

ASSURED
GUARANTY®



Financial Supplement

Assured Guaranty Municipal Corp.
September 30, 2012



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This financial supplement should be read in conjunction with documents filed by Assured Guaranty Ltd. (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, 2011 and its Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2012, June 30, 2012 and September 30, 2012. For the purposes of this financial supplement, all references to the "Company" shall mean AGM 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) rating agency action, including a ratings downgrade, a change in outlook, the placement of ratings on watch for downgrade, or a change in rating criteria, at any time, of Assured Guaranty or any of its subsidiaries and/or of transactions that Assured Guaranty's subsidiaries have insured, all of which have occurred in the past; (2) developments in the world's financial and capital markets that adversely affect issuers' payment rates, Assured Guaranty's loss experience, its access to capital, its unrealized (losses) gains on derivative financial instruments or its investment returns; (3) changes in the world's credit markets, segments thereof or general economic conditions; (4) the impact of ratings agency action with respect to sovereign debt and the resulting effect on the value of securities in the Company's investment portfolio and collateral posted by and to the Company; (5) more severe or frequent losses implicating the adequacy of Assured Guaranty's expected loss estimates; (6) the impact of market volatility on the mark-to-market of Assured Guaranty's contracts written in credit default swap form; (7) reduction in the amount of insurance opportunities available to Assured Guaranty; (8) deterioration in the financial condition of Assured Guaranty's reinsurers, the amount and timing of reinsurance recoverables actually received and the risk that reinsurers may dispute amounts owed to Assured Guaranty under its reinsurance agreements; (9) the possibility that Assured Guaranty will not realize insurance loss recoveries or damages expected from originators, sellers, sponsors, underwriters or servicers of residential mortgage-backed securities transactions; (10) the possibility that budget shortfalls or other factors will result in credit losses or impairments on obligations of state and local governments that the Company insures or reinsures; (11) increased competition, including from new entrants into the financial guaranty industry; (12) changes in applicable accounting policies or practices; (13) changes in applicable laws or regulations, including insurance and tax laws; (14) other governmental actions; (15) difficulties with the execution of Assured Guaranty's business strategy; (16) contract cancellations; (17) Assured Guaranty's dependence on customers; (18) loss of key personnel; (19) adverse technological developments; (20) the effects of mergers, acquisitions and divestitures; (21) natural or man-made catastrophes; (22) other risks and uncertainties that have not been identified at this time; (23) management's response to these factors; and (24) other risk factors identified in Assured Guaranty's filings with the SEC. Readers are cautioned not to place undue reliance on these forward looking statements, which speak only as of the dates on which they are made. Assured Guaranty undertakes no obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise, except as required by law.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011 ⁽¹⁾	2012	2011 ⁽¹⁾
Operating income reconciliation:				
Operating income	\$ 121	\$ 43	\$ 280	\$ 350
Plus after-tax adjustments:				
Realized gains (losses) on investments	(1)	(11)	(4)	(13)
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	20	43	10	42
Fair value gains (losses) on committed capital securities	(1)	1	(3)	1
Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and loss adjustment expense ("LAE") reserves	4	(11)	11	(2)
Effect of consolidating financial guaranty variable interest entities ("FG VIEs")	12	(50)	20	(27)
Net income	\$ 155	\$ 15	\$ 314	\$ 351
 Return on equity ("ROE") calculations ⁽²⁾:				
ROE, excluding unrealized gain (loss) on investment portfolio	21.8%	2.3%	14.9%	18.8%
Operating ROE	14.9%	5.7%	11.7%	16.0%
 New Business:				
Gross par written	\$ 2,967	\$ 4,253	\$ 10,704	\$ 9,878
Present value of new business production ("PVP") ⁽³⁾	\$ 31	\$ 40	\$ 112	\$ 128
As of				
	September 30, 2012	December 31, 2011 ⁽¹⁾		
Reconciliation of shareholder's equity to adjusted book value:				
Shareholder's equity	\$ 3,108	\$ 2,804		
Less after-tax adjustments:				
Effect of consolidating FG VIEs	(313)	(325)		
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(91)	(98)		
Fair value gains (losses) on committed capital securities	12	14		
Unrealized gain (loss) on investment portfolio excluding foreign exchange effect	195	110		
Operating shareholder's equity	3,305	3,103		
After-tax adjustments:				
Less: Deferred acquisition costs	(64)	(64)		
Plus: Net present value of estimated net future credit derivative revenue	77	98		
Plus: Net unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed	1,736	1,893		
Adjusted book value	\$ 5,182	\$ 5,158		
 Other information				
Net debt service outstanding	\$ 463,001	\$ 479,218		
Net par outstanding	310,369	320,398		
Claims-paying resources ⁽⁴⁾	6,535	6,756		

1) Effective January 1, 2012, the Company adopted, and applied retroactively, new guidance on acquisition costs. The effect of adoption was a decrease in net income of \$2 million and \$5 million for the three and nine months ended September 30, 2011, respectively, and a decrease to shareholder's equity and operating shareholder's equity of \$13 million as of December 31, 2011.

2) Quarterly ROE calculations represent annualized returns.

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

4) See page 6 for additional detail on claims paying resources.

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011 ⁽¹⁾	2012	2011 ⁽¹⁾
Revenues:				
Net earned premiums	\$ 157	\$ 151	\$ 447	\$ 502
Net investment income	60	51	173	161
Net realized investment gains (losses)	1	(10)	(7)	(12)
Net change in fair value of credit derivatives:				
Realized gains (losses) and other settlements	18	18	11	69
Net unrealized gains (losses)	17	67	41	109
Net change in fair value of credit derivatives	35	85	52	178
Fair value gains (losses) on committed capital securities	(2)	1	(5)	2
Fair value gains (losses) on FG VIEs	39	(83)	78	(79)
Other income	14	(14)	110	46
Total revenues	304	181	848	798
Expenses:				
Loss and loss adjustment expenses	60	151	335	234
Amortization of deferred acquisition costs	(5)	(2)	(7)	(6)
Interest expense	2	2	6	5
Other operating expenses	24	23	78	74
Total expenses	81	174	412	307
Income (loss) before income taxes	223	7	436	491
Provision (benefit) for income taxes	68	(8)	122	140
Net income (loss)	\$ 155	\$ 15	\$ 314	\$ 351
Less after-tax adjustments:				
Realized gains (losses) on investments	\$ (1)	\$ (11)	\$ (4)	\$ (13)
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	20	43	10	42
Fair value gains (losses) on committed capital securities	(1)	1	(3)	1
Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves	4	(11)	11	(2)
Effect of consolidating FG VIEs	12	(50)	20	(27)
Operating income	\$ 121	\$ 43	\$ 280	\$ 350
Effect of refundings and accelerations, net				
Net earned premiums from refundings and accelerations	\$ 57	\$ 17	\$ 133	\$ 45
Operating income effect	37	11	87	29

1) Effective January 1, 2012, the Company adopted, and applied retroactively, new guidance on acquisition costs. The effect of adoption was a decrease in net income of \$2 million and \$5 million for the three and nine months ended September 30, 2011, respectively.

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

Assured Guaranty Municipal Corp.
Net Income (Loss) Reconciliation to Operating Income (1 of 2)
(dollars in millions)

	Three Months Ended September 30, 2012			Three Months Ended September 30, 2011		
	GAAP Income As Reported	Less: Operating Income Adjustments	Non-GAAP Operating Income Results	GAAP Income As Reported ⁽¹⁾	Less: Operating Income Adjustments	Non-GAAP Operating Income Results ⁽¹⁾
Revenues:						
Net earned premiums	\$ 157	\$ (17)	(2) \$ 174	\$ 151	\$ (19)	(2) \$ 170
Net investment income	60	4	(2) 56	51	(3)	(2) 54
Net realized investment gains (losses)	1	(1)	(3) 2	(10)	(11)	(3) 1
Net change in fair value of credit derivatives:						
Realized gains (losses) and other settlements	18	18	—	18	18	—
Net unrealized gains (losses)	17	17	—	67	67	—
Credit derivative revenues	—	(14)	14	—	(20)	20
Net change in fair value of credit derivatives	35	21	(4) 14	85	65	(4) 20
Fair value gains (losses) on committed capital securities	(2)	(2)	(5) —	1	1	(5) —
Fair value gains (losses) on FG VIEs	39	39	(2) —	(83)	(83)	(2) —
Other income	14	3	(6) 11	(14)	(17)	(6) 3
Total revenues	304	47	257	181	(67)	248
Expenses:						
Loss and loss adjustment expenses						
Financial guaranty insurance	60	—	(2) 60	151	(23)	(2) 174
Credit derivatives	—	(6)	(4) 6	—	(1)	(4) 1
Amortization of deferred acquisition costs	(5)	—	(5) (2)	(2)	—	(2)
Interest expense	2	—	2	2	—	2
Other operating expenses	24	—	24	23	—	23
Total expenses	81	(6)	87	174	(24)	198
Income (loss) before income taxes	223	53	170	7	(43)	50
Provision (benefit) for income taxes	68	19	(7) 49	(8)	(15)	(7) 7
Net income (loss)	\$ 155	\$ 34	\$ 121	\$ 15	\$ (28)	\$ 43

- 1) Effective January 1, 2012, the Company adopted, and applied retroactively, new guidance on acquisition costs. The effect of adoption was a decrease in net income and operating income of \$2 million for the three months ended September 30, 2011.
- 2) Adjustments primarily related to elimination of the effects of consolidating FG VIEs.
- 3) Adjustments to eliminate realized gains (losses) on available-for-sale investments.
- 4) Adjustments to eliminate non-economic fair value gains (losses) on credit derivatives and reclassification to revenues and loss expense.
- 5) Adjustments to eliminate fair value gain (loss) on committed capital securities.
- 6) Adjustments primarily related to elimination of foreign exchange gains (losses) on revaluation of net premiums receivable.
- 7) Tax effect of the above adjustments.

