

A photograph of a construction worker in silhouette, wearing a hard hat and safety harness, walking across a steel truss bridge. The worker is holding a tool or equipment. The background shows the sky and the structural elements of the bridge.

Financial Supplement

Assured Guaranty Municipal Corp.
September 30, 2016



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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, 2015 and its Quarterly Report on Form 10-Q for the quarterly periods ended March 31, 2016, June 30, 2016 and September 30, 2016. For the purposes of this financial supplement, all references to the "Company", or "Consolidated AGM" shall mean Assured Guaranty Municipal Corp. (AGM) and its consolidated entities (consisting primarily of Assured Guaranty (Europe) Ltd., Municipal Assurance Holdings Inc., a company formed to own 100% of the common stock of Municipal Assurance Corp. (MAC), and variable interest entities Assured Guaranty Municipal is required to consolidate under accounting principles generally accepted in the United States). Assured Guaranty Municipal Corp. owns 60.7% of the outstanding shares of Municipal Assurance Holdings Inc., and Assured Guaranty Municipal Corp.'s affiliate Assured Guaranty Corp. owns the remaining 39.3%; Assured Guaranty Municipal consolidates all of MAC. AGM (excluding MAC) shall mean Consolidated AGM excluding Municipal Assurance Holdings Inc. and MAC.

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 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; (2) reduction in the amount of available insurance opportunities and/or in the demand for Assured Guaranty's insurance; (3) developments in the world's financial and capital markets that adversely affect obligors' payment rates, Assured Guaranty's loss experience, or its exposure to refinancing risk in transactions (which could result in substantial liquidity claims on its guarantees); (4) the possibility that budget or pension shortfalls or other factors will result in credit losses or impairments on obligations of state, territorial and local governments and their related authorities and public corporations that Assured Guaranty insures or reinsures; (5) the failure of Assured Guaranty to realize loss recoveries that are assumed in its expected loss estimates; (6) 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; (7) increased competition, including from new entrants into the financial guaranty industry; (8) 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; (9) the inability of Assured Guaranty to access external sources of capital on acceptable terms; (10) changes in the world's credit markets, segments thereof, interest rates or general economic conditions; (11) the impact of market volatility on the mark-to-market of Assured Guaranty's contracts written in credit default swap form; (12) changes in applicable accounting policies or practices; (13) changes in applicable laws or regulations, including insurance, bankruptcy and tax laws, or other governmental actions; (14) 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; (15) difficulties with the execution of Assured Guaranty's business strategy; (16) loss of key personnel; (17) the effects of mergers, acquisitions and divestitures; (18) natural or man-made catastrophes; (19) other risks and uncertainties that have not been identified at this time; (20) management's response to these factors; and (21) other risk factors identified in AGL'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 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 Municipal Corp.

Selected Financial Highlights

(dollars in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income (loss) attributable to AGM	\$ 81	\$ 123	\$ 248	\$ 317
Operating Income ⁽²⁾	101	89	286	277
Effect of refundings and terminations, net on:				
Net earned premium	\$ 52	\$ 56	\$ 180	\$ 126
Net change in fair value of credit derivatives	0	98	9	109
Net income attributable to AGM effect	29	96	141	141
Operating net earned premiums	52	56	180	126
Credit derivative revenues	—	0	2	11
Operating income effect	29	32	137	77
Effective tax rate on net income	23.9%	28.7%	26.3%	28.1%
Effective tax rate on operating income ⁽⁵⁾	26.2	26.3	27.4	27.1
Return on equity (ROE) calculations ⁽¹⁾⁽⁶⁾:				
GAAP ROE	7.8%	12.4%	8.0%	10.6%
ROE, excluding unrealized gain (loss) on investment portfolio	8.1	12.8	8.3	11.0
Operating ROE	10.1	9.1	9.6	9.5
New business ⁽³⁾⁽⁷⁾:				
Gross written premiums (GWP)	\$ 14	\$ 41	\$ 79	\$ 74
Present value of new business production (PVP) ⁽²⁾	27	42	106	81
Gross par written	3,624	4,703	11,144	12,724
			As of	
			September 30, 2016	December 31, 2015
Shareholder's equity attributable to AGM			\$ 4,149	\$ 4,067
Operating shareholder's equity ⁽²⁾			4,027	3,937
Adjusted book value ⁽²⁾			5,048	5,130
Other Information				
Net debt service outstanding ⁽³⁾			\$ 279,163	\$ 323,036
Net par outstanding ⁽³⁾			190,329	217,359
Claims-paying resources (including MAC) ⁽⁴⁾			6,410	6,668

1) Quarterly ROE calculations represent annualized returns.

2) Please refer to the explanation of Non-GAAP Financial Measures set forth at the end of this Financial Supplement. Income statement items mentioned in this Financial Supplement that are described as operating (e.g. operating net earned premiums) are non-GAAP measures and represent components of operating income.

3) Amounts include those of Municipal Assurance Corp. (MAC). Although Assured Guaranty Municipal owns approximately 60.7% of the outstanding shares of Municipal Assurance Holdings Inc. (MAC Holdings), a company formed to own 100% of the common stock of MAC, and Assured Guaranty Municipal's affiliate Assured Guaranty Corp. owns the remaining 39.3%, Assured Guaranty Municipal consolidates all of MAC.

4) See page 8 for additional detail on claims-paying resources.

5) Represents the ratio of non-GAAP operating provision for income taxes to operating income before income taxes. See pages 4 and 5.

6) See page 6 for additional information on calculation.

7) See pages 10-13 for additional information on calculation.

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

	As of:	
	September 30, 2016	December 31, 2015
Assets:		
Investment portfolio:		
Fixed-maturity securities, available-for-sale, at fair value	\$ 5,911	\$ 6,090
Short-term investments, at fair value	203	257
Other invested assets (includes Surplus Note from affiliate of \$300 and \$300)	361	360
Total investment portfolio	6,475	6,707
Cash	14	22
Premiums receivable	352	425
Ceded unearned premium reserve	788	845
Reinsurance recoverable on unpaid losses	190	154
Salvage and subrogation recoverable	319	109
Credit derivative assets	8	63
Deferred tax asset, net	79	103
Financial guaranty variable interest entities (FG VIE) assets, at fair value	640	735
Other assets	131	132
Total assets	\$ 8,996	\$ 9,295
Liabilities and shareholders' equity:		
Liabilities:		
Unearned premium reserve	\$ 2,535	\$ 2,933
Loss and loss adjustment expense reserve	630	488
Reinsurance balances payable, net	145	118
Notes payable	11	13
Credit derivative liabilities	130	154
Current income tax payable	89	16
FG VIE liabilities with recourse, at fair value	624	713
FG VIE liabilities without recourse, at fair value	107	121
Other liabilities	283	295
Total liabilities	4,554	4,851
Shareholders' equity:		
Preferred stock	—	—
Common stock	15	15
Additional paid-in capital	976	975
Retained earnings	3,023	2,967
Accumulated other comprehensive income	135	110
Total shareholders' equity attributable to Assured Guaranty Municipal Corp.	4,149	4,067
Noncontrolling interest	293	377
Total shareholders' equity	4,442	4,444
Total liabilities and shareholders' equity	\$ 8,996	\$ 9,295

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues:				
Net earned premiums	\$ 105	\$ 117	\$ 342	\$ 319
Net investment income	55	77	182	206
Net realized investment gains (losses)	(2)	(20)	(12)	(24)
Net change in fair value of credit derivatives:				
Realized gains (losses) and other settlements	3	5	13	27
Net unrealized gains (losses)	9	82	18	91
Net change in fair value of credit derivatives	12	87	31	118
Fair value gains (losses) on committed capital securities (CCS)	(11)	(7)	(23)	5
Fair value gains (losses) on FG VIEs	(12)	3	2	(1)
Other income (loss)	9	(8)	38	29
Total revenues	156	249	560	652
Expenses:				
Loss and loss adjustment expenses (LAE)	11	37	101	101
Amortization of deferred ceding commissions	(3)	(3)	(10)	(10)
Interest expense	0	(1)	0	(1)
Other operating expenses	28	29	87	79
Total expenses	36	62	178	169
Income (loss) before income taxes	120	187	382	483
Provision (benefit) for income taxes	28	54	100	136
Net income (loss)	92	133	282	347
Less: Noncontrolling interest	11	10	34	30
Net income (loss) attributable to Assured Guaranty Municipal Corp.	\$ 81	\$ 123	\$ 248	\$ 317

