	200	200	200	200					
Excess of loss reinsurance facility	180	180	360	360	450					
<b>Total claims-paying resources (including proportionate MAC ownership for AGC)</b>	<b>3,538</b>	<b>3,710</b>	<b>4,015</b>	<b>3,924</b>	<b>3,537</b>					
Adjustment for MAC	291	292	425	544	553					
<b>Total claims-paying resources (excluding proportionate MAC ownership for AGC)</b>	<b>\$ 3,247</b>	<b>\$ 3,418</b>	<b>\$ 3,590</b>	<b>\$ 3,380</b>	<b>\$ 2,984</b>					
<b>Other Financial Information (Statutory Basis)</b>										
Net debt service outstanding (end of period) <sup>(1)</sup>	\$ 50,633	\$ 53,437	\$ 75,532	\$ 103,862	\$ 116,211					
Gross debt service outstanding (end of period) <sup>(1)</sup>	64,021	67,865	97,249	137,292	159,140					
Net par outstanding (end of period) <sup>(1)</sup>	33,831	35,743	50,965	69,766	78,077					
Gross par outstanding (end of period) <sup>(1)</sup>	43,114	45,664	65,503	92,273	106,866					
Ceded to Assured Guaranty affiliates	9,208	9,846	13,905	21,448	27,354					
Ratios:										
Net par outstanding to qualified statutory capital	14:1	13:1	19:1	31:1	41:1					
Capital ratio <sup>(1)</sup>	20:1	20:1	28:1	46:1	61:1					
Financial resources ratio <sup>(1)</sup>	14:1	14:1	19:1	26:1	33:1					
Gross debt service written:										
Public finance - U.S.	\$ —	\$ 15	\$ 1	38	\$ 15					
Public finance - non-U.S.	—	—	—	—	—					
Structured finance - U.S.	14	56	105	349	423					
Structured finance - non-U.S.	—	0	30	63	387					
<b>Total gross debt service written</b>	<b>\$ 14</b>	<b>\$ 71</b>	<b>\$ 136</b>	<b>\$ 450</b>	<b>\$ 825</b>					

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 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 is 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, 2017.

#### *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 Utility 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 include 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.

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.

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.

## 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.

By disclosing non-GAAP financial measures, 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, along with the effect of 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.

GAAP requires the Company to consolidate certain VIEs that have issued debt obligations insured by the Company. However, the Company does not own such VIEs and its exposure is limited to its obligation under its financial guaranty insurance contract.

Management and the Board of Directors use non-GAAP financial measures adjusted to remove FG VIE consolidation (which the Company refers to as its core financial measures), 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 uses these core financial measures in its decision making process and in its calculation of certain components of management compensation. Wherever possible, the Company has separately disclosed the effect of FG VIE consolidation.

Many investors, analysts and financial news reporters use non-GAAP operating shareholders' equity, adjusted to remove the effect of 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 to remove the effect of 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. Non-GAAP operating income adjusted for the effect of FG VIE consolidation enables investors and analysts to evaluate the Company's financial results in comparison with the consensus analyst estimates distributed publicly by financial databases.

The core financial measures that the Company uses to help determine compensation are: (1) non-GAAP operating income, adjusted to remove the effect of FG VIE consolidation, (2) non-GAAP operating shareholders' equity, adjusted to remove the effect of FG VIE consolidation, (3) growth in non-GAAP adjusted book value per share, adjusted to remove the effect of 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. To the extent there is a directly comparable GAAP financial measure, a reconciliation of the non-GAAP financial measure and the most directly comparable GAAP financial measure is presented within this financial supplement.

**Non-GAAP Operating Income:** Management believes that non-GAAP 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 non-GAAP operating income further by removing FG VIE consolidation to arrive at its core operating income measure. Non-GAAP 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 that are recognized in net income, 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 that are recognized in net income. 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 that are recognized in net income. 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 and Non-GAAP Adjusted Book Value:** 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 effects related to the above adjustments, which are determined by applying the statutory tax rate in each of the jurisdictions that generate these adjustments.

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 non-GAAP adjusted book value is a useful measure because it enables an evaluation 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 effects 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.

**Non-GAAP Operating Return on Equity (Non-GAAP Operating ROE):** Non-GAAP operating ROE represents non-GAAP operating income for a specified period divided by the average of non-GAAP operating shareholders' equity at the beginning and the end of that period. Management believes that non-GAAP 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 non-GAAP 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 non-GAAP operating ROE are calculated on an annualized basis. Non-GAAP 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 for non-financial guaranty insurance contracts. There is no corresponding GAAP financial measure. This amount represents the present value of estimated future revenue from the Company's non-financial guaranty insurance 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%. 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 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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