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

Assured Guaranty Municipal Corp.
Net Income (Loss) Reconciliation to Operating Income (2 of 2)
(dollars in millions)

	Nine Months Ended September 30, 2012			Nine Months Ended September 30, 2011		
	GAAP Income As Reported	Less: Operating Income Adjustments	Non-GAAP Operating Income Results	GAAP Income As Reported ⁽¹⁾	Less: Operating Income Adjustments	Non-GAAP Operating Income Results ⁽¹⁾
Revenues:						
Net earned premiums	\$ 447	\$ (48)	(2) \$ 495	\$ 502	\$ (56)	(2) \$ 558
Net investment income	173	11	(2) 162	161	(3)	(2) 164
Net realized investment gains (losses)	(7)	(13)	(3) 6	(12)	(13)	(3) 1
Net change in fair value of credit derivatives:						
Realized gains (losses) and other settlements	11	11	—	69	69	—
Net unrealized gains (losses)	41	41	—	109	109	—
Credit derivative revenues	—	(39)	39	—	(75)	75
Net change in fair value of credit derivatives	52	13	(4) 39	178	103	(4) 75
Fair value gains (losses) on committed capital securities	(5)	(5)	(5) —	2	2	(5) —
Fair value gains (losses) on FG VIEs	78	78	(2) —	(79)	(79)	(2) —
Other income	110	13	(6) 97	46	(4)	(6) 50
Total revenues	848	49	799	798	(50)	848
Expenses:						
Loss and loss adjustment expenses						
Financial guaranty insurance	335	(3)	(2) 338	234	(90)	(2) 324
Credit derivatives	—	—	(4) —	—	38	(4) (38)
Amortization of deferred acquisition	(7)	—	(7) —	(6)	—	(6)
Interest expense	6	—	6	5	—	5
Other operating expenses	78	—	78	74	—	74
Total expenses	412	(3)	415	307	(52)	359
Income (loss) before income taxes	436	52	384	491	2	489
Provision (benefit) for income taxes	122	18	(7) 104	140	1	(7) 139
Net income (loss)	\$ 314	\$ 34	\$ 280	\$ 351	\$ 1	\$ 350

- 1) Effective January 1, 2012, the Company adopted, and applied retroactively, new guidance on acquisition costs. The effect of adoption was a decrease in net income and operating income of \$5 million for the nine months ended September 30, 2011.
- 2) Adjustments primarily related to elimination of the effects of consolidating FG VIEs.
- 3) Adjustments to eliminate realized gains (losses) on available-for-sale investments.
- 4) Adjustments to eliminate non-economic fair value gains (losses) on credit derivatives and reclassification to revenues and loss expense.
- 5) Adjustments to eliminate fair value gain (loss) on committed capital securities.
- 6) Adjustments primarily related to elimination of foreign exchange gains (losses) on revaluation of net premiums receivable and reclassification of termination fees on credit derivative contracts.
- 7) Tax effect of the above adjustments.

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

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

	As of:	
	September 30, 2012	December 31, 2011 ⁽¹⁾
Assets:		
Investment portfolio:		
Fixed maturity securities, available-for-sale, at fair value	\$ 4,949	\$ 4,916
Short-term investments, at fair value	279	412
Other invested assets	132	122
Total investment portfolio	5,360	5,450
Notes receivable from affiliates	383	300
Cash	46	59
Premiums receivable, net of ceding commissions payable	620	645
Ceded unearned premium reserve	1,182	1,373
Reinsurance recoverable on unpaid losses	72	79
Salvage and subrogation recoverable	386	316
Credit derivative assets	141	140
Deferred tax asset, net	476	631
Current income tax receivable	31	131
FG VIE assets, at fair value	1,892	2,057
Other assets	155	149
Total assets	\$ 10,744	\$ 11,330
Liabilities and shareholder's equity:		
Liabilities:		
Unearned premium reserve	\$ 3,977	\$ 4,515
Loss and loss adjustment expense reserve	225	297
Reinsurance balances payable, net	257	248
Notes payable	72	104
Credit derivative liabilities	424	456
FG VIE liabilities with recourse, at fair value	1,684	1,926
FG VIE liabilities without recourse, at fair value	663	704
Other liabilities	334	276
Total liabilities	7,636	8,526
Shareholder's equity:		
Preferred stock	—	—
Common stock	15	15
Additional paid-in capital	1,092	1,142
Retained earnings	1,775	1,491
Accumulated other comprehensive income	226	156
Total shareholders' equity	3,108	2,804
Total liabilities and shareholders' equity	\$ 10,744	\$ 11,330

1) Effective January 1, 2012, the Company adopted, and applied retroactively, new guidance on acquisition costs. The effect of this adoption was a decrease to deferred acquisition costs of \$20 million and a decrease to shareholder's equity of \$13 million as of December 31, 2011.

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

	As of:	
	September 30, 2012	December 31, 2011
Claims paying resources		
Policyholders' surplus	\$ 1,785	\$ 1,227
Contingency reserve	1,479	1,881
Qualified statutory capital	3,264	3,108
Unearned premium reserve	2,154	2,172
Loss and loss adjustment expense reserves ⁽¹⁾⁽²⁾	6	318
Total policyholders' surplus and reserves	5,424	5,598
Present value of installment premium ⁽²⁾	476	523
Standby line of credit/stop loss	200	200
Excess of loss reinsurance facility ⁽³⁾	435	435
Total claims paying resources	\$ 6,535	\$ 6,756
Net par outstanding ⁽⁴⁾	\$ 294,768	\$ 308,538
Net debt service outstanding ⁽⁴⁾	446,078	466,415
Ratios:		
Net par outstanding to qualified statutory capital	90:1	99:1
Capital ratio ⁽⁵⁾	137:1	150:1
Financial resources ratio ⁽⁶⁾	68:1	69:1

- 1) Reserves as of September 30, 2012 and December 31, 2011 are reduced by approximately \$0.9 billion and \$1.1 billion, respectively for benefit related to representation and warranty recoverables.
- 2) Includes financial guaranty insurance and credit derivatives.
- 3) On December 23, 2011, AGM terminated its \$298 million non-recourse credit facility. This credit facility has been replaced, effective as of January 1, 2012, with a new \$435 million excess of loss reinsurance facility for the benefit of AGM and Assured Guaranty Corp. ("AGC"), and has been included in claims paying resources as of December 31, 2011.
- 4) Net par outstanding and net debt service outstanding are presented on a statutory basis. Under statutory accounting, such amounts would be reduced both when an outstanding issue is legally defeased (i.e., an issuer has legally discharged its obligations with respect to a municipal security by satisfying conditions set forth in defeasance provisions contained in transaction documents and is no longer responsible for the payment of debt service with respect to such obligations) and when such issue is economically defeased (i.e., transaction documents for a municipal security do not contain defeasance provisions but the issuer establishes an escrow account with U.S. government securities in amounts sufficient to pay the refunded bonds when due; the refunded bonds are not considered paid and continue to be outstanding under the transaction documents and the issuer remains responsible to pay debt service when due to the extent monies on deposit in the escrow account are insufficient for such purpose).
- 5) The capital ratio is calculated by dividing net debt service outstanding by qualified statutory capital.
- 6) The financial resources ratio is calculated by dividing net debt service outstanding by total claims paying resources.

Assured Guaranty Municipal Corp.

New Business Production

(dollars in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Consolidated new business production analysis:				
PVP				
Public finance - U.S.:				
Primary markets	\$ 23	\$ 33	\$ 94	\$ 94
Secondary markets	6	6	12	21
Public finance - non-U.S.:				
Primary markets	—	—	1	—
Secondary markets	—	—	—	—
Structured finance - U.S.	2	1	5	6
Structured finance - non-U.S.	—	—	—	7
Total PVP	\$ 31	\$ 40	\$ 112	\$ 128
Total PVP	\$ 31	\$ 40	\$ 112	\$ 128
Less: PVP of credit derivatives	—	—	—	—
PVP of financial guaranty insurance	31	40	112	128
Less: financial guaranty installment premium PVP	2	1	6	13
Total: financial guaranty upfront gross written premiums	29	39	106	115
Plus: financial guaranty installment gross written premiums ⁽¹⁾	(4)	(7)	14	(4)
Total GWP	\$ 25	\$ 32	\$ 120	\$ 111
Consolidated financial guaranty gross par written:				
Public finance - U.S.:				
Primary markets	\$ 2,508	\$ 3,996	\$ 9,893	\$ 8,969
Secondary markets	459	257	776	909
Public finance - non-U.S.:				
Primary markets	—	—	35	—
Secondary markets	—	—	—	—
Structured finance - U.S.	—	—	—	—
Structured finance - non-U.S.	—	—	—	—
Total	\$ 2,967	\$ 4,253	\$ 10,704	\$ 9,878

1) Represents present value of new business on installment policies plus gross written premiums adjustment on existing installment deals due to changes in assumptions.

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

Assured Guaranty Municipal Corp.
Financial Guaranty Gross Par Written
(dollars in millions)

Financial Guaranty Gross Par Written by Asset Type

	Three Months Ended September 30, 2012		Nine Months Ended September 30, 2012	
	Gross Par Written	Avg. Internal Rating	Gross Par Written	Avg. Internal Rating
Sector				
U.S. public finance				
General obligation	\$ 1,871	A	\$ 6,879	A
Tax backed	177	A	956	A
Municipal utilities	483	A	1,418	A
Higher education	144	A	599	A-
Healthcare	15	A	298	A-
Transportation	277	A	458	A-
Other public finance	—	—	61	A
Total U.S. public finance	2,967	A	10,669	A
Non-U.S. public finance:				
Total non-U.S. public finance	—	—	35	BBB-
Total public finance	\$ 2,967	A	\$ 10,704	A
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	\$ 2,967	A	\$ 10,704	A

Note: Please refer to the Glossary for a description of internal ratings and sectors.