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

	Three Months Ended September 30, 2016			Three Months Ended September 30, 2015		
	GAAP Income Statement Line Items As Reported	Less: Operating Income Adjustments	Non-GAAP Operating Income Components	GAAP Income Statement Line Items As Reported	Less: Operating Income Adjustments	Non-GAAP Operating Income Components
Revenues:						
Net earned premiums	\$ 105	\$ (3) (1)	\$ 108	\$ 117	\$ (5) (1)	\$ 122
Net investment income	55	(2) (1)	57	77	0 (1)	77
Net realized investment gains (losses)	(2)	(2) (2)	—	(20)	(20) (2)	0
Net change in fair value of credit derivatives:						
Realized gains (losses) and other settlements	3	3	—	5	5	—
Net unrealized gains (losses)	9	9	—	82	82	—
Credit derivative revenues	—	(3)	3	—	(5)	5
Net change in fair value of credit derivatives	12	9 (3)	3	87	82 (3)	5
Fair value gains (losses) on CCS	(11)	(11) (4)	—	(7)	(7) (4)	—
Fair value gains (losses) on FG VIEs	(12)	(12) (1)	—	3	3 (1)	—
Other income (loss)	9	(3) (1)(5)	12	(8)	(10) (1)(5)	2
Total revenues	156	(24)	180	249	43	206
Expenses:						
Loss and LAE						
Financial guaranty insurance	11	1 (1)	10	37	(10) (1)	47
Credit derivatives	—	7 (3)	(7)	—	0 (3)	0
Amortization of deferred ceding commissions	(3)	—	(3)	(3)	—	(3)
Interest expense	0	—	0	(1)	—	(1)
Other operating expenses	28	—	28	29	—	29
Total expenses	36	8	28	62	(10)	72
Income (loss) before income taxes	120	(32)	152	187	53	134
Provision (benefit) for income taxes	28	(12) (6)	40	54	19 (6)	35
Net income (loss)	92	(20)	112	133	34	99
Less: Noncontrolling interest	11	0	11	10	0	10
Net income (loss) attributable to Assured Guaranty Municipal Corp.	\$ 81	\$ (20)	\$ 101	\$ 123	\$ 34	\$ 89
Effective tax rate	23.9%		26.2%	28.7%		26.3%

- 1) Include adjustments related to elimination of the effects of consolidating FG VIEs.
- 2) Adjustments to eliminate realized gains (losses) on the Company's investments, except for gains and losses on securities classified as trading
- 3) Adjustments to eliminate non-economic fair value gains (losses) on credit derivatives and reclassification to revenues and loss expense.
- 4) Adjustments to eliminate fair value gain (loss) on CCS.
- 5) Include adjustments related to elimination of foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves.
- 6) Tax effect of the above adjustments.

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, 2016			Nine Months Ended September 30, 2015		
	GAAP Income Statement Line Items As Reported	Less: Operating Income Adjustments	Non-GAAP Operating Income Components	GAAP Income Statement Line Items As Reported	Less: Operating Income Adjustments	Non-GAAP Operating Income Components
Revenues:						
Net earned premiums	\$ 342	\$ (12) (1)	\$ 354	\$ 319	\$ (14) (1)	\$ 333
Net investment income	182	4 (1)	178	206	0 (1)	206
Net realized investment gains (losses)	(12)	(12) (2)	—	(24)	(24) (2)	0
Net change in fair value of credit derivatives:						
Realized gains (losses) and other settlements	13	13	—	27	27	—
Net unrealized gains (losses)	18	18	—	91	91	—
Credit derivative revenues	—	(14)	14	—	(27)	27
Net change in fair value of credit derivatives	31	17 (3)	14	118	91 (3)	27
Fair value gains (losses) on CCS	(23)	(23) (4)	—	5	5 (4)	—
Fair value gains (losses) on FG VIEs	2	2 (1)	—	(1)	(1) (1)	—
Other income (loss)	38	(25) (1)(5)	63	29	(11) (1)(5)	40
Total revenues	560	(49)	609	652	46	606
Expenses:						
Loss and LAE						
Financial guaranty insurance	101	(3) (1)	104	101	(17) (1)	118
Credit derivatives	—	8 (3)	(8)	—	1 (3)	(1)
Amortization of deferred ceding commissions	(10)	—	(10)	(10)	—	(10)
Interest expense	0	—	0	(1)	—	(1)
Other operating expenses	87	—	87	79	—	79
Total expenses	178	5	173	169	(16)	185
Income (loss) before income taxes	382	(54)	436	483	62	421
Provision (benefit) for income taxes	100	(19) (6)	119	136	22 (6)	114
Net income (loss)	282	(35)	317	347	40	307
Less: Noncontrolling interest	34	3	31	30	0	30
Net income (loss) attributable to Assured Guaranty Municipal Corp.	\$ 248	\$ (38)	\$ 286	\$ 317	\$ 40	\$ 277
Effective tax rate	26.3%		27.4%	28.1%		27.1%

1) Include adjustments related to elimination of the effects of consolidating FG VIEs.

2) Adjustments to eliminate realized gains (losses) on the Company's investments, except for gains and losses on securities classified as trading

3) Adjustments to eliminate non-economic fair value gains (losses) on credit derivatives and reclassification to revenues and loss expense.

4) Adjustments to eliminate fair value gain (loss) on CCS.

5) Include adjustments related to elimination of foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves.

6) Tax effect of the above adjustments.

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

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

Operating Income Reconciliation

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income (loss) attributable to AGM	\$ 81	\$ 123	\$ 248	\$ 317
Less pre-tax adjustments:				
Realized gains (losses) on investments	(2)	(22)	(19)	(24)
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	1	82	12	92
Fair value gains (losses) on CCS	(11)	(7)	(23)	5
Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves	(2)	(9)	(19)	(9)
Effect of consolidating FG VIEs	(18)	9	(11)	(2)
Total pre-tax adjustments	(32)	53	(60)	62
Less tax effect on pre-tax adjustments	12	(19)	22	(22)
Operating income	\$ 101	\$ 89	\$ 286	\$ 277

ROE Reconciliation and Calculation

	As of					
	September 30, 2016	June 30, 2016	December 31, 2015	September 30, 2015	June 30, 2015	December 31, 2014
Shareholder's equity attributable to AGM	\$ 4,149	\$ 4,152	\$ 4,067	\$ 4,028	\$ 3,947	\$ 3,951
Unrealized gain (loss) on investment portfolio, pre-tax	253	285	197	227	191	284
Less: tax effect	93	105	74	85	71	105
Unrealized gain (loss) on investment portfolio, after-tax	160	180	123	142	120	179
Shareholders' equity attributable to AGM, excluding unrealized gain (loss) on investment portfolio	\$ 3,989	\$ 3,972	\$ 3,944	\$ 3,886	\$ 3,827	\$ 3,772
Operating shareholders' equity	\$ 4,027	\$ 3,972	\$ 3,937	\$ 3,904	\$ 3,899	\$ 3,853

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income (loss) attributable to AGM	\$ 81	\$ 123	\$ 248	\$ 317
Operating income	101	89	286	277
Average shareholder's equity attributable to AGM	\$ 4,151	\$ 3,988	\$ 4,108	\$ 3,990
Average shareholder's equity attributable to AGM, excluding unrealized gain (loss) on investment portfolio	3,981	3,857	3,967	3,829
Average operating shareholders' equity	4,000	3,902	3,982	3,879
GAAP ROE ⁽¹⁾	7.8%	12.4%	8.0%	10.6%
ROE, excluding unrealized gain (loss) on investment portfolio ⁽¹⁾	8.1	12.8	8.3	11.0
Operating ROE ⁽¹⁾	10.1	9.1	9.6	9.5

1) Quarterly ROE calculations represent annualized returns.

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

	As of					
	September 30,	June 30,	December 31,	September 30,	June 30,	December 31,
	2016	2016	2015	2015	2015	2014
Reconciliation of shareholder's equity to adjusted book value:						
Shareholder's equity attributable to AGM	\$ 4,149	\$ 4,152	\$ 4,067	\$ 4,028	\$ 3,947	\$ 3,951
Less pre-tax adjustments:						
Effect of consolidating FG VIEs	(23)	(3)	(14)	(41)	(48)	(38)
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(41)	(15)	(31)	(44)	(126)	(136)
Fair value gains (losses) on CCS	6	17	29	22	30	17
Unrealized gain (loss) on investment portfolio, pre-tax	253	285	197	227	191	284
Taxes	(73)	(104)	(51)	(40)	1	(29)
Operating shareholders' equity	4,027	3,972	3,937	3,904	3,899	3,853
Pre-tax adjustments:						
Less: Deferred acquisition costs	(71)	(73)	(75)	(69)	(71)	(77)
Plus: Net present value of estimated net future credit derivative revenue	17	20	30	35	44	55
Plus: Net unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed	1,483	1,559	1,730	1,726	1,782	1,940
Taxes	(550)	(579)	(642)	(640)	(664)	(725)
Adjusted book value	<u>\$ 5,048</u>	<u>\$ 5,045</u>	<u>\$ 5,130</u>	<u>\$ 5,094</u>	<u>\$ 5,132</u>	<u>\$ 5,200</u>

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

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

	As of:	
	September 30, 2016	December 31, 2015
Claims-paying resources		
Policyholders' surplus	\$ 2,466	\$ 2,441
Contingency reserve ⁽¹⁾	1,425	1,357
Qualified statutory capital	3,891	3,798
Unearned premium reserve ⁽¹⁾	1,378	1,597
Loss and LAE reserves ⁽¹⁾	364	438
Total policyholders' surplus and reserves	5,633	5,833
Present value of installment premium ⁽¹⁾	217	275
CCS	200	200
Excess of loss reinsurance facility ⁽²⁾	360	360
Total claims-paying resources (including proportionate MAC ownership for AGM)	6,410	6,668
Adjustment for MAC ⁽³⁾	662	940
Total claims-paying resources (excluding proportionate MAC ownership for AGM)	\$ 5,748	\$ 5,728
Statutory net par outstanding ⁽⁴⁾	\$ 119,358	\$ 133,409
Equity method adjustment ⁽³⁾	28,378	37,516
Adjusted statutory net par outstanding ⁽¹⁾	\$ 147,736	\$ 170,925
Net debt service outstanding ⁽⁴⁾	\$ 183,943	\$ 206,779
Equity method adjustment ⁽³⁾	41,785	55,873
Adjusted net debt service outstanding ⁽¹⁾	\$ 225,728	\$ 262,652
Ratios:		
Adjusted net par outstanding to qualified statutory capital	38:1	45:1
Capital ratio ⁽⁵⁾	58:1	69:1
Financial resources ratio ⁽⁶⁾	35:1	39:1

- 1) The numbers shown for AGM have been adjusted to include (i) its 100% share of its U.K. insurance subsidiary and (ii) its indirect share of MAC. AGM and AGC own 60.7% and 39.3%, respectively, of the outstanding stock of Municipal Assurance Holdings Inc., which owns 100% of the outstanding common stock of MAC. Amounts include financial guaranty insurance and credit derivatives.
- 2) Represents an aggregate \$360 million excess-of-loss reinsurance facility for the benefit of AGC, AGM and MAC, which became effective January 1, 2016. The facility terminates on January 1, 2018, unless AGC, AGM and MAC choose to extend it.
- 3) Represents adjustment for AGM'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 AGM).