Assured Guaranty Municipal Corp.
Available-for-Sale Investment Portfolio and Cash
As of September 30, 2012
(dollars in millions)

	<u>Amortized Cost</u>	<u>Pre-Tax Book Yield</u>	<u>After-Tax Book Yield</u>	<u>Fair Value</u>	<u>Annualized Investment Income ⁽¹⁾</u>
Investment portfolio, available-for-sale:					
Fixed maturity securities:					
U.S. Treasury securities and obligations of U.S. government agencies	\$ 35	2.97%	1.93%	\$ 40	\$ 1
Agency obligations	36	3.11%	2.02%	39	1
Obligations of states and political subdivisions	2,181	3.97%	3.75%	2,381	87
Insured obligations of state and political subdivisions ⁽²⁾	1,111	4.79%	4.53%	1,228	53
Corporate securities	205	3.05%	1.98%	221	6
Mortgage-backed securities ("MBS") ⁽³⁾ :					
Residential MBS ("RMBS") ⁽⁴⁾	544	7.15%	4.65%	453	39
Commercial MBS ("CMBS")	98	3.14%	2.04%	104	3
Asset-backed securities ⁽⁵⁾					
Asset-backed securities ⁽⁵⁾	323	9.51%	6.18%	360	31
Foreign government securities	194	2.81%	1.83%	204	5
Total fixed maturity securities	<u>4,727</u>	<u>4.79%</u>	<u>3.98%</u>	<u>5,030</u>	<u>226</u>
Short-term investments	268	0.09%	0.06%	268	1
Cash ⁽⁶⁾	46	—%	—%	46	—
Total	\$ 5,041	4.53%	3.77%	\$ 5,344	\$ 227
Less: FG VIEs	116	10.91%	7.09%	69	13
Total	\$ 4,925	4.38%	3.69%	\$ 5,275	\$ 214

Ratings ⁽⁷⁾:	<u>Fair Value</u>	<u>% of Portfolio</u>
U.S. Treasury securities and obligations of U.S. government agencies	\$ 40	0.8%
Agency obligations	39	0.8%
AAA/Aaa	945	18.8%
AA/Aa	2,735	54.4%
A/A	740	14.7%
BBB	18	0.3%
Below investment grade ("BIG") ⁽⁸⁾	513	10.2%
Total fixed maturity securities, available-for-sale	<u>5,030</u>	<u>100.0%</u>
Less: FG VIEs	81	
Total fixed maturity securities, available-for-sale	\$ 4,949	

Duration of fixed maturity securities and short-term investments (in years):	<u>4.6</u>
Average ratings of fixed maturity securities and short-term investments	<u>AA-</u>

- 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, after giving effect to the lower of the rating assigned by Standard & Poor's Ratings Services ("S&P") or Moody's Investors Service, Inc. ("Moody's"), average A+.
- 3) Includes \$93 million in U.S. subprime RMBS, which has an average rating of BIG.
- 4) Includes investments purchased for loss mitigation purposes.
- 5) Contains no collateralized debt obligations ("CDOs") of asset-backed securities ("ABS").
- 6) Represents operating cash and is not included in yield calculations.
- 7) Ratings are represented by the lower of the Moody's and S&P classifications except for bonds purchased for loss mitigation or risk management strategies which use internal ratings classifications.
- 8) Included in the investment portfolio are securities purchased or obtained as part of loss mitigation or other risk management strategies of \$1,456 million in par with carrying value of \$513 million.

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

	Estimated Net Debt Service Amortization	Estimated Ending Net Debt Service Outstanding	Financial Guaranty Insurance ⁽²⁾			Future Credit Derivative Revenues ⁽⁴⁾	Total
			Expected PV Net Earned Premiums ⁽³⁾	Accretion of Discount	Future Net Premiums Earned		
2012 (as of September 30)		\$ 463,001					
2012 Q4	\$ 10,724	452,277	\$ 97	\$ 3	\$ 100	\$ 11	\$ 111
2013	41,592	410,685	322	12	334	39	373
2014	40,352	370,333	275	11	286	27	313
2015	31,950	338,383	237	11	248	17	265
2016	25,337	313,046	211	10	221	13	234
2012-2016	149,955	313,046	1,142	47	1,189	107	1,296
2017-2021	109,148	203,898	766	39	805	16	821
2022-2026	82,020	121,878	458	26	484	5	489
2027-2031	56,574	65,304	267	17	284	4	288
After 2031	65,304	—	276	15	291	7	298
Total	\$ 463,001		\$ 2,909	\$ 144	\$ 3,053	\$ 139	\$ 3,192

1) Represents the future expected amortization of current debt service outstanding (principal and interest), assuming no advance refundings, as of September 30, 2012. Actual amortization differs from expected maturities because borrowers may have the right to call or prepay guaranteed obligations and because of management's assumptions on structured finance amortization.

2) See page 12 for "Present Value of Financial Guaranty Insurance Net Expected Loss to be Expensed."

3) GAAP basis. Excludes \$355 million in expected present value of net earned premiums related to FG VIEs.

4) Excludes contracts with credit impairment.

Assured Guaranty Municipal Corp.
Expected Amortization of Net Par Outstanding
(dollars in millions)

Structured Finance

	Estimated Net Par Amortization					Estimated Ending Net Par Outstanding
	U.S. and Non-U.S. Pooled Corporate	U.S. RMBS	Financial Products ⁽¹⁾	Other Structured Finance	Total	
2012 (as of September 30)						\$ 49,293
2012 Q4	\$ 1,051	\$ 506	\$ 110	\$ 174	\$ 1,841	47,452
2013	8,304	1,543	672	607	11,126	36,326
2014	10,650	1,152	515	434	12,751	23,575
2015	4,981	1,080	279	137	6,477	17,098
2016	1,309	768	163	181	2,421	14,677
2012-2016	26,295	5,049	1,739	1,533	34,616	14,677
2017-2021	6,527	2,251	318	604	9,700	4,977
2022-2026	48	771	467	350	1,636	3,341
2027-2031	81	200	668	437	1,386	1,955
After 2031	273	713	752	217	1,955	—
Total structured finance	\$ 33,224	\$ 8,984	\$ 3,944	\$ 3,141	\$ 49,293	

Public Finance

	Estimated Net Par Amortization	Estimated Ending Net Par Outstanding
2012 (as of September 30)		\$ 261,076
2012 Q4	\$ 5,360	255,716
2013	17,395	238,321
2014	15,629	222,692
2015	14,452	208,240
2016	12,642	195,598
2012-2016	65,478	195,598
2017-2021	57,552	138,046
2022-2026	52,061	85,985
2027-2031	38,323	47,662
After 2031	47,662	—
Total public finance	\$ 261,076	

1) See Glossary for description of financial products.

Assured Guaranty Municipal Corp.

Present Value ("PV") of Financial Guaranty Insurance Net Expected Loss to be Expensed
As of September 30, 2012
(dollars in millions)

	Net Expected Loss to be Expensed ⁽¹⁾	
	Operating ⁽²⁾	GAAP ⁽²⁾
2012 Q4	\$ 28	\$ 23
2013	104	69
2014	65	44
2015	47	33
2016	42	31
2012-2016	286	200
2017-2021	143	106
2022-2026	66	50
2027-2031	48	25
After 2031	51	21
Total expected PV of net expected loss to be expensed	594	402
Discount	128	64
Total future value	\$ 722	\$ 466

1) The expected present value of net loss to be expensed is discounted by weighted-average risk free rates ranging from 0.0% to 3.19% for U.S. dollar denominated obligations.

2) Operating income includes net expected loss to be expensed on consolidated FG VIEs. Losses on consolidated FG VIEs are eliminated for GAAP.

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

Net Par Outstanding and Average Rating by Asset Type

	September 30, 2012		December 31, 2011	
	Net Par Outstanding	Avg. Internal Rating	Net Par Outstanding	Avg. Internal Rating
U.S. public finance:				
General obligation	\$ 105,721	A+	\$ 105,129	A+
Tax backed	45,503	A+	46,004	A+
Municipal utilities	40,828	A+	42,053	A+
Transportation	20,580	A	19,403	A
Healthcare	9,199	A	8,781	A
Higher education	7,606	A+	7,353	A+
Housing	4,494	AA-	4,691	AA-
Infrastructure finance	1,226	BB+	1,212	BB+
Investor-owned utilities	43	A-	44	A-
Other public finance	1,729	A	1,739	A+
Total U.S. public finance	236,929	A+	236,409	A+
Non-U.S. public finance:				
Infrastructure finance	11,411	BBB	11,223	BBB
Regulated utilities	6,476	BBB+	6,843	BBB+
Other public finance	6,260	A+	6,334	A+
Total non-U.S. public finance	24,147	BBB+	24,400	BBB+
Total public finance	\$ 261,076	A	\$ 260,809	A+
U.S. structured finance:				
Pooled corporate obligations	\$ 26,104	AAA	\$ 30,413	AAA
RMBS	8,984	BB	10,303	BB-
Financial products	3,944	AA-	5,217	AA-
Insurance securitizations	306	AA	369	AA
Consumer receivables	301	BBB-	807	AA-
Structured credit	79	CCC	79	CCC
Commercial receivables	53	BB	58	BB
Other structured finance	404	BBB+	490	A-
Total U.S. structured finance	40,175	AA	47,736	AA
Non-U.S. structured finance:				
Pooled corporate obligations	7,120	AAA	9,634	AAA
RMBS	1,304	AA-	1,395	AA-
Structured credit	321	BBB	413	BBB
Insurance securitizations	—	—	38	A+
Other structured finance	373	Super Senior	373	Super Senior
Total non-U.S. structured finance	9,118	AA+	11,853	AAA
Total structured finance	\$ 49,293	AA	\$ 59,589	AA
Total net par outstanding	\$ 310,369	A+	\$ 320,398	A+

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

Assured Guaranty Municipal Corp.

Financial Guaranty Profile (2 of 4)

As of September 30, 2012

(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.		Consolidated	
	Net Par Outstanding	%	Net Par Outstanding	%	Net Par Outstanding(1)	%	Net Par Outstanding	%	Net Par Outstanding	%
Super senior	\$ —	—%	\$ —	—%	\$ 8,644	21.6%	\$ 2,468	27.1%	\$ 11,112	3.6%
AAA	3,556	1.5%	1,325	5.5%	16,435	40.9%	4,245	46.5%	25,561	8.3%
AA	87,959	37.1%	856	3.5%	7,318	18.2%	475	5.2%	96,608	31.1%
A	122,591	51.7%	6,044	25.0%	1,166	2.9%	592	6.5%	130,393	42.0%
BBB	21,024	8.9%	14,309	59.3%	249	0.6%	795	8.7%	36,377	11.7%
BIG	1,799	0.8%	1,613	6.7%	6,363	15.8%	543	6.0%	10,318	3.3%
Total net par outstanding	\$ 236,929	100.0%	\$ 24,147	100.0%	\$ 40,175	100.0%	\$ 9,118	100.0%	\$ 310,369	100.0%

Ceded Par Outstanding by Reinsurer and Insurer Financial Strength Rating

Reinsurer	Moody's Rating	S&P Rating	Ceded Par Outstanding	% of Total
Affiliated companies ⁽²⁾			\$ 65,537	68.1%
Non-affiliated companies:				
Tokio Marine & Nichido Fire Insurance Co., Ltd.	Aa3	AA-	8,775	9.1%
American Overseas Reinsurance Company Limited ⁽³⁾	WR	WR	8,102	8.4%
Radian Asset Assurance Inc.	Ba1	B+	5,213	5.4%
Syncora Guarantee Inc.	Ca	WR	4,092	4.3%
Mitsui Sumitomo Insurance Co. Ltd.	A1	A+	2,266	2.4%
ACA Financial Guaranty Corporation	NR	WR	809	0.8%
Swiss Reinsurance Company	A1	AA-	435	0.5%
Other	Various	Various	1,034	1.0%
Total non-affiliated companies			30,726	31.9%
Total			\$ 96,263	100.0%

1) Beginning in the first quarter 2012, the Company decided to classify those portions of risks benefiting from reimbursement obligations collateralized by eligible assets held in trust in acceptable reimbursement structures as the higher of 'AA' or their current internal rating. As of Third Quarter 2012, the Company applied this policy to the Bank of America Agreement and the Deutsche Bank Agreement.

2) As of the date of this document, the affiliates of AGM are Assured Guaranty Re Ltd. and its subsidiaries rated A1 by Moody's and AA- by S&P and AGC and its subsidiaries rated Aa3 by Moody's and AA- by S&P.

3) Formerly RAM Reinsurance Company Ltd.

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

Assured Guaranty Municipal Corp.

Financial Guaranty Profile (3 of 4)

As of September 30, 2012

(dollars in millions)

Geographic Distribution of Financial Guaranty Portfolio

	<u>Net Par Outstanding</u>	<u>% of Total</u>
U.S.:		
Public finance		
California	\$ 35,528	11.4%
New York	19,877	6.4%
Pennsylvania	19,860	6.4%
Illinois	16,813	5.4%
Texas	15,202	4.9%
Florida	14,041	4.5%
Michigan	10,731	3.5%
New Jersey	10,430	3.4%
Georgia	6,700	2.2%
Washington	6,567	2.1%
Other states	81,180	26.2%
Total public finance	<u>236,929</u>	<u>76.4%</u>
Structured finance (multiple states)	40,175	12.9%
Total U.S.	<u>277,104</u>	<u>89.3%</u>
Non-U.S.:		
United Kingdom	12,007	3.9%
Australia	4,761	1.5%
Canada	3,732	1.2%
France	1,730	0.6%
Italy	1,696	0.5%
Other	9,339	3.0%
Total non-U.S.	<u>33,265</u>	<u>10.7%</u>
Total net par outstanding	<u>\$ 310,369</u>	<u>100.0%</u>

Assured Guaranty Municipal Corp.

Financial Guaranty Profile (4 of 4)

As of September 30, 2012

(dollars in millions)

Net Economic Exposure to Selected European Countries

	<u>Greece</u>	<u>Hungary</u>	<u>Ireland</u>	<u>Italy</u>	<u>Portugal</u>	<u>Spain</u>	<u>Total</u>
Sovereign and sub-sovereign exposure:							
Public finance	\$ —	\$ —	\$ —	\$ 815	\$ 98	\$ 213	\$ 1,126
Infrastructure finance	—	316	—	213	—	140	669
Total sovereign and sub-sovereign exposure	—	316	—	1,028	98	353	1,795
Non-sovereign exposure:							
Regulated utilities	—	—	—	134	—	8	142
RMBS	—	210	—	473	—	—	683
Pooled corporate obligations	—	—	76	61	12	111	260
Total non-sovereign exposure	—	210	76	668	12	119	1,085
Total	\$ —	\$ 526	\$ 76	\$ 1,696	\$ 110	\$ 472	\$ 2,880
Total BIG	\$ —	\$ 440	\$ 8	\$ 202	\$ 98	\$ 353	\$ 1,101

Note: While the Company's exposures are shown in U.S. dollars, the obligations the Company insures are in various currencies, including U.S. dollars, Euros and British pounds sterling. One of the residential mortgage-backed securities included in the table above includes residential mortgages in both Italy and Germany, and only the portion of the transaction equal to the portion of the original mortgage pool in Italian mortgages is shown in the table.

Assured Guaranty Municipal Corp.

Pooled Corporate Obligations Profile

As of September 30, 2012

(dollars in millions)

Distribution of Pooled Corporate Obligations by Ratings

	Net Par Outstanding	% of Total	Avg. Initial Credit Enhancement	Avg. Current Credit Enhancement
Ratings:				
Super Senior	\$ 10,547	31.7%	28.2%	27.5%
AAA	19,385	58.3%	26.4%	27.5%
AA	1,410	4.2%	36.6%	32.3%
A	990	3.0%	0.0%	0.1%
BBB	449	1.4%	13.5%	9.3%
BIG	443	1.4%	2.9%	0.2%
Total exposures	\$ 33,224	100.0%	26.1%	26.3%

Distribution of Pooled Corporate Obligations by Asset Class

	Net Par Outstanding	% of Total	Avg. Initial Credit Enhancement	Avg. Current Credit Enhancement	Avg. Rating
Asset class:					
CBOs/CLOs	\$ 18,384	55.3%	28.2%	29.5%	AAA
Synthetic investment grade pooled corporates	9,032	27.2%	21.1%	19.3%	AAA
Synthetic high yield pooled corporates	3,645	11.0%	35.1%	30.1%	AA+
Market value CDOs of corporates	1,492	4.5%	17.0%	26.5%	AAA
Trust preferred - banks and insurance	101	0.3%	48.6%	55.5%	A+
CDO of CDOs (corporate)	8	0.0%	25.5%	16.3%	BBB
Other pooled corporates	562	1.7%	—%	—%	BBB-
Total exposures	\$ 33,224	100.0%	26.1%	26.3%	AAA

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

Assured Guaranty Municipal Corp.

U.S. RMBS Profile (1 of 3)

As of September 30, 2012

(dollars in millions)

Distribution of U.S. RMBS by Rating and Type of Exposure

Ratings:	Prime First Lien	Closed End Seconds	HELOC	Alt-A First Lien	Option ARMs	Subprime First Lien	Total Net Par Outstanding
AAA	\$ 2	\$ 0	\$ 67	\$ 45	\$ —	\$ 988	\$ 1,102
AA	50	165	153	179	299	683	1,529
A	1	—	232	—	—	1	233
BBB	26	—	—	8	—	111	145
BIG	—	755	2,141	903	601	1,576	5,976
Total exposures	\$ 79	\$ 920	\$ 2,591	\$ 1,134	\$ 900	\$ 3,359	\$ 8,984

Distribution of U.S. RMBS by Year Insured⁽²⁾ and Type of Exposure

Year insured:	Prime First Lien	Closed End Seconds	HELOC	Alt-A First Lien	Option ARMs	Subprime First Lien	Total Net Par Outstanding
2004 and prior	\$ 4	\$ —	\$ 171	\$ 55	\$ —	\$ 1,098	\$ 1,329
2005	—	—	427	264	37	198	926
2006	75	431	933	387	254	123	2,203
2007	—	489	1,060	429	609	1,875	4,462
2008	—	—	—	—	—	65	65
Total exposures	\$ 79	\$ 920	\$ 2,591	\$ 1,134	\$ 900	\$ 3,359	\$ 8,984

Distribution of U.S. RMBS by Rating and Year Insured

Year insured:	AAA Rated	AA Rated	A Rated	BBB Rated	BIG Rated	Total
2004 and prior	\$ 1,030	\$ 36	\$ 2	\$ 46	\$ 216	\$ 1,329
2005	38	102	—	42	743	926
2006	34	428	—	26	1,715	2,203
2007	—	963	232	31	3,236	4,462
2008	—	—	—	—	65	65
Total exposures	\$ 1,102	\$ 1,529	\$ 233	\$ 145	\$ 5,976	\$ 8,984
% of Total	12.3%	17.0%	2.6%	1.6%	66.5%	100.0%

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

Note: Please refer to the Glossary for a description of performance indicators and sectors.

Assured Guaranty Municipal Corp.

U.S. RMBS Profile (2 of 3)

As of September 30, 2012

(dollars in millions)

Distribution of Direct U.S. RMBS Insured January 1, 2005 or Later by Exposure Type, Average Pool Factor, Subordination, Cumulative Losses and 60+ Day Delinquencies

U.S. Prime First Lien

Year insured	Net Par Outstanding	Pool Factor	Subordination	Cumulative Losses	60+ Day Delinquencies	Number of Transactions
2005	\$ —	—%	—%	—%	—%	—
2006	75	53.3%	8.7%	0.3%	17.5%	1
2007	—	—%	—%	—%	—%	—
2008	—	—%	—%	—%	—%	—
Total	\$ 75	53.3%	8.7%	0.3%	17.5%	1

U.S. Closed End Seconds

Year insured	Net Par Outstanding	Pool Factor	Subordination	Cumulative Losses	60+ Day Delinquencies	Number of Transactions
2005	\$ —	—%	—%	—%	—%	—
2006	431	12.9%	—%	62.4%	7.6%	2
2007	489	15.1%	—%	68.4%	8.6%	9
2008	—	—%	—%	—%	—%	—
Total	\$ 920	14.1%	—%	65.6%	8.1%	11

U.S. HELOC

Year insured	Net Par Outstanding	Pool Factor	Subordination	Cumulative Losses	60+ Day Delinquencies	Number of Transactions
2005	\$ 427	15.6%	4.8%	12.4%	9.7%	4
2006	933	24.5%	3.3%	35.4%	8.3%	7
2007	1,060	42.0%	4.2%	28.0%	6.1%	7
2008	—	—%	—%	—%	—%	—
Total	\$ 2,420	30.6%	4.0%	28.1%	7.6%	18

U.S. Alt-A First Lien

Year insured	Net Par Outstanding	Pool Factor	Subordination	Cumulative Losses	60+ Day Delinquencies	Number of Transactions
2005	\$ 264	28.3%	5.1%	9.7%	23.4%	8
2006	387	35.9%	0.0%	19.3%	39.5%	7
2007	429	47.1%	0.2%	21.0%	38.8%	4
2008	—	—%	—%	—%	—%	—
Total	\$ 1,079	38.5%	1.3%	17.6%	35.3%	19

Note: Please refer to the Glossary for a description of performance indicators and sectors.