Assured Guaranty Municipal Corp.

New Business Production (1 of 5)

(dollars in millions)

Reconciliation of PVP to GWP for the Three Months Ended September 30, 2016 and September 30, 2015

	Three Months Ended September 30, 2016					Three Months Ended September 30, 2015				
	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.	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
PVP	25	2	0	—	27	41	—	1	—	42
Less: PVP of non-financial guaranty insurance	—	—	0	—	0	—	—	0	—	0
Less: Financial guaranty installment premium PVP	0	2	0	—	2	0	—	1	—	1
Plus: Installment GWP and other GAAP adjustments ⁽¹⁾	(2)	(10)	1	0	(11)	0	(1)	1	0	0
Total GWP	\$ 23	\$ (10)	\$ 1	\$ 0	\$ 14	\$ 41	\$ (1)	\$ 1	\$ 0	\$ 41
Gross par written	\$ 3,459	\$ 165	\$ —	\$ —	\$ 3,624	\$ 4,703	\$ —	\$ —	\$ —	\$ 4,703

Reconciliation of PVP to GWP for the Nine Months Ended September 30, 2016 and September 30, 2015

	Nine Months Ended September 30, 2016					Nine Months Ended September 30, 2015				
	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.	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
PVP	89	16	1	—	106	78	—	3	—	81
Less: PVP of non-financial guaranty insurance	—	—	1	—	1	—	—	1	—	1
Less: Financial guaranty installment premium PVP	0	16	0	—	16	0	—	2	—	2
Plus: Installment GWP and other GAAP adjustments ⁽¹⁾	(16)	5	1	0	(10)	(2)	(3)	1	0	(4)
Total GWP	\$ 73	\$ 5	\$ 1	\$ 0	\$ 79	\$ 76	\$ (3)	\$ 1	\$ 0	\$ 74
Gross par written	\$ 10,574	\$ 570	\$ —	\$ —	\$ 11,144	\$ 12,724	\$ —	\$ —	\$ —	\$ 12,724

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

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

Assured Guaranty Municipal Corp.

New Business Production (2 of 5)

(dollars in millions)

Three Months Ended

September 30, 2016

	Public Finance		Structured Finance		
	U.S.	Non - U.S.	U.S.	Non - U.S.	Total
AGM (Excluding MAC)					
PVP	\$ 24	\$ 2	\$ 0	\$ —	\$ 26
Less: PVP of non-financial guaranty insurance	—	—	—	—	0
Less: Financial guaranty installment premium PVP	—	2	—	—	2
Plus: Installment GWP and other GAAP adjustments ⁽¹⁾	(2)	(10)	1	0	(11)
Total GWP	\$ 22	\$ (10)	\$ 1	\$ 0	\$ 13
Gross par written	\$ 3,210	\$ 165	\$ —	\$ —	\$ 3,375
MAC					
PVP	\$ 1	\$ —	\$ —	\$ —	\$ 1
Less: PVP of non-financial guaranty insurance	—	—	—	—	—
Less: Financial guaranty installment premium PVP	—	—	—	—	—
Plus: Installment GWP and other GAAP adjustments ⁽²⁾	0	—	—	—	0
Total GWP	\$ 1	\$ —	\$ —	\$ —	\$ 1
Gross par written	\$ 249	\$ —	\$ —	\$ —	\$ 249
Consolidated AGM					
PVP	\$ 25	\$ 2	\$ 0	\$ —	\$ 27
Less: PVP of non-financial guaranty insurance	—	—	0	—	0
Less: Financial guaranty installment premium PVP	0	2	0	—	2
Plus: Installment GWP and other GAAP adjustments ⁽¹⁾	(2)	(10)	1	0	(11)
Total GWP	\$ 23	\$ (10)	\$ 1	\$ 0	\$ 14
Gross par written	\$ 3,459	\$ 165	\$ —	\$ —	\$ 3,624

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

2) Includes present value of GWP adjustments on existing installment policies due to changes in assumptions.

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

Assured Guaranty Municipal Corp.

New Business Production (3 of 5)

(dollars in millions)

Three Months Ended

September 30, 2015

	Public Finance		Structured Finance		
	U.S.	Non - U.S.	U.S.	Non - U.S.	Total
AGM (Excluding MAC)					
PVP	\$ 40	\$ —	\$ 1	\$ —	\$ 41
Less: PVP of non-financial guaranty insurance	—	—	0	—	0
Less: Financial guaranty installment premium PVP	—	—	1	—	1
Plus: Installment GWP and other GAAP adjustments ⁽¹⁾	0	(1)	1	0	0
Total GWP	\$ 40	\$ (1)	\$ 1	\$ 0	\$ 40
Gross par written	\$ 4,475	\$ —	\$ —	\$ —	\$ 4,475
MAC					
PVP	\$ 1	\$ —	\$ —	\$ —	\$ 1
Less: PVP of non-financial guaranty insurance	—	—	—	—	—
Less: Financial guaranty installment premium PVP	—	—	—	—	—
Plus: Installment GWP and other GAAP adjustments ⁽²⁾	0	—	—	—	0
Total GWP	\$ 1	\$ —	\$ —	\$ —	\$ 1
Gross par written	\$ 228	\$ —	\$ —	\$ —	\$ 228
Consolidated AGM					
PVP	\$ 41	\$ —	\$ 1	\$ —	\$ 42
Less: PVP of non-financial guaranty insurance	—	—	0	—	0
Less: Financial guaranty installment premium PVP	0	—	1	—	1
Plus: Installment GWP and other GAAP adjustments ⁽¹⁾	0	(1)	1	0	0
Total GWP	\$ 41	\$ (1)	\$ 1	\$ 0	\$ 41
Gross par written	\$ 4,703	\$ —	\$ —	\$ —	\$ 4,703

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

2) Includes present value of GWP adjustments on existing installment policies due to changes in assumptions.

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

Assured Guaranty Municipal Corp.

New Business Production (4 of 5)

(dollars in millions)

Nine Months Ended

September 30, 2016

	Public Finance		Structured Finance		
	U.S.	Non - U.S.	U.S.	Non - U.S.	Total
AGM (Excluding MAC)					
PVP	\$ 86	\$ 16	\$ 1	\$ —	\$ 103
Less: PVP of non-financial guaranty insurance	—	—	1	—	1
Less: Financial guaranty installment premium PVP	0	16	0	—	16
Plus: Installment GWP and other GAAP adjustments ⁽¹⁾	(15)	5	1	0	(9)
Total GWP	\$ 71	\$ 5	\$ 1	\$ 0	\$ 77
Gross par written	\$ 9,869	\$ 570	\$ —	\$ —	\$ 10,439
MAC					
PVP	\$ 3	\$ —	\$ —	\$ —	\$ 3
Less: PVP of non-financial guaranty insurance	—	—	—	—	—
Less: Financial guaranty installment premium PVP	—	—	—	—	—
Plus: Installment GWP and other GAAP adjustments ⁽²⁾	(1)	—	—	—	(1)
Total GWP	\$ 2	\$ —	\$ —	\$ —	\$ 2
Gross par written	\$ 705	\$ —	\$ —	\$ —	\$ 705
Consolidated AGM					
PVP	\$ 89	\$ 16	\$ 1	\$ —	\$ 106
Less: PVP of non-financial guaranty insurance	—	—	1	—	1
Less: Financial guaranty installment premium PVP	0	16	0	—	16
Plus: Installment GWP and other GAAP adjustments ⁽¹⁾	(16)	5	1	0	(10)
Total GWP	\$ 73	\$ 5	\$ 1	\$ 0	\$ 79
Gross par written	\$ 10,574	\$ 570	\$ —	\$ —	\$ 11,144

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

2) Includes present value of GWP adjustments on existing installment policies due to changes in assumptions.

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

Assured Guaranty Municipal Corp.
New Business Production (5 of 5)
(dollars in millions)

		Nine Months Ended September 30, 2015				
		Public Finance		Structured Finance		Total
		U.S.	Non - U.S.	U.S.	Non - U.S.	
AGM (Excluding MAC)						
PVP		\$ 76	\$ —	\$ 3	\$ —	\$ 79
Less: PVP of non-financial guaranty insurance		—	—	1	—	1
Less: Financial guaranty installment premium PVP		0	—	2	—	2
Plus: Installment GWP and other GAAP adjustments ⁽¹⁾		(1)	(3)	1	—	(3)
Total GWP		\$ 75	\$ (3)	\$ 1	\$ —	\$ 73
Gross par written		\$ 11,902	\$ —	\$ —	\$ —	\$ 11,902
MAC						
PVP		\$ 2	\$ —	\$ —	\$ —	\$ 2
Less: PVP of non-financial guaranty insurance		—	—	—	—	—
Less: Financial guaranty installment premium PVP		—	—	—	—	—
Plus: Installment GWP and other GAAP adjustments ⁽²⁾		(1)	—	—	—	(1)
Total GWP		\$ 1	\$ —	\$ —	\$ —	\$ 1
Gross par written		\$ 822	\$ —	\$ —	\$ —	\$ 822
Consolidated AGM						
PVP		\$ 78	\$ —	\$ 3	\$ —	\$ 81
Less: PVP of non-financial guaranty insurance		—	—	1	—	1
Less: Financial guaranty installment premium PVP		0	—	2	—	2
Plus: Installment GWP and other GAAP adjustments ⁽¹⁾		(2)	(3)	1	0	(4)
Total GWP		\$ 76	\$ (3)	\$ 1	\$ 0	\$ 74
Gross par written		\$ 12,724	\$ —	\$ —	\$ —	\$ 12,724

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

2) Includes present value of GWP adjustments on existing installment policies due to changes in assumptions.

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

Assured Guaranty Municipal Corp.

Gross Par Written
(dollars in millions)

Gross Par Written by Asset Type

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2016	
	Gross Par Written	Avg. Internal Rating	Gross Par Written	Avg. Internal Rating
Sector:				
U.S. public finance:				
General obligation	\$ 1,732	A-	5,224	A-
Municipal utilities	552	A-	1,384	A-
Tax backed	508	A	1,823	A-
Higher education	346	A-	662	A-
Infrastructure finance	140	BBB	149	BBB
Transportation	87	BBB	1,006	BBB
Housing	16	A-	171	BBB
Other public finance	78	A	155	A+
Total U.S. public finance	<u>3,459</u>	A-	<u>10,574</u>	A-
Non-U.S. public finance:				
Regulated utilities	<u>165</u>	BBB+	<u>570</u>	BBB+
Total non-U.S. public finance	<u>165</u>	BBB+	<u>570</u>	BBB+
Total public finance	<u>3,624</u>	A-	<u>11,144</u>	A-
U.S. structured finance:				
Total U.S. structured finance	—	—	—	—
Non-U.S. structured finance:				
Total non-U.S. structured finance	<u>—</u>	—	<u>—</u>	—
Total structured finance	<u>—</u>	—	<u>—</u>	—
Total gross par written	<u>\$ 3,624</u>	A-	<u>\$ 11,144</u>	A-

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

Assured Guaranty Municipal Corp.
Available-for-Sale Investment Portfolio and Cash (1 of 2)
As of September 30, 2016
(dollars in millions)

	Fair Value		
	AGM (Excluding MAC)	MAC	Consolidated AGM
Investment portfolio, available-for-sale:			
Fixed-maturity securities:			
Obligations of states and political subdivisions ⁽³⁾	\$ 2,664	\$ 884	\$ 3,548
Insured obligations of state and political subdivisions ⁽¹⁾⁽³⁾	223	124	347
U.S. Treasury securities and obligations of U.S. government agencies	13	17	30
Agency obligations	11	6	17
Corporate securities ⁽³⁾	595	58	653
Mortgage-backed securities (MBS):			
Residential MBS (RMBS) ⁽²⁾⁽³⁾	512	12	524
Commercial MBS (CMBS)	260	21	281
Asset-backed securities ⁽³⁾	344	—	344
Foreign government securities	167	—	167
Total fixed-maturity securities	4,789	1,122	5,911
Short-term investments and cash	198	19	217
Total	\$ 4,987	\$ 1,141	\$ 6,128

	Fair Value (AGM Excluding MAC)	
		% of Portfolio
Ratings ⁽⁴⁾:		
U.S. Treasury securities and obligations of U.S. government agencies	\$ 13	0.3 %
Agency obligations	11	0.2
AAA/Aaa	523	10.9
AA/Aa	2,794	58.3
A/A	852	17.8
BBB	21	0.5
Below investment grade (BIG) ⁽⁵⁾	575	12.0
Total fixed-maturity securities, available-for-sale	\$ 4,789	100.0%

- 1) 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+.
- 2) Includes fair value of \$244 million in subprime RMBS, which has an average rating of BIG.
- 3) Includes securities purchased or obtained as part of loss mitigation or other risk management strategies.
- 4) Ratings are represented by the lower of the Moody's and S&P classifications except for bonds purchased for loss mitigation (loss mitigation bonds) or other risk management strategies which use internal ratings classifications.
- 5) Includes BIG securities that were purchased or obtained as part of loss mitigation or other risk management strategies of \$876 million in par with carrying value of \$575 million.

Assured Guaranty Municipal Corp.
Available-for-Sale Investment Portfolio and Cash (2 of 2)
As of September 30, 2016
(dollars in millions)

	Amortized Cost	Pre-Tax Book Yield	After-Tax Book Yield	Fair Value	Annualized Investment Income ⁽¹⁾
Investment portfolio, available-for-sale:					
Fixed-maturity securities:					
Obligations of states and political subdivisions ⁽⁴⁾	\$ 3,326	3.73 %	3.48 %	\$ 3,548	\$ 124
Insured obligations of state and political subdivisions ⁽²⁾⁽⁴⁾	316	4.75	4.47	347	15
U.S. Treasury securities and obligations of U.S. government agencies	26	3.11	2.02	30	1
Agency obligations	17	3.77	2.45	17	1
Corporate securities ⁽⁴⁾	661	4.24	2.76	653	28
Mortgage-backed securities (MBS):					
Residential MBS (RMBS) ⁽³⁾⁽⁴⁾	526	5.35	3.48	524	28
Commercial MBS (CMBS)	265	3.26	2.12	281	9
Asset-backed securities ⁽⁴⁾	357	3.32	2.16	344	12
Foreign government securities	188	1.75	1.14	167	3
Total fixed-maturity securities	5,682	3.88	3.22	5,911	221
Short-term investments	203	0.07	0.04	203	0
Cash ⁽⁵⁾	14	—	—	14	—
Total	\$ 5,899	3.75%	3.11%	\$ 6,128	\$ 221

Ratings ⁽⁶⁾:	Fair Value	% of Portfolio
U.S. Treasury securities and obligations of U.S. government agencies	\$ 30	0.5 %
Agency obligations	17	0.3
AAA/Aaa	616	10.4
AA/Aa	3,630	61.4
A/A	1,015	17.2
BBB	28	0.5
Below investment grade (BIG) ⁽⁷⁾	575	9.7
Total fixed-maturity securities, available-for-sale	\$ 5,911	100.0 %

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

5.3

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

AA-

- 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 fair value of \$244 million in subprime RMBS, which has an average rating of BIG.
- 4) Includes securities purchased or obtained as part of loss mitigation or other risk management strategies.
- 5) Cash is not included in the yield calculation.
- 6) Ratings are represented by the lower of the Moody's and S&P classifications except for bonds purchased for loss mitigation (loss mitigation bonds) or other risk management strategies which use internal ratings classifications.
- 7) Includes below investment grade securities that were purchased or obtained as part of loss mitigation or other risk management strategies of \$876 million in par with carrying value of \$575 million.

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

	Estimated Net Debt Service Amortization	Estimated Ending Net Debt Service Outstanding	Financial Guaranty Insurance ⁽²⁾			Future Credit Derivative Revenues	Total
			Expected PV Net Earned Premiums	Accretion of Discount	Future Operating Net Premiums Earned		
2016 (as of September 30)		\$ 279,163					
2016 Q4	\$ 7,957	271,206	\$ 52	\$ 2	\$ 54	\$ 3	\$ 57
2017	33,068	238,138	186	6	192	9	201
2018	22,882	215,256	169	6	175	1	176
2019	17,497	197,759	148	6	154	1	155
2020	14,237	183,522	132	5	137	1	138
2016-2020	95,641	183,522	687	25	712	15	727
2021-2025	64,153	119,369	500	20	520	2	522
2026-2030	50,365	69,004	313	13	326	1	327
2031-2035	33,844	35,160	192	7	199	0	199
After 2035	35,160	—	168	6	174	0	174
Total	\$ 279,163		\$ 1,860	\$ 71	\$ 1,931	\$ 18	\$ 1,949

Reconciliation of future operating net premiums earned to future GAAP net premiums earned

	Future GAAP Net Premiums Earned	Future Operating Net Premiums Earned related to FG VIEs	Future Operating Net Premiums Earned
2016 Q4	\$ 50	\$ 4	\$ 54
2017	180	12	192
2018	165	10	175
2019	146	8	154
2020	131	6	137
2016-2020	672	40	712
2021-2025	500	20	520
2026-2030	314	12	326
2031-2035	189	10	199
After 2035	170	4	174
Total	\$ 1,845	\$ 86	\$ 1,931

1) Represents the future expected amortization of current debt service outstanding (principal and interest), assuming no advance refundings, as of September 30, 2016. 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 18 for "Present Value of Net Expected Loss to be Expensed."