Assured Guaranty Municipal Corp.

U.S. RMBS Profile (3 of 3)

As of September 30, 2012

(dollars in millions)

Distribution of Direct U.S. RMBS Insured January 1, 2005 or Later by Exposure Type, Average Pool Factor, Subordination, Cumulative Losses and 60+ Day Delinquencies

U.S. Option ARMs

Year insured	Net Par Outstanding	Pool Factor	Subordination	Cumulative Losses	60+ Day Delinquencies	Number of Transactions
2005	\$ 37	20.0%	0.0%	14.2%	28.5%	2
2006	254	42.3%	—%	20.1%	48.9%	4
2007	609	42.2%	0.0%	23.8%	44.2%	6
2008	—	—%	—%	—%	—%	—
Total	\$ 900	41.3%	—%	22.4%	44.8%	12

U.S. Subprime First Lien

Year insured	Net Par Outstanding	Pool Factor	Subordination	Cumulative Losses	60+ Day Delinquencies	Number of Transactions
2005	\$ 198	39.2%	20.9%	6.4%	33.1%	3
2006	123	32.4%	39.2%	17.1%	35.4%	2
2007	1,875	54.2%	16.5%	21.4%	45.4%	9
2008	65	58.9%	22.3%	17.3%	33.5%	1
Total	\$ 2,261	51.8%	18.3%	19.7%	43.4%	15

Note: Please refer to the Glossary for a description of performance indicators and sectors.

Assured Guaranty Municipal Corp.

U.S. Consumer Receivables Profile

As of September 30, 2012

(dollars in millions)

Distribution of Direct U.S. Consumer Receivables by Rating

Rating:	Manufactured Housing	Auto	Total Net Par Outstanding
AAA	\$ —	\$ 40	\$ 40
AA	56	38	94
A	—	—	—
BBB	37	—	37
BIG	130	—	130
Total exposures	\$ 223	\$ 78	\$ 301

Average rating	BB-	AAA	BBB-
Average initial credit enhancement	27.5%	19.7%	25.5%
Average current credit enhancement	25.5%	69.0%	36.7%

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

Assured Guaranty Municipal Corp.
Credit Derivative Net Par Outstanding Profile
As of September 30, 2012
(dollars in millions)

Distribution of Credit Derivative Net Par Outstanding by Rating

Ratings:	Net Par Outstanding	% of Total
Super Senior	\$ 10,448	30.0%
AAA	18,799	54.0%
AA	1,895	5.4%
A	1,783	5.1%
BBB	1,403	4.0%
BIG	477	1.5%
Total credit derivative net par outstanding	\$ 34,805	100.0%

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

	Net Par Outstanding	Average Rating
Public Finance		
U.S. public finance	\$ 762	A-
Non-U.S. public finance	2,520	A
Total public finance	\$ 3,282	A
U.S. structured finance		
Pooled corporate obligations	24,500	AAA
Insurance securitizations	306	AA
RMBS	180	A
Commercial receivables	53	BB
Other structured finance	99	CCC
Total U.S. structured finance	25,138	AAA
Non-U.S. structured finance:		
Pooled corporate obligations	6,029	AAA
RMBS	356	AA
Total non-U.S. structured finance	6,385	AAA
Total structured finance	\$ 31,523	AAA
Total credit derivative net par outstanding	\$ 34,805	AAA

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

Assured Guaranty Municipal Corp.
Below Investment Grade Exposures (1 of 5)
(dollars in millions)

BIG Exposures by Asset Type

	BIG Net Par Outstanding	
	September 30, 2012	December 31, 2011 ⁽¹⁾
U.S. public finance:		
Infrastructure finance	\$ 873	\$ 860
General obligation	490	493
Tax backed	202	202
Municipal utilities	158	164
Healthcare	49	122
Higher education	4	5
Other public finance	23	45
Total U.S. public finance	1,799	1,891
Non-U.S. public finance:		
Infrastructure finance	1,302	1,313
Other public finance	311	291
Total non-U.S. public finance	1,613	1,604
Total public finance	\$ 3,412	\$ 3,495
U.S. structured finance:		
RMBS	\$ 5,976	\$ 7,012
Consumer receivables	131	143
Structured credit	79	79
Commercial receivables	53	58
Pooled corporate obligations	24	171
Other structured finance	100	99
Total U.S. structured finance	6,363	7,562
Non-U.S. structured finance:		
Pooled corporate obligations	419	584
RMBS	124	—
Total non-U.S. structured finance	543	584
Total structured finance	\$ 6,906	\$ 8,146
Total BIG net par outstanding	\$ 10,318	\$ 11,641

1) Beginning in the first quarter 2012, the Company decided to classify those portions of risks benefiting from reimbursement obligations collateralized by eligible assets held in trust in acceptable reimbursement structures as the higher of 'AA' or their current internal rating. As of Third Quarter 2012, the Company applied this policy to the Bank of America Agreement and the Deutsche Bank Agreement. The Bank of America Agreement was entered into in April 2011 and the reclassification in the first quarter 2012 resulted in a decrease in BIG net par outstanding as of December 31, 2011 of \$980 million from that previously reported.

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

Assured Guaranty Municipal Corp.
Below Investment Grade Exposures (2 of 5)
(dollars in millions)

Net Par Outstanding by BIG Category⁽¹⁾

	Financial Guaranty Insurance and Credit Derivatives Surveillance Categories	
	September 30, 2012	December 31, 2011⁽²⁾
Category 1		
U.S. public finance	\$ 1,610	\$ 1,739
Non-U.S. public finance	1,613	1,415
U.S. structured finance	205	1,187
Non-U.S. structured finance	539	557
Total Category 1	3,967	4,898
Category 2		
U.S. public finance	—	—
Non-U.S. public finance	—	189
U.S. structured finance	2,027	2,123
Non-U.S. structured finance	—	—
Total Category 2	2,027	2,312
Category 3		
U.S. public finance	189	152
Non-U.S. public finance	—	—
U.S. structured finance	4,131	4,252
Non-U.S. structured finance	4	27
Total Category 3	4,324	4,431
BIG Total	\$ 10,318	\$ 11,641

- 1) Assured Guaranty's surveillance department is responsible for monitoring our portfolio of credits and maintains a list of BIG credits. BIG Category 1: Below investment grade transactions showing sufficient deterioration to make lifetime losses possible, but for which none are currently expected. Transactions on which claims have been paid but are expected to be fully reimbursed (other than investment grade transactions on which only liquidity claims have been paid) are in this category. BIG Category 2: Below investment grade transactions for which lifetime losses are expected but for which no claims (other than liquidity claims) have yet been paid. BIG Category 3: Below investment grade transactions for which lifetime losses are expected and on which claims (other than liquidity claims) have been paid. Transactions remain in this category when claims have been paid and only a recoverable remains.
- 2) Beginning in the first quarter 2012, the Company decided to classify those portions of risks benefiting from reimbursement obligations collateralized by eligible assets held in trust in acceptable reimbursement structures as the higher of 'AA' or their current internal rating. As of Third Quarter 2012, the Company applied this policy to the Bank of America Agreement and the Deutsche Bank Agreement. The Bank of America Agreement was entered into in April 2011 and the reclassification in the first quarter 2012 resulted in a decrease in BIG net par outstanding as of December 31, 2011 of \$980 million from that previously reported.

Assured Guaranty Municipal Corp.
Below Investment Grade Exposures (3 of 5)
As of September 30, 2012
(dollars in millions)

Public Finance BIG Exposures Greater Than \$50 Million

Name or description	Net Par Outstanding	Internal Rating
U.S. public finance:		
Skyway Concession Company LLC	\$ 873	BB
Jefferson County Alabama School Sales Tax	144	BB
Jefferson County Alabama Sewer	125	D
Lackawanna County, Pennsylvania	95	BB-
Detroit (City of) Michigan	72	BB+
Harrisburg (City of) Pennsylvania General Obligation	71	B-
Stockton City, California	64	D
Total	\$ 1,444	
Non-U.S. public finance:		
Reliance Rail Finance Pty. Limited	\$ 455	BB
M6 Duna Autopalya Koncesszios Zartkoruen Mukodo Reszvenytarsasag	316	BB
Valencia Fair	203	BB-
Aeroporti Di Roma (ADR) Romulus Finance S.R.L. (Rome Airport)	201	BB
Cross City Tunnel Motorway Finance Limited	189	BB
Autovia de la Mancha, S.A. (Vineyards2/Spain/Project/IIG/Swap)	140	BB-
Metropolitano de Porto Lease and Sublease of Railroad Equipment	55	B+
Total	\$ 1,559	
Total	\$ 3,003	

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

Assured Guaranty Municipal Corp.
Below Investment Grade Exposures (4 of 5)
As of September 30, 2012
(dollars in millions)

Structured Finance BIG Exposures Greater Than \$50 Million

Name or description	Net Par Outstanding	Internal Rating	Current Credit Enhancement	60+ Day Delinquencies
U.S. structured finance:				
U.S. RMBS:				
MABS 2007-NCW	\$ 514	B	22.5%	59.5%
Option One 2007-FXD2	355	CCC	10.9%	25.8%
Countrywide HELOC 2006-I	349	CCC	0.0%	5.8%
Countrywide HELOC 2006-F	296	CCC	0.0%	15.4%
Nomura Asset Accept. Corp. 2007-1	290	CCC	0.0%	41.3%
Terwin Mortgage Trust 2006-12SL	246	B	—%	9.6%
MASTR 2007-3 (NEGAM)	244	CCC	0.0%	49.8%
Countrywide HELOC 2005-D	211	CCC	0.0%	12.4%
Terwin Mortgage Trust 2007-1SL	202	B	—%	8.4%
Terwin Mortgage Trust 2006-10SL	185	CCC	—%	5.1%
Countrywide HELOC 2007-A	184	CCC	0.0%	5.2%
Soundview 2007-WMC1	178	CCC	—%	67.4%
GMACM 2004-HE3	171	B	0.0%	3.0%
Countrywide HELOC 2007-B	169	CCC	0.0%	4.7%
New Century 2005-A	151	CCC	18.4%	33.3%
FHABS 2007-HE1 HELOC	149	BB	0.0%	3.4%
Renaissance (DELTA) 2007-3	146	CCC	8.2%	31.1%
IndyMac 2007-H1 HELOC	133	CCC	0.0%	6.2%
FHABS 2006-HE2 HELOC	126	BB	0.0%	3.8%
CSAB 2006-3	119	CCC	0.0%	46.8%
MARM 2007-1 (FKA MASTR 2007-OA1)	117	CCC	0.0%	36.3%
Countrywide HELOC 2005-C	106	CCC	0.0%	10.7%
CSAB 2006-2	77	CCC	0.0%	42.2%
FlagStar HELOC 2005-1	76	BB	24.5%	3.9%
FlagStar HELOC 2006-2	75	CCC	26.6%	4.5%
American Home Mortgage Assets Trust 2007-4	74	CCC	0.0%	35.2%
Soundview Home Loan Trust 2008-1	65	BB	22.3%	33.5%
CSMC 2007-3	61	CCC	0.0%	30.3%
Terwin Mortgage Trust 2005-16HE	61	CCC	—%	24.6%
NAAC 2007-S2	60	CCC	0.0%	9.9%
Subtotal U.S. RMBS	\$ 5,190			