Assured Guaranty Municipal Corp.
Present Value (PV) of Net Expected Loss to be Expensed
As of September 30, 2016
(dollars in millions)

	Net Expected Loss to be Expensed ⁽¹⁾	
	GAAP ⁽²⁾	Operating ⁽²⁾
2016 Q4	\$ 8	\$ 10
2017	20	29
2018	20	26
2019	18	23
2020	16	21
2016-2020	82	109
2021-2025	52	68
2026-2030	26	34
2031-2035	14	23
After 2035	6	10
Total expected PV of net expected loss to be expensed	180	244
Future accretion	82	97
Total expected future loss and LAE	\$ 262	\$ 341

1) The present value of net expected loss to be paid is discounted using weighted-average risk-free rates ranging from 0.0% to 2.42% for U.S. dollar denominated obligations.

2) Net expected loss to be expensed for GAAP reported income is different than operating income, a non-GAAP financial measure, by the amount related to consolidated FG VIEs.

Assured Guaranty Municipal Corp.
Expected Amortization of Net Par Outstanding (1 of 2)
(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	Other Structured Finance	Total	
2016 (as of September 30)						\$ 13,335
2016 Q4	\$ 209	\$ 200	\$ (13)	\$ 83	\$ 479	12,856
2017	5,751	514	56	89	6,410	6,446
2018	533	437	(22)	85	1,033	5,413
2019	283	377	9	214	883	4,530
2020	0	315	(3)	80	392	4,138
2016-2020	6,776	1,843	27	551	9,197	4,138
2021-2025	30	1,045	175	135	1,385	2,753
2026-2030	0	297	900	37	1,234	1,519
2031-2035	81	82	497	274	934	585
After 2035	257	168	154	6	585	—
Total structured finance	\$ 7,144	\$ 3,435	\$ 1,753	\$ 1,003	\$ 13,335	

Public Finance

	Estimated Net Par Amortization	Estimated Ending Net Par Outstanding
2016 (as of September 30)		\$ 176,994
2016 Q4	\$ 5,309	171,685
2017	18,674	153,011
2018	14,723	138,288
2019	10,083	128,205
2020	7,735	120,470
2016-2020	56,524	120,470
2021-2025	37,723	82,747
2026-2030	32,732	50,015
2031-2035	23,457	26,558
After 2035	26,558	—
Total public finance	\$ 176,994	

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

Assured Guaranty Municipal Corp.
Expected Amortization of Net Par Outstanding (2 of 2)
(dollars in millions)

Public Finance:

Estimated Ending Net Par Outstanding

	MAC					Consolidated AGM
	AGM (excluding MAC)	Assumed from Assured Guaranty Municipal	Assumed from AGC	Direct	Total MAC	
2016 (as of September 30)	\$ 115,770	\$ 40,960	\$ 17,689	\$ 2,575	\$ 61,224	\$ 176,994
2016 Q4	112,956	39,010	17,168	2,551	58,729	171,685
2017	103,858	31,432	15,286	2,435	49,153	153,011
2018	97,159	26,552	12,277	2,300	41,129	138,288
2019	92,340	24,070	9,654	2,141	35,865	128,205
2020	87,539	21,966	8,987	1,978	32,931	120,470
2025	62,332	13,166	6,039	1,210	20,415	82,747
2030	39,077	6,742	3,588	608	10,938	50,015
2035	21,399	3,220	1,730	209	5,159	26,558

Public Finance:

Estimated Net Par Amortization

	MAC					Consolidated AGM
	AGM (excluding MAC)	Assumed from Assured Guaranty Municipal	Assumed from AGC	Direct	Total MAC	
2016 Q4	\$ 2,814	\$ 1,950	\$ 521	\$ 24	\$ 2,495	\$ 5,309
2017	9,098	7,578	1,882	116	9,576	18,674
2018	6,699	4,880	3,009	135	8,024	14,723
2019	4,819	2,482	2,623	159	5,264	10,083
2020	4,801	2,104	667	163	2,934	7,735
2016-2020	28,231	18,994	8,702	597	28,293	56,524
2021-2025	25,207	8,801	2,948	767	12,516	37,723
2026-2030	23,255	6,423	2,451	603	9,477	32,732
2031-2035	17,678	3,523	1,858	398	5,779	23,457
After 2035	21,399	3,220	1,730	209	5,159	26,558

Assured Guaranty Municipal Corp.

Financial Guaranty Profile (1 of 6)

As of September 30, 2016

(dollars in millions)

Net Par Outstanding by Asset Type

	AGM (excluding MAC)	MAC				Consolidated AGM
		Assumed from Assured Guaranty Municipal	Assumed from AGC	Direct	Total MAC	
U.S. public finance:						
General obligation	\$ 37,326	\$ 23,879	\$ 10,048	\$ 2,316	\$ 36,243	\$ 73,569
Tax backed	22,714	6,097	2,575	121	8,793	31,507
Municipal utilities	18,018	6,878	2,722	121	9,721	27,739
Transportation	9,839	1,992	736	14	2,742	12,581
Higher education	3,119	1,596	1,131	3	2,730	5,849
Healthcare	5,336	—	—	—	—	5,336
Housing	1,022	257	57	—	314	1,336
Infrastructure finance	518	—	—	—	—	518
Other public finance ⁽¹⁾	894	261	420	—	681	1,575
Total U.S. public finance	98,786	40,960	17,689	2,575	61,224	160,010
Non-U.S. public finance:						
Infrastructure finance	7,728	—	—	—	—	7,728
Regulated utilities	5,011	—	—	—	—	5,011
Other public finance	4,245	—	—	—	—	4,245
Total non-U.S. public finance	16,984	—	—	—	—	16,984
Total public finance	115,770	40,960	17,689	2,575	61,224	176,994
U.S. structured finance:						
Pooled corporate obligations	5,723	—	—	—	—	5,723
RMBS	3,435	—	—	—	—	3,435
Financial products	1,753	—	—	—	—	1,753
Consumer receivables	118	—	—	—	—	118
Commercial receivables	24	—	—	—	—	24
Other structured finance ⁽²⁾	129	—	—	—	—	129
Total U.S. structured finance	11,182	—	—	—	—	11,182
Non-U.S. structured finance:						
Pooled corporate obligations	1,421	—	—	—	—	1,421
RMBS	445	—	—	—	—	445
Other structured finance	287	—	—	—	—	287
Total non-U.S. structured finance	2,153	—	—	—	—	2,153
Total structured finance	13,335	—	—	—	—	13,335
Total	\$ 129,105	\$ 40,960	\$ 17,689	\$ 2,575	\$ 61,224	\$ 190,329

1) Includes investor-owned utilities.

2) Includes structured credit.

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 Municipal Corp.

Financial Guaranty Profile (2 of 6)

(dollars in millions)

Net Par Outstanding and Average Rating by Asset Type

	September 30, 2016		December 31, 2015	
	Net Par Outstanding	Avg. Internal Rating	Net Par Outstanding	Avg. Internal Rating
U.S. public finance:				
General obligation	\$ 73,569	A	\$ 83,132	A
Tax backed	31,507	A	34,760	A
Municipal utilities	27,739	A	31,265	A
Transportation	12,581	A	13,705	A
Higher education	5,849	A	6,401	A
Healthcare	5,336	A	6,924	A
Housing	1,336	A	1,510	A
Infrastructure finance	518	BBB	1,989	BBB-
Other public finance ⁽¹⁾	1,575	A	1,692	A
Total U.S. public finance	160,010	A	181,378	A
Non-U.S. public finance:				
Infrastructure finance	7,728	BBB	8,788	BBB
Regulated utilities	5,011	BBB+	5,451	BBB+
Other public finance	4,245	A	4,243	A
Total non-U.S. public finance	16,984	BBB+	18,482	BBB+
Total public finance	176,994	A	199,860	A
U.S. structured finance:				
Pooled corporate obligations	5,723	AAA	8,481	AAA
RMBS	3,435	BB	4,102	BB+
Financial products	1,753	AA-	1,906	AA-
Consumer receivables	118	B+	135	B+
Commercial receivables	24	BBB-	31	BBB-
Other structured finance ⁽²⁾	129	AA-	140	A-
Total U.S. structured finance	11,182	AA-	14,795	AA
Non-U.S. structured finance:				
Pooled corporate obligations	1,421	AA	1,966	AA+
RMBS	445	BBB	451	BBB
Other structured finance	287	AAA	287	AAA
Total non-U.S. structured finance	2,153	AA-	2,704	AA
Total structured finance	13,335	AA-	17,499	AA
Total	\$ 190,329	A	\$ 217,359	A

1) Includes investor-owned utilities.

2) Includes structured credit.

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 Municipal Corp.

Financial Guaranty Profile (3 of 6)

As of September 30, 2016

(dollars in millions)

Distribution by Ratings of Financial Guaranty Portfolio

	Public Finance - U.S.		Public Finance - Non-U.S.		Structured Finance - U.S.		Structured Finance - Non-U.S.		Total	
Ratings:	Net Par Outstanding	%	Net Par Outstanding	%	Net Par Outstanding	%	Net Par Outstanding	%	Net Par Outstanding	%
AAA	\$ 1,761	1.1 %	\$ 542	3.2 %	\$ 5,989	53.6 %	\$ 1,240	57.6 %	\$ 9,532	5.0 %
AA	35,595	22.3	169	1.0	2,764	24.7	28	1.3	38,556	20.2
A	86,134	53.8	4,739	27.9	69	0.6	150	7.0	91,092	47.9
BBB	33,745	21.1	10,708	63.0	81	0.7	328	15.2	44,862	23.6
BIG	2,775	1.7	826	4.9	2,279	20.4	407	18.9	6,287	3.3
Net Par Outstanding ⁽¹⁾	<u>\$ 160,010</u>	<u>100.0%</u>	<u>\$ 16,984</u>	<u>100.0%</u>	<u>\$ 11,182</u>	<u>100.0%</u>	<u>\$ 2,153</u>	<u>100.0%</u>	<u>\$ 190,329</u>	<u>100.0%</u>

1) Excludes \$674 million of loss mitigation securities insured and held by the Company as of September 30, 2016, which are primarily BIG.

Distribution by Ratings of U.S. Public Finance Portfolio

	MAC						
Ratings:	AGM (excluding MAC)	Assumed from AGM	Assumed from AGC	Direct	Total MAC	Consolidated AGM	
AAA	\$ 809	\$ 921	\$ 31	\$ —	\$ 952	\$ 1,761	
AA	18,132	14,218	3,176	69	17,463	35,595	
A	52,271	20,481	11,937	1,445	33,863	86,134	
BBB	25,065	5,096	2,523	1,061	8,680	33,745	
BIG	2,509	244	22	—	266	2,775	
Net Par Outstanding	<u>\$ 98,786</u>	<u>\$ 40,960</u>	<u>\$ 17,689</u>	<u>\$ 2,575</u>	<u>\$ 61,224</u>	<u>\$ 160,010</u>	

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 Municipal Corp.

Financial Guaranty Profile (4 of 6)

As of September 30, 2016

(dollars in millions)

Ceded Par Outstanding by Reinsurer and Insurer Financial Strength Rating

Reinsurer	Moody's Rating	S&P Rating	Ceded Par Outstanding	% of Total
Affiliated companies	(1)	(1)	\$ 57,198	83.5 %
Non-affiliated companies:				
Tokio Marine & Nichido Fire Insurance Co., Ltd.	Aa3 (2)	A+ (2)	3,685	5.4
American Overseas Reinsurance Company Limited	WR (3)	WR	3,415	5
Syncora Guarantee Inc.	WR	WR	2,185	3.2
Mitsui Sumitomo Insurance Co. Ltd.	A1	A+ (2)	1,394	2
ACA Financial Guaranty Corporation	NR (4)	WR	637	0.9
Other	Various	Various	21	0.0
Total non-affiliated companies			11,337	16.5
Total			\$ 68,535	100.0%

- 1) As of the date of this document, the affiliates of AGM are Assured Guaranty Re Ltd. and its subsidiaries ("AG Re"), rated AA (stable) by S&P, and AGC and its subsidiaries, rated A3 (stable) by Moody's and AA (stable) by S&P. In addition, MAC is rated AA+ (stable) from Kroll Bond Rating Agency and AA (stable) from S&P.
- 2) The Company benefits from trust arrangements that satisfy the triple-A credit requirement of S&P and/or Moody's.
- 3) Represents "Withdrawn Rating."
- 4) Represents "Not Rated."

Assured Guaranty Municipal Corp.
Financial Guaranty Profile (5 of 6)
As of September 30, 2016
(dollars in millions)

Geographic Distribution of Financial Guaranty Portfolio

	Net Par Outstanding	% of Total
U.S.:		
U.S. public finance		
California	\$ 27,066	14.2 %
Pennsylvania	13,891	7.3
Texas	12,747	6.7
New York	12,605	6.6
Illinois	12,328	6.5
Florida	8,340	4.4
New Jersey	7,757	4.1
Michigan	6,477	3.4
Georgia	4,490	2.4
Ohio	4,052	2.1
Other states	50,257	26.4
Total public finance	160,010	84.1
U.S. structured finance	11,182	5.9
Total U.S.	171,192	90.0
Non-U.S.:		
United Kingdom	9,225	4.8
Canada	2,579	1.4
Australia	2,054	1.1
France	1,088	0.6
Italy	977	0.5
Other	3,214	1.6
Total non-U.S.	19,137	10.0
Total net par outstanding	\$ 190,329	100.0%

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

Assured Guaranty Municipal Corp.
Financial Guaranty Profile (6 of 6)
As of September 30, 2016
(dollars in millions)

Net Direct Economic Exposure to Selected European Countries ⁽¹⁾

	<u>Hungary</u>	<u>Italy</u>	<u>Portugal</u>	<u>Spain</u>	<u>Total</u>
Sub-sovereign exposure ⁽²⁾	\$ 195	\$ 649	\$ 76	\$ 282	\$ 1,202
Non-sovereign exposure ⁽³⁾	170	318	—	—	488
Total	<u>\$ 365</u>	<u>\$ 967</u>	<u>\$ 76</u>	<u>\$ 282</u>	<u>\$ 1,690</u>
Total BIG	<u>\$ 296</u>	<u>\$ —</u>	<u>\$ 76</u>	<u>\$ 282</u>	<u>\$ 654</u>

- 1) While the Company's exposures are shown in U.S. dollars, the obligations the Company insures are in various currencies, primarily Euros.
- 2) Sub-sovereign exposure in Selected European Countries includes transactions backed by receivables from or supported by sub-sovereigns, which are governmental or government-backed entities other than the ultimate governing body of the country.
- 3) Non-sovereign exposure in Selected European Countries includes debt of regulated utilities and RMBS.

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

Assured Guaranty Municipal Corp.

Exposure to Puerto Rico (1 of 3)

As of September 30, 2016

(dollars in millions)

Exposure to Puerto Rico

	Gross Par Outstanding	Net Par Outstanding	Gross Debt Service Outstanding	Net Debt Service Outstanding
Total	\$ 3,541	\$ 2,031	\$ 5,675	\$ 3,364

Net Exposure to Puerto Rico by Risk⁽¹⁾

	Net Par Outstanding ⁽³⁾	Gross Par Outstanding
Commonwealth Constitutionally Guaranteed		
Commonwealth of Puerto Rico - General Obligation Bonds ⁽⁵⁾	\$ 677	\$ 1,137
Commonwealth of Puerto Rico - General Obligation Bonds ("Second-to-pay policies on affiliate exposure") ⁽²⁾	3	3
Commonwealth of Puerto Rico - General Obligation Bonds total	680	1,140
Puerto Rico Public Buildings Authority (PBA) ⁽⁵⁾	—	56
PBA ("Second-to-pay policies on affiliate exposure") ⁽²⁾	11	11
PBA total	11	67
Public Corporations - Certain Revenues Potentially Subject to Clawback⁽⁴⁾		
Puerto Rico Highways and Transportation Authority (PRHTA) (Transportation revenue)	190	297
PRHTA (Transportation revenue) ("Second-to-pay policies on affiliate exposure") ⁽²⁾	83	85
PRHTA (Transportation revenue) total	273	382
PRHTA (Highways revenue)	213	528
Other Public Corporations		
Puerto Rico Electric Power Authority (PREPA)	417	735
Puerto Rico Sales Tax Financing Corporation (COFINA)	262	271
Puerto Rico Municipal Finance Agency (MFA)	175	418
Total net exposure to Puerto Rico	\$ 2,031	\$ 3,541

- 1) The general obligation bonds of Puerto Rico and various obligations of its related authorities and public corporations are rated triple-C or below, except the General Obligation, PBA and PRHTA (Transportation revenue) second-to-pay policies on affiliate exposure which are rated AA.
- 2) Represents exposure as to which AGM guarantees payment of principal and interest when due in the event that both the obligor and the AGM affiliate that issued a primary insurance policy fail to pay.
- 3) Includes exposure to capital appreciation bonds to one Puerto Rico credit: Puerto Rico Sales Tax Financing Corporation, current net par \$11 million, net fully accreted value at maturity \$30 million.
- 4) The Governor issued executive orders on November 30, 2015, and December 8, 2015, directing the Puerto Rico Department of Treasury and the Puerto Rico Tourism Company to retain or transfer certain taxes and revenues pledged to secure the payment of bonds issued by PRHTA, Puerto Rico Infrastructure Financing Authority (PRIFA) and Puerto Rico Convention Center District Authority (PRCCDA). On January 7, 2016 the Company sued various Puerto Rico governmental officials in the United States District Court, District of Puerto Rico asserting that this attempt to "claw back" pledged taxes and revenues is unconstitutional, and demanding declaratory and injunctive relief.
- 5) As of the date of this filing, the Company has paid claims on these credits.

Assured Guaranty Municipal Corp.