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

Assured Guaranty Municipal Corp.
Below Investment Grade Exposures (5 of 5)
As of September 30, 2012
(dollars in millions)

Structured Finance BIG Exposures Greater Than \$50 Million (continued)

Name or description	Net Par Outstanding	Internal Rating	Current Credit Enhancement
U.S. structured finance:			
Other:			
NRG Peaker	\$ 99	CCC	N/A
Private Other Non-Municipal Transaction	79	CCC	N/A
Conseco Finance Manufactured Housing Series 2001-2	74	CCC	15.4%
GreenPoint 2000-4	58	CCC	7.7%
America West Airlines Series 2000-1 G-1	53	BB	N/A
Total other	\$ 363		
Total	\$ 5,553		
Non-U.S. structured finance:			
Gleneagles Funding LTD (1st Issue)	\$ 227	BB	N/A
FHB 8.95% 2016	124	BB+	N/A
Private Pooled Corporate Transaction	80	BB	N/A
Total	\$ 431		
Total	\$ 5,984		

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

Assured Guaranty Municipal Corp.

Largest Exposures by Sector (1 of 4)

As of September 30, 2012

(dollars in millions)

50 Largest U.S. Public Finance Exposures

Credit Name	Net Par Outstanding	Internal Rating
New Jersey (State of)	\$ 2,592	A+
Chicago (City of) Illinois	2,024	A+
Massachusetts (Commonwealth of)	1,896	AA
New York (City of) New York	1,809	AA-
New York (State of)	1,563	A+
New York MTA Transportation Authority	1,539	A
Los Angeles California Unified School District	1,440	AA-
University of California Board of Regents	1,421	AA
Pennsylvania (Commonwealth of)	1,407	AA-
Illinois (State of)	1,404	A
Houston Texas Water and Sewer Authority	1,368	AA-
Arizona (State of)	1,352	A
California (State of)	1,344	BBB+
Wisconsin (State of)	1,338	A+
Atlanta Georgia Water & Sewer System	1,298	BBB+
Port Authority of New York and New Jersey	1,290	AA-
Illinois Toll Highway Authority	1,268	AA
New York City Municipal Water Finance Authority	1,190	AA+
Miami-Dade County Florida Aviation Authority - Miami International Airport	1,177	A
Massachusetts (Commonwealth of) State Sales Tax	1,080	AA
Washington (State of)	1,066	AA
Los Angeles California Department of Water & Power - Electric Revenue Bonds	1,046	AA-
Massachusetts (Commonwealth of) Water Resources	1,003	AA
Orlando-Orange County Expressway Authority, Florida	997	A+
New Jersey Turnpike Authority	986	A-
Chicago-O'Hare International Airport	975	A
Puerto Rico (Commonwealth of)	971	BBB-
Metro Washington Airport Authority	962	A+
San Diego County, California Water	941	AA
Broward County Florida School Board	904	A+
Louisiana (State of) Gas and Fuel Tax	886	AA
Skyway Concession Company LLC	873	BB
California State University System Trustee	861	A+
San Diego California Unified School District	853	AA
Connecticut (State of)	827	AA-
Hartfield Atlanta International Airport	806	A
Chicago Illinois Public Schools	795	A+
Long Island Power Authority	794	A-
Philadelphia Pennsylvania School District	791	A
Michigan (State of)	790	A+
Detroit Michigan Sewer	787	A-
New York State Thruway Authority	773	A
Garden State Preservation Trust, NJ, Open Space & Farmland Preservation Bonds	763	AA
Miami-Dade County, Florida Water & Sewer	743	A+
Detroit Michigan Water Supply System	738	BBB+
Philadelphia (City of) Pennsylvania	732	BBB
Los Angeles Community College District County of Los Angeles, California	719	AA
Austin Texas Combined Utility System Revenue Bonds	669	A+
Michigan (State of) Gas & Motor Vehicle Tax	663	AA
New York MTA Dedicated Tax	657	AA-
Total top 50 U.S. public finance exposures	\$ 55,171	

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

Assured Guaranty Municipal Corp.

Largest Exposures by Sector (2 of 4)

As of September 30, 2012

(dollars in millions)

50 Largest U.S. Structured Finance Exposures

Credit Name	Net Par Outstanding	Internal Rating	Credit Enhancement
Fortress Credit Opportunities I, LP.	\$ 1,294	AA	32.3%
Synthetic Investment Grade Pooled Corporate CDO	1,158	AAA	13.5%
Stone Tower Credit Funding	1,119	AAA	26.5%
Synthetic High Yield Pooled Corporate CDO	976	AAA	40.1%
Synthetic Investment Grade Pooled Corporate CDO	766	Super Senior	14.9%
Synthetic Investment Grade Pooled Corporate CDO	763	Super Senior	29.0%
Synthetic Investment Grade Pooled Corporate CDO	743	Super Senior	28.3%
Synthetic High Yield Pooled Corporate CDO	732	AAA	37.4%
Mizuho II Synthetic CDO	715	A	N/A
Synthetic Investment Grade Pooled Corporate CDO	708	Super Senior	22.5%
Synthetic Investment Grade Pooled Corporate CDO	654	AAA	15.8%
Eastland CLO, LTD	531	Super Senior	39.4%
Synthetic Investment Grade Pooled Corporate CDO	515	Super Senior	14.4%
MABS 2007-NCW	514	B	22.5%
Denali CLO VII, LTD.	495	AAA	19.8%
Synthetic High Yield Pooled Corporate CDO	495	AAA	46.7%
Churchill Financial Cayman	466	AAA	35.2%
Phoenix CLO II	450	AAA	21.5%
Synthetic Investment Grade Pooled Corporate CDO	380	Super Senior	29.5%
Grayson CLO	378	Super Senior	30.0%
Stone Tower CLO V	360	Super Senior	28.8%
Synthetic Investment Grade Pooled Corporate CDO	359	Super Senior	14.4%
Option One 2007-FXD2	355	CCC	10.9%
Countrywide HELOC 2006-I	349	CCC	0.0%
Muir Grove CLO	343	AAA	21.8%
Synthetic Investment Grade Pooled Corporate CDO	342	AAA	16.5%
CIFC Funding 2006-1	340	AAA	24.1%
Credit Protection Trust 188	306	AA	N/A
Cent CDO 15 Limited	305	Super Senior	18.5%
Countrywide HELOC 2006-F	296	CCC	0.0%
Cent CDO 12 Limited	291	AAA	23.9%
Nomura Asset Accept. Corp. 2007-1	290	CCC	0.0%
ColumbusNova CLO Ltd 2006-II	286	AAA	18.4%
Synthetic Investment Grade Pooled Corporate CDO	281	Super Senior	30.5%
CIFC Funding 2007-II	276	Super Senior	43.2%
Lime Street CLO, Ltd.	275	AAA	24.8%
CIFC Funding 2006-II	265	Super Senior	32.4%
HarbourView CLO 2006-1	261	AAA	17.8%
LCM VI LTD.	261	AAA	21.5%
OFSI Fund III LTD.	253	AAA	31.8%
Brentwood CLO, Ltd.	253	Super Senior	32.6%
Terwin Mortgage Trust 2006-12SL	246	B	—%
MASTR 2007-3 (NEGAM)	244	CCC	0.0%
AIRLIE CLO 2006-II	238	AAA	25.2%
Avenue CLO IV	237	AAA	21.3%
Countrywide 2007-13	237	A+	25.8%
Symphony CLO IV, LTD.	232	AAA	26.8%
Macquarie HELOC 2007-1	232	A	9.3%
Synthetic Investment Grade Pooled Corporate CDO	231	Super Senior	14.8%
Grant Grove CLO, LTD.	226	AAA	22.4%
Total top 50 U.S. structured finance exposures	\$ 22,322		

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

Assured Guaranty Municipal Corp.

Largest Exposures by Sector (3 of 4)

As of September 30, 2012

(dollars in millions)

25 Largest Non-U.S. Exposures

Credit Name	Net Par Outstanding	Internal Rating
Quebec Province	\$ 2,059	A+
Sydney Airport Finance Company	1,457	BBB
Thames Water Utility Finance PLC	1,296	A-
Channel Link Enterprises Finance PLC	945	BBB
International AAA Sovereign Debt Synthetic CDO	821	AAA
Japan Expressway Holding and Debt Repayment Agency	650	AA
Campania Region - Healthcare receivable	569	BBB-
Southern Water Services Limited	534	A-
Synthetic Investment Grade Pooled Corporate CDO	528	Super Senior
Capital Hospitals (Issuer) PLC	521	BBB-
Central Nottinghamshire Hospitals PLC	511	BBB
Reliance Rail Finance Pty. Limited	455	BB
Verbund - Lease and Sublease of Hydro-Electric equipment	421	AAA
The Hospital Company (QAH Portsmouth) Limited	413	BBB
NewHospitals (St Helens & Knowsley) Finance PLC	392	BBB
Integrated Accomodation Services PLC	391	BBB+
Synthetic Investment Grade Pooled Corporate CDO	386	AAA
Brisbane Airport	378	BBB
MPC Funding Limited	375	BBB+
Stone Tower Credit Funding	373	AAA
Private Other Structured Finance Transaction	373	Super Senior
Sociedad Concesionaria Rutas Del Pacifico S.A.	352	BBB
Plenary Health North Bay Finco Inc.	351	BBB+
Duchess I CDO	349	BBB-
Envestra Limited	343	BBB-
Total top 25 non-U.S. exposures	\$ 15,243	

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

Assured Guaranty Municipal Corp.