Exposure to Puerto Rico (2 of 3)

As of September 30, 2016

(dollars in millions)

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

	2016 (4Q)	2017 (1Q)	2017 (2Q)	2017 (3Q)	2017 (4Q)	2018	2019	2020	2021	2022	2023	2024	2025	2026 -2030	2031 -2035	2036 -2040	2041 -2042	Total
Commonwealth Constitutionally Guaranteed																		
Commonwealth of Puerto Rico - General Obligation Bonds ("Primary policies")	\$ —	\$ —	\$ —	\$ 44	\$ —	\$ 20	\$ 32	\$ 32	\$ —	\$ 12	\$ 3	\$ 38	\$ 35	\$ 106	\$ 268	\$ 87	\$ —	\$ 677
Commonwealth of Puerto Rico - General Obligation Bonds ("Second-to-pay policies") ⁽²⁾	—	—	—	2	—	—	—	1	—	—	—	—	—	—	—	—	—	3
PBA ("Second-to-pay policies") ⁽²⁾	—	—	—	2	—	—	2	5	—	—	1	—	1	—	—	—	—	11
Public Corporations - Certain Revenues Potentially Subject to Clawback																		
PRHTA (Transportation revenue) ("Primary policies")	—	—	—	22	—	14	10	10	10	11	12	—	4	79	18	—	—	190
PRHTA (Transportation revenue) ("Second-to-pay policies") ⁽²⁾	—	—	—	—	—	6	—	—	—	—	—	—	17	31	18	11	—	83
PRHTA (Highways revenue)	—	—	—	3	—	3	6	7	10	4	6	7	7	21	110	29	—	213
Other Public Corporations																		
PREPA	—	—	—	4	—	2	18	30	15	16	55	51	38	146	42	—	—	417
COFINA	0	0	0	0	0	(1)	(1)	(1)	(1)	(1)	1	0	(1)	(4)	19	99	153	262
MFA	—	—	—	29	—	22	25	14	14	14	7	8	7	35	—	—	—	175
Total net par for Puerto Rico	\$ 0	\$ 0	\$ 0	\$ 106	\$ 0	\$ 66	\$ 92	\$ 98	\$ 48	\$ 56	\$ 85	\$ 104	\$ 108	\$ 414	\$ 475	\$ 226	\$ 153	\$ 2,031

1) Includes exposure to capital appreciation bonds for one Puerto Rico credit: Puerto Rico Sales Tax Financing Corporation, current net par \$11 million, net fully accreted value at maturity \$30 million.

2) Represents exposure as to which AGM guarantees payment of principal and interest when due in the event that both the obligor and the AGM affiliate that issued a primary insurance policy fail to pay.

Assured Guaranty Municipal Corp.

Exposure to Puerto Rico (3 of 3)

As of September 30, 2016

(dollars in millions)

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

	2016 (4Q)	2017 (1Q)	2017 (2Q)	2017 (3Q)	2017 (4Q)	2018	2019	2020	2021	2022	2023	2024	2025	2026 -2030	2031 -2035	2036 -2040	2041 -2043	Total
Commonwealth Constitutionally Guaranteed																		
Commonwealth of Puerto Rico - General Obligation Bonds ("Primary policies")	\$ —	\$ 18	\$ —	\$ 62	\$ —	\$ 53	\$ 64	\$ 62	\$ 29	\$ 41	\$ 31	\$ 67	\$ 61	\$ 217	\$ 342	\$ 96	\$ —	\$1,143
Commonwealth of Puerto Rico - General Obligation Bonds ("Second-to-pay policies") ⁽²⁾	—	0	—	2	—	0	0	1	—	—	—	—	—	—	—	—	—	3
PBA ("Second-to-pay policies") ⁽²⁾	—	0	—	2	—	1	2	6	0	0	1	0	1	—	—	—	—	13
Public Corporations - Certain Revenues Potentially Subject to Clawback																		
PRHTA (Transportation revenue) ("Primary policies")	—	5	—	28	—	22	18	17	17	18	18	5	9	96	19	—	—	272
PRHTA (Transportation revenue) ("Second-to- pay policies") ⁽²⁾	—	2	—	2	—	10	5	4	4	4	4	4	22	44	25	11	—	141
PRHTA (Highways revenue)	—	6	—	9	—	14	17	17	20	13	16	16	16	62	138	31	—	375
Other Public Corporations																		
PREPA	2	8	2	12	1	21	37	48	31	31	70	64	48	173	44	—	—	592
COFINA	0	6	0	6	0	13	13	13	13	13	14	14	13	66	87	164	169	604
MFA	—	4	—	33	—	30	31	19	18	18	10	10	9	39	—	—	—	221
Total net par for Puerto Rico	\$ 2	\$ 49	\$ 2	\$ 156	\$ 1	\$ 164	\$ 187	\$ 187	\$ 132	\$ 138	\$ 164	\$ 180	\$ 179	\$ 697	\$ 655	\$ 302	\$ 169	\$3,364

- 1) Includes exposure to capital appreciation bonds for one Puerto Rico credit: Puerto Rico Sales Tax Financing Corporation, current net par \$11 million, net fully accreted value at maturity \$30 million.
- 2) Represents exposure as to which AGM guarantees payment of principal and interest when due in the event that both the obligor and the AGM affiliate that issued a primary insurance policy fail to pay.

Assured Guaranty Municipal Corp.

Pooled Corporate Obligations Profile

As of September 30, 2016

(dollars in millions)

Distribution of Pooled Corporate Obligations by Ratings

	Net Par Outstanding	% of Total	Avg. Initial Credit Enhancement	Avg. Current Credit Enhancement
Ratings:				
AAA	\$ 6,175	86.4 %	22.3 %	23.1 %
AA	495	6.9	37.4	50.8
A	75	1.0	—	—
BBB	93	1.4	—	—
BIG	306	4.3	—	—
Total exposures	\$ 7,144	100.0%	21.9%	23.5%

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:					
Synthetic investment grade pooled corporates	\$ 4,871	68.2 %	21.8 %	19.4 %	AAA
CBOs/CLOs	1,767	24.7	28.3	41.3	AAA
Trust preferred - banks and insurance	2	0.0	56.0	97.3	AAA
Other pooled corporates	504	7.1	—	—	BBB-
Total exposures	\$ 7,144	100.0%	21.9%	23.5%	AAA

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

Assured Guaranty Municipal Corp.

Consolidated U.S. RMBS Profile

As of September 30, 2016

(dollars in millions)

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

Ratings:	Prime First Lien	Alt-A First Lien	Option ARMs	Subprime First Lien	Second Lien	Total Net Par Outstanding
AAA	\$ 0	\$ 26	\$ —	\$ 714	\$ 3	\$ 744
AA	0	55	39	270	61	425
A	0	8	—	6	—	14
BBB	0	—	—	57	—	57
BIG	43	369	39	880	864	2,195
Total exposures	\$ 44	\$ 458	\$ 78	\$ 1,927	\$ 927	\$ 3,435

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

Year insured:	Prime First Lien	Alt-A First Lien	Option ARMs	Subprime First Lien	Second Lien	Total Net Par Outstanding
2004 and prior	\$ 1	\$ 26	\$ —	\$ 730	\$ 58	\$ 815
2005	—	168	13	159	136	476
2006	43	78	5	38	331	495
2007	—	186	60	946	403	1,595
2008	—	—	—	54	—	54
Total exposures	\$ 44	\$ 458	\$ 78	\$ 1,927	\$ 927	\$ 3,435

1) Assured Guaranty Municipal 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 Municipal Corp.
Credit Derivative Net Par Outstanding Profile
As of September 30, 2016
(dollars in millions)

Distribution of Credit Derivative Net Par Outstanding by Rating

Rating:	Net Par Outstanding	% of Total
AAA	\$ 6,120	72.6 %
AA	805	9.6
A	792	9.4
BBB	653	7.7
BIG	57	0.7
Total credit derivative net par outstanding	\$ 8,427	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	\$ 1,389	A-
Non-U.S. public finance	190	A-
Total public finance	1,579	A-
U.S. structured finance		
Pooled corporate obligations	5,657	AAA
RMBS	85	AA
Commercial receivables	24	BBB-
Other structured finance	50	AA
Total U.S. structured finance	5,816	AAA
Non-U.S. structured finance:		
Pooled corporate obligations	919	AAA
RMBS	113	BB+
Total non-U.S. structured finance	1,032	AAA
Total structured finance	6,848	AAA
Total credit derivative net par outstanding	\$ 8,427	AAA

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

Assured Guaranty Municipal Corp.
Below Investment Grade Exposures (1 of 4)
(dollars in millions)

BIG Exposures by Asset Exposure Type

	BIG Net Par Outstanding	
	September 30, 2016	December 31, 2015
U.S. public finance:		
General obligation	\$ 1,409	\$ 1,053
Tax backed	856	914
Municipal utilities	437	444
Transportation	64	64
Healthcare	6	47
Other public finance	3	—
Total U.S. public finance	<u>2,775</u>	<u>2,522</u>
Non-U.S. public finance:		
Infrastructure finance	581	592
Other public finance	245	245
Total non-U.S. public finance	<u>826</u>	<u>837</u>
Total public finance	<u>3,601</u>	<u>3,359</u>
U.S. structured finance:		
RMBS	2,195	2,538
Consumer receivables	79	87
Other structured finance ⁽¹⁾	5	56
Total U.S. structured finance	<u>2,279</u>	<u>2,681</u>
Non-U.S. structured finance:		
Pooled corporate obligations	306	306
RMBS	101	95
Total non-U.S. structured finance	<u>407</u>	<u>401</u>
Total structured finance	<u>2,686</u>	<u>3,082</u>
Total BIG net par outstanding	<u>\$ 6,287</u>	<u>\$ 6,441</u>

1) Includes structured credit.