Largest Exposures by Sector (4 of 4)

As of September 30, 2012

(dollars in millions)

10 Largest U.S. Residential Mortgage Servicer Exposures

Servicer:	<u>Net Par Outstanding</u>
Bank of America, N.A. ⁽¹⁾	\$ 3,281
Specialized Loan Servicing LLC	1,350
Homeward Residential, Inc.	1,121
Ocwen Loan Servicing, LLC	734
Wells Fargo Bank NA	594
Select Portfolio Servicing, Inc.	588
Ally Financial, Inc. ⁽²⁾	340
OneWest Bank Group LLC	275
First Horizon National Corporation	274
JPMorgan Chase Bank	120
Total top 10 U.S. residential mortgage servicer exposures	<u>\$ 8,677</u>

10 Largest U.S. Healthcare Exposures

Credit Name:	<u>Net Par Outstanding</u>	<u>Internal Rating</u>	<u>State</u>
Hospital Sisters Health Services Inc Obligated Group	\$ 272	AA-	IL
Carolina HealthCare System	241	AA-	NC
Asante Health System	239	A	OR
Catholic Healthcare West	232	A	CA
Catholic Health Initiatives	231	AA	CO
MultiCare Health System	227	A+	WA
Palmetto Health Alliance	218	A-	SC
Children's National Medical Center (DC)	187	BBB+	DC
MedStar Health	177	A-	MD
Catholic Health Partners	176	A+	OH
Total top 10 U.S. healthcare exposures	<u>\$ 2,200</u>		

1) Includes Countrywide Home Loans Servicing LP.

2) Includes GMAC Mortgage LLC, Residential Funding Corp and Homecomings Financial Network, Inc.

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

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

Rollforward of Net Expected Loss and LAE to be Paid for the Three Months Ended September 30, 2012

Financial Guaranty Insurance Contracts and Credit Derivatives	Net Expected Loss to be Paid as of June 30, 2012	Economic Loss development During 3Q-12 ⁽¹⁾	(Paid) Recovered Losses During 3Q-12	Net Expected Loss to be Paid as of September 30, 2012
U.S. RMBS				
First lien:				
Alt-A first lien	\$ 153	\$ 3	\$ (7)	\$ 149
Option ARMs	(59)	1	(62)	(120)
Subprime first lien	149	11	(4)	156
Total first lien	<u>243</u>	<u>15</u>	<u>(73)</u>	<u>185</u>
Second lien:				
Closed end seconds	(46)	5	2	(39)
HELOC	(93)	(17)	(19)	(129)
Total second lien	<u>(139)</u>	<u>(12)</u>	<u>(17)</u>	<u>(168)</u>
Total U.S. RMBS	104	3	(90)	17
Other structured finance	38	1	—	39
U.S. public finance	(19)	(10)	(31)	(60)
Non-U.S. public finance	199	41	(206)	34
Total	<u>\$ 322</u>	<u>\$ 35</u>	<u>\$ (327)</u>	<u>\$ 30</u>

Rollforward of Net Expected Loss and LAE to be Paid for the Nine Months Ended September 30, 2012

Financial Guaranty Insurance Contracts and Credit Derivatives	Net Expected Loss to be Paid as of December 31, 2011	Economic Loss development During 2012 ⁽¹⁾	(Paid) Recovered Losses During 2012	Net Expected Loss to be Paid as of September 30, 2012
U.S. RMBS				
First lien:				
Alt-A first lien	\$ 93	\$ 18	\$ 38	\$ 149
Option ARMs	135	(10)	(245)	(120)
Subprime first lien	155	32	(31)	156
Total first lien	<u>383</u>	<u>40</u>	<u>(238)</u>	<u>185</u>
Second lien:				
Closed end seconds	(32)	(3)	(4)	(39)
HELOC	(75)	(2)	(52)	(129)
Total second lien	<u>(107)</u>	<u>(5)</u>	<u>(56)</u>	<u>(168)</u>
Total U.S. RMBS	276	35	(294)	17
Other structured finance	62	(22)	(1)	39
U.S. public finance	(35)	9	(34)	(60)
Non-U.S. public finance	38	191	(195)	34
Total	<u>\$ 341</u>	<u>\$ 213</u>	<u>\$ (524)</u>	<u>\$ 30</u>

1) Includes the effect of changes in the Company's estimate of future recovery on representations and warranties ("R&W").

Assured Guaranty Municipal Corp.

Financial Guaranty Insurance and Credit Derivative U.S. RMBS R&W Benefit Development
(dollars in millions)

Financial Guaranty Insurance and Credit Derivatives U.S. RMBS Benefit Development for the Three Months Ended September 30, 2012

	Future Net R&W Benefit at June 30, 2012	R&W Economic Loss Development During 3Q-12	R&W Recovered During 3Q-12	Future Net R&W Benefit at September 30, 2012
Financial guaranty insurance:				
Alt-A first lien	\$ 134	\$ 2	\$ (3)	\$ 133
Option ARMs	600	(9)	(80)	511
Subprime first lien	92	11	—	103
Closed end seconds	112	—	—	112
HELOC	97	6	(8)	95
Subtotal	\$ 1,035	\$ 10	\$ (91)	\$ 954
Credit derivatives	\$ —	\$ —	\$ —	\$ —
Total	\$ 1,035	\$ 10	\$ (91)	\$ 954

Financial Guaranty Insurance and Credit Derivatives U.S. RMBS R&W Benefit Development for the Nine Months Ended September 30, 2012

	Future Net R&W Benefit at December 31, 2011	R&W Economic Loss Development During 3Q-12	R&W Recovered During 3Q-12	Future Net R&W Benefit at September 30, 2012
Financial guaranty insurance:				
Alt-A first lien	\$ 181	\$ 18	\$ (66)	\$ 133
Option ARMs	619	47	(155)	511
Subprime first lien	101	2	—	103
Closed end seconds	118	—	(6)	112
HELOC	151	5	(61)	95
Subtotal	\$ 1,170	\$ 72	\$ (288)	\$ 954
Credit derivatives	\$ —	\$ —	\$ —	\$ —
Total	\$ 1,170	\$ 72	\$ (288)	\$ 954

Financial Guaranty Insurance and Credit Derivatives U.S. RMBS Policies with R&W Benefit

	Number of Risks as of		Debt Service as of	
	September 30, 2012	December 31, 2011	September 30, 2012	December 31, 2011
Financial guaranty insurance:				
Alt-A first lien	10	11	\$ 1,052	\$ 1,261
Option ARMs	8	10	727	1,240
Subprime first lien	5	5	803	892
Closed end seconds	2	2	157	219
HELOC	3	12	148	2,171
Subtotal	28	40	\$ 2,887	\$ 5,783
Credit derivatives	—	—	\$ —	\$ —
Total	28	40	\$ 2,887	\$ 5,783

Assured Guaranty Municipal Corp.

Losses Incurred

As of September 30, 2012

(dollars in millions)

Financial Guaranty Insurance Contracts and Credit Derivatives	Total Net Par Outstanding for BIG Transactions	3Q-12 Losses Incurred	2012 Losses Incurred	Net Reserve and Credit Impairment	Net Salvage and Subrogation Assets	Net Expected Loss to be Expensed ⁽¹⁾
U.S. RMBS						
First lien:						
Alt-A first lien	\$ 903	\$ 8	\$ 37	\$ 49	\$ —	\$ 122
Option ARMs	601	11	69	34	208	114
Subprime first lien	1,576	8	32	71	—	78
Total first lien	3,080	27	138	154	208	314
Second lien:						
Closed end seconds	755	6	5	(4)	67	88
HELOC	2,141	(4)	8	—	168	143
Total second lien	2,896	2	13	(4)	235	231
Total U.S. RMBS	5,976	29	151	150	443	545
Other structured finance	930	1	(22)	26	—	24
U.S. public finance	1,799	6	9	15	83	12
Non-U.S. public finance	1,613	30	200	21	—	13
Subtotal	10,318	66	338	212	526	594
Effect of consolidating FG VIEs	—	—	(3)	(49)	(204)	(192)
Total	\$ 10,318	\$ 66	\$ 335	\$ 163	\$ 322	\$ 402

	Insurance Reserves	Credit Impairment on Credit Derivative Contracts ⁽²⁾	Reserve and Credit Impairment	Salvage and Subrogation Recoverable	Net
Gross	\$ 225	\$ 26	\$ 251	\$ 386	\$ (135)
Ceded	72	16	88	64 ⁽³⁾	24
Net	\$ 153	\$ 10	\$ 163	\$ 322	\$ (159)

1) Includes discount, see page 12.

2) Credit derivative assets and liabilities recorded on the balance sheet considers estimates of expected losses.

3) Recorded in "reinsurance balances payable, net" on the consolidated balance sheets.

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

	As of and for Nine Months Ended September 30, 2012	Year Ended December 31,			
		2011	2010	2009	2008
Statutory Data					
Net income (loss)	\$ 177	\$ 632	\$ 402	\$ 228	\$ (1,377)
Policyholders' surplus	1,785	1,227	993	909	711
Contingency reserve	1,479	1,881	1,585	1,323	1,282
Qualified statutory capital	3,264	3,108	2,578	2,232	1,993
Unearned premium reserve	2,154	2,172	2,298	2,392	2,520
Loss and LAE reserves	6	318	436	1,022	1,688
Total policyholders' surplus and reserves	5,424	5,598	5,312	5,646	6,201
Present value of installment premium	476	523	691	783	963
Standby line of credit/stop loss	200	200	498	498	550
Excess of loss reinsurance facility	435	435	—	—	—
Total claims-paying resources	<u>\$ 6,535</u>	<u>\$ 6,756</u>	<u>\$ 6,501</u>	<u>\$ 6,927</u>	<u>\$ 7,714</u>
Financial Ratios Calculated Using Statutory Information					
Loss and LAE ratio ⁽¹⁾	79.3%	(26.7)%	47.0%	17.4%	480.2%
Expense ratio ⁽²⁾	30.6%	36.9 %	32.5%	48.1%	9.1%
Combined ratio	<u>109.9%</u>	<u>10.2 %</u>	<u>79.5%</u>	<u>65.5%</u>	<u>489.3%</u>
Other Financial Information (Statutory Basis)					
Net debt service outstanding (end of period)	\$ 446,078	\$ 466,415	\$ 516,080	\$ 568,594	\$ 631,886
Gross debt service outstanding (end of period)	597,134	656,435	715,938	755,360	834,426
Net par outstanding (end of period)	294,768	308,538	343,619	381,148	424,393
Gross par outstanding (end of period)	386,283	423,936	464,904	493,798	545,568
Ceded par to all Assured Guaranty companies	61,936	63,842	63,602	32,501	32,927
Ceded par to other companies	29,580	51,555	57,682	79,433	88,248
Ratios:					
Par insured to statutory capital	90:1	99:1	133:1	171:1	213:1
Capital ratio ⁽³⁾	137:1	150:1	200:1	255:1	317:1
Financial resources ratio ⁽⁴⁾	68:1	69:1	79:1	82:1	82:1
Gross debt service written:					
Public finance	\$ 16,917	\$ 26,302	\$ 43,115	\$ 4,202	\$ 85,666
Structured finance	—	—	—	—	5,193
Total gross debt service written	<u>\$ 16,917</u>	<u>\$ 26,302</u>	<u>\$ 43,115</u>	<u>\$ 4,202</u>	<u>\$ 90,859</u>

- 1) The loss and LAE ratio is calculated by dividing statutory loss and LAE by statutory earned premiums, on a consolidated basis. The NAIC Annual Statement is prepared on a stand-alone basis.
- 2) The expense ratio is calculated by dividing statutory underwriting expenses by statutory written premiums, on a consolidated basis. The expense ratio excludes miscellaneous income which is included in the numerator in the NAIC Annual Statement. The NAIC Annual Statement is prepared on a stand-alone basis.
- 3) The capital ratio is calculated by dividing net debt service outstanding by qualified statutory capital.
- 4) The financial resources ratio is calculated by dividing net debt service outstanding by total claims paying resources.

Glossary

Net Par Outstanding and Internal Ratings

Internal Rating for the Company's ratings scale 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. The super senior category, which is not generally used by rating agencies, is used by the Company in instances where Assured Guaranty's AAA-rated exposure on its internal rating scale has additional credit enhancement due to either (a) the existence of another security rated AAA that is subordinated to Assured Guaranty's exposure or (b) Assured Guaranty's exposure benefiting from a different form of credit enhancement that would pay any claims first in the event that any of the exposures incurs a loss, and such credit enhancement, in management's opinion, causes Assured Guaranty's attachment point to be materially above the AAA attachment point.

Net par outstanding is insured par exposure net of reinsurance cessions.

Performance Indicators

The performance information described below is obtained from third parties and/or provided by the trustee and may be subject to restatement or correction:

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.

Cumulative Losses are defined as net charge-offs on the underlying loan collateral divided by the original collateral balance.

Pool Factor is the percentage of the current collateral balance divided by the original collateral balance of the transactions at inception.

Subordination represents the sum of subordinate tranches and overcollateralization, expressed as a percentage of total transaction size, and does not include any benefit from excess spread collections that may be used to absorb losses. Many of the closed-end second lien RMBS transactions insured by the Company have unique structures whereby the collateral may be written down for losses without a corresponding write-down of the obligations insured by the Company. Many of these transactions are currently undercollateralized, with the principal amount of collateral being less than the principal amount of the obligation insured by the Company. The Company is not required to pay principal shortfalls until legal maturity (rather than making timely principal payments), and takes the undercollateralization into account when estimating expected losses for these transactions.

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 December 31, 2011.

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.

Glossary (continued)

Sectors (continued)

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.

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 CDS 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. 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") and Home Equity Securities are obligations backed by closed-end first mortgage loans and closed- and open-end second mortgage loans or home equity loans on one-to-four family residential properties, including condominiums and cooperative apartments. First 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.

Commercial Mortgage-Backed Securities ("CMBS") are obligations backed by pools of commercial mortgages. The collateral supporting CMBS include office, multifamily, retail, hotel, industrial and other specialized or mixed-use properties.

Financial Products is the guaranteed investment contracts ("GICs") portion of the former Financial Products Business of AGMH. AGM has issued financial guaranty insurance policies on the GICs and in respect of the GICs business that cannot be revoked or cancelled. Assured Guaranty is indemnified against exposure to the former financial products business by Dexia SA and certain of its affiliates. In addition, the French and Belgian governments have issued guaranties in respect of the GICs portion of the financial products business. The financial products business is currently being run off.

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

Commercial Receivables Securities are obligations backed by equipment loans or leases, fleet auto 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.

Glossary (continued)

Sectors (continued)

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

Structured Credit Securities include program-wide credit enhancement for commercial paper conduits in the U.S., and securities issued in whole business securitizations and intellectual property securitizations. Program-wide credit enhancement generally involves insuring against the default of ABS in a bank-sponsored commercial paper conduit. Securities issued in whole business and intellectual property securitizations are backed by revenue-producing assets sold to a limited-purpose company by an operating company, including franchise agreements, lease agreements, intellectual property and real property.

Other Structured Finance Securities 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

The Company references financial measures that are not in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Assured Guaranty’s management and board of directors utilize non-GAAP measures in evaluating the Company’s financial performance and as a basis for determining senior management incentive compensation. By providing these non-GAAP financial measures, investors, analysts and financial news reporters have access to the same information that management reviews internally. In addition, Assured Guaranty’s presentation of non-GAAP financial measures is consistent with how analysts calculate their estimates of Assured Guaranty’s financial results in their research reports on Assured Guaranty and with how investors, analysts and the financial news media evaluate Assured Guaranty’s financial results.

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

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

1) Elimination of the after-tax realized gains (losses) on the Company’s investments, except for gains and losses on securities classified as trading. The timing of realized gains and losses, which depends largely on market credit cycles, can vary considerably across periods. The timing of sales is largely subject to the Company’s discretion and influenced by market opportunities, as well as the Company’s tax and capital profile. Trends in the underlying profitability of the Company’s business can be more clearly identified without the fluctuating effects of these transactions.

2) Elimination of the after-tax non-credit-impairment unrealized fair value gains (losses) on credit derivatives, which is the amount in excess of the present value of the expected estimated economic credit losses and non-economic payments. Such fair value adjustments are heavily affected by, and in part fluctuate with, changes in market interest rates, credit spreads and other market factors and are not expected to result in an economic gain or loss. Additionally, such adjustments present all financial guaranty contracts on a more consistent basis of accounting, whether or not they are subject to derivative accounting rules.

3) Elimination of the after-tax fair value gains (losses) on the Company’s committed capital securities. Such amounts are heavily affected by, and in part fluctuate with, changes in market interest rates, credit spreads and other market factors and are not expected to result in an economic gain or loss.

4) Elimination of the after-tax foreign exchange gains (losses) on remeasurement of net premium receivables and loss and LAE reserves. Long-dated receivables constitute a significant portion of the net premium receivable balance and represent the present value of future contractual or expected collections. Therefore, the current period’s foreign exchange remeasurement gains (losses) are not necessarily indicative of the total foreign exchange gains (losses) that the Company will ultimately recognize.

5) Elimination of the effects of consolidating FG VIEs in order to present all financial guaranty contracts on a more consistent basis of accounting, whether or not GAAP requires consolidation. GAAP requires the Company to consolidate certain VIEs that have issued debt obligations insured by the Company even though the Company does not own such VIEs.

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

1) Elimination of the effects of consolidating FG VIEs in order to present all financial guaranty contracts on a more consistent basis of accounting, whether or not GAAP requires consolidation. GAAP requires the Company to consolidate certain VIEs that have issued debt obligations insured by the Company even though the Company does not own such VIEs.

2) Elimination of the after-tax non-credit-impairment unrealized fair value gains (losses) on credit derivatives, which is the amount in excess of the present value of the expected estimated economic credit losses and non-economic payments. Such fair value adjustments are heavily affected by, and in part fluctuate with, changes in market interest rates, credit spreads and other market factors and are not expected to result in an economic gain or loss.

Non-GAAP Financial Measures (continued)

Operating Shareholder's Equity (continued):

3) Elimination of the after-tax fair value gains (losses) on the Company's committed capital securities. Such amounts are heavily affected by, and in part fluctuate with, changes in market interest rates, credit spreads and other market factors and are not expected to result in an economic gain or loss.

4) Elimination of the after-tax unrealized gains (losses) on the Company's investments, that are recorded as a component of accumulated other comprehensive income ("AOCI") (excluding foreign exchange 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.

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

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

1) Elimination of after-tax deferred acquisition costs, 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 after-tax net present value of estimated net future credit derivative revenue. See below.

3) Addition of the after-tax value of the unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed, net of reinsurance. This amount represents the expected future net earned premiums, net of expected losses to be expensed. Net expected losses to be expensed are not reflected in GAAP equity.

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

PVP or present value of new business production: Management believes that PVP is a useful measure because it enables the evaluation of the value of new business production for Assured Guaranty by taking into account the value of estimated future installment premiums on all new contracts underwritten in a reporting period as well as premium supplements and additional installment premium on existing contracts as to which the issuer has the right to call the insured obligation but has not exercised such right, whether in insurance or credit derivative contract form, which GAAP gross premiums written and the net credit derivative premiums received and receivable portion of net realized gains and other settlement on credit derivatives ("Credit Derivative Revenues") do not adequately measure. PVP in respect of financial guaranty contracts written in a specified period is defined as gross upfront and installment premiums received and the present value of gross estimated future installment premiums, in each case, discounted at 6%. For purposes of the PVP calculation, management discounts estimated future installment premiums on insurance contracts at 6%, while under GAAP, these amounts are discounted at a risk free rate. Additionally, under GAAP, management records future installment premiums on financial guaranty insurance contracts covering non-homogeneous pools of assets based on the contractual term of the transaction, whereas for PVP purposes, management records an estimate of the future installment premiums the Company expects to receive, which may be based upon a shorter period of time than the contractual term of the transaction. Actual future net earned or written premiums and Credit Derivative Revenues may differ from PVP due to factors including, but not limited to, changes in foreign exchange rates, prepayment speeds, terminations, credit defaults, or other factors that affect par outstanding or the ultimate maturity of an obligation.



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