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 Municipal Corp.
Below Investment Grade Exposures (2 of 4)
(dollars in millions)

Net Par Outstanding by BIG Category⁽¹⁾

		Financial Guaranty Insurance and Credit Derivatives Surveillance Categories	
		September 30, 2016	December 31, 2015
Category 1			
U.S. public finance	\$	953	\$ 1,559
Non-U.S. public finance		826	622
U.S. structured finance		53	464
Non-U.S. structured finance		407	401
Total Category 1		<u>2,239</u>	<u>3,046</u>
Category 2			
U.S. public finance		1,082	902
Non-U.S. public finance		—	215
U.S. structured finance		305	262
Non-U.S. structured finance		—	—
Total Category 2		<u>1,387</u>	<u>1,379</u>
Category 3			
U.S. public finance		740	61
Non-U.S. public finance		—	—
U.S. structured finance		1,921	1,955
Non-U.S. structured finance		—	—
Total Category 3		<u>2,661</u>	<u>2,016</u>
BIG Total	\$	<u>6,287</u>	<u>\$ 6,441</u>

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

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

Assured Guaranty Municipal Corp.
Below Investment Grade Exposures (3 of 4)
As of September 30, 2016
(dollars in millions)

Public Finance BIG Exposures with Revenue Sources Greater Than \$50 Million

Name or description	Net Par Outstanding	Internal Rating
U.S. public finance:		
Puerto Rico General Obligation, Appropriations and Guarantees of the Commonwealth	\$ 677	CCC-
Puerto Rico Electric Power Authority (PREPA)	417	CC
Puerto Rico Highways & Transportation Authority	403	CC
Puerto Rico Sales Tax Financing Corporation (COFINA)	262	CCC+
Town of Oyster Bay, Nassau County, New York Public Improvement (Serial) Bonds, 1999	219	BB+
Puerto Rico Municipal Finance Agency	175	CCC-
Penn Hills School District, Pennsylvania	106	BB
Scranton City School District, Pennsylvania	68	BB
Wayne County, Michigan	63	BB-
Stockton City, California	60	D
Total	2,450	
Non-U.S. public finance:		
Reliance Rail Finance Pty. Limited	226	BB+
M6 Duna Autopalya Koncesszios Zartkoruen Mukodo Reszvenytarsasag	195	BB-
Valencia Fair	169	BB-
Autovia de la Mancha, S.A.	113	BB-
Metropolitano de Porto Lease and Sublease of Railroad Equipment	53	B+
Total	756	
Total	\$ 3,206	

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 Municipal Corp.
Below Investment Grade Exposures (4 of 4)
As of September 30, 2016
(dollars in millions)

Structured Finance BIG Exposures Greater Than \$50 Million

Name or description	BIG Net Par Outstanding	Internal Rating	Current Credit Enhancement	60+ Day Delinquencies
U.S. structured finance:				
RMBS:				
Option One 2007-FXD2	\$ 243	CCC	0.0%	17.4%
Countrywide HELOC 2006-I	191	B	0.0	3.1
Nomura Asset Accept. Corp. 2007-1	165	CCC	0.0	24.2
Soundview 2007-WMC1	163	CCC	—	41.1
MABS 2007-NCW	145	CCC	0.0	36.1
New Century 2005-A	112	CCC	5.9	18.8
Countrywide HELOC 2006-F	101	CCC	0.0	5.0
Countrywide HELOC 2005-D	92	CCC	0.0	4.4
Countrywide HELOC 2007-B	91	B	0.0	3.4
Countrywide HELOC 2007-A	91	CCC	0.0	2.5
IndyMac 2007-H1 HELOC	72	B	—	2.1
GMACM 2004-HE3	58	CCC	0.0	5.3
Soundview Home Loan Trust 2008-1	54	CCC	0.7	24.1
ACE 2007-SL1	53	CCC	—	6.2
Total RMBS	1,631			
Subtotal U.S. structured finance	1,631			
Non-U.S. structured finance:				
Gleneagles Funding Ltd.	226	BB	N/A	N/A
Private Pooled Corporate Transaction	81	BB	N/A	N/A
FHB	57	BB-	N/A	N/A
Subtotal Non-U.S. structured finance	364			
Total	\$ 1,995			

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

Assured Guaranty Municipal Corp.

Largest Exposures by Sector (1 of 4)

As of September 30, 2016

(dollars in millions)

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

Credit Name	Net Par Outstanding	Internal Rating
New Jersey (State of)	\$ 2,134	BBB+
Illinois (State of)	1,395	BBB+
Pennsylvania (Commonwealth of)	1,181	A
Chicago (City of) Illinois	1,071	BBB+
Port Authority of New York and New Jersey	1,062	A
Massachusetts (Commonwealth of)	994	AA
New York (City of) New York	957	AA-
Arizona (State of)	950	A+
New York (State of)	933	A+
Massachusetts (Commonwealth of) Water Resources	924	AA
Los Angeles, California Unified School District	890	AA-
New York Metropolitan Transportation Authority	865	A
California (State of)	847	A
Chicago-O'Hare International Airport	820	A-
Atlanta Georgia Water & Sewer System	818	BBB+
Wisconsin (State of)	810	A+
Chicago, Illinois Public Schools	771	BBB-
Central Florida Expressway Authority, Florida (fka Orlando-Orange County Expressway Authority)	738	A+
Great Lakes Water Authority (Water), Michigan	693	BBB
Puerto Rico General Obligation, Appropriations and Guarantees of the Commonwealth	691	CCC-
Miami-Dade County, Florida Water & Sewer	690	A+
Long Island Power Authority	680	BBB+
Great Lakes Water Authority (Sewerage), Michigan	662	BBB
Philadelphia School District, Pennsylvania	637	BBB
Oglethorpe Power Corporation, Georgia	602	BBB+
Philadelphia (City of) Pennsylvania	586	BBB+
Houston, Texas Water and Sewer Authority	570	AA-
New York City Municipal Water Finance Authority	560	AA
San Diego Unified School District, California	556	AA
Garden State Preservation Trust, New Jersey Open Space & Farmland	504	AA
Regional Transportation Authority, Illinois Sales Tax	497	AA-
Maryland Transportation Authority	488	A+
Puerto Rico Highways & Transportation Authority	486	CCC
Sacramento County, California	480	A-
Metro Washington Airport Authority	474	A+
Utah Transit Authority (Sales Tax)	467	AA+
Sacramento (County of), California Airport System	438	A-
Kansas (State of)	433	A+
Miami-Dade County Florida Aviation Authority - Miami International Airport	427	A
New Jersey Turnpike Authority	423	A-
Michigan (State of) Grant Anticipation Demand Notes	423	A+
Puerto Rico Electric Power Authority (PREPA)	417	CC
Pennsylvania Turnpike Commission	406	A-
Michigan (State of)	399	A+
Metropolitan Atlanta Rapid Transit Authority, Georgia	397	AAA
Las Vegas-McCarran International Airport	391	A
Jefferson County Alabama Sewer	385	BBB-
Pittsburgh Water & Sewer, Pennsylvania	385	BBB+
Regional Transportation District, Colorado	382	AA
Metropolitan Pier and Exposition Authority, Illinois	380	A
Total top 50 U.S. public finance exposures	\$ 34,169	

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, 2016

(dollars in millions)

50 Largest U.S. Structured Finance Exposures

Credit Name	Net Par Outstanding	Internal Rating	Credit Enhancement
Synthetic Investment Grade Pooled Corporate CDO	\$ 764	AAA	14.8%
Synthetic Investment Grade Pooled Corporate CDO	742	AAA	26.7
Synthetic Investment Grade Pooled Corporate CDO	654	AAA	14.9
Synthetic Investment Grade Pooled Corporate CDO	515	AAA	14.3
Fortress Credit Opportunities I, LP.	463	AA	50.8
Synthetic Investment Grade Pooled Corporate CDO	380	AAA	29.2
Synthetic Investment Grade Pooled Corporate CDO	342	AAA	16.3
Synthetic Investment Grade Pooled Corporate CDO	314	AAA	14.2
Synthetic Investment Grade Pooled Corporate CDO	281	AAA	30.3
Cent CDO 15 Limited	278	AAA	18.9
Option One 2007-FXD2	243	CCC	0.0
Cent CDO 12 Limited	239	AAA	27.1
Countrywide HELOC 2006-I	191	B	0.0
Synthetic Investment Grade Pooled Corporate CDO	168	AAA	27.6
Nomura Asset Accept. Corp. 2007-1	165	CCC	0.0
Soundview 2007-WMC1	163	CCC	—
CWABS 2007-4	152	A	1.1
MABS 2007-NCW	145	CCC	0.0
Grayson CLO	121	AAA	55.2
Lime Street CLO, LTD.	118	AAA	36.4
Countrywide 2007-13	114	AA-	19.6
New Century 2005-A	112	CCC	5.9
Countrywide HELOC 2006-F	101	CCC	0.0
Countrywide HELOC 2005-D	92	CCC	0.0
Countrywide HELOC 2007-B	91	B	0.0
Countrywide HELOC 2007-A	91	CCC	0.0
Tralee CDO I Ltd.	81	AAA	32.4
Symphony CLO II, Ltd.	74	AAA	56.1
IndyMac 2007-H1 HELOC	72	B	—
Wells Fargo Home Equity 2004-2	71	AAA	25.9
GMACM 2004-HE3	58	CCC	0.0
Soundview Home Loan Trust 2008-1	54	CCC	0.7
ACE 2007-SL1	53	CCC	—
Centurion CDO 9	51	AAA	41.8
NRG Peaker	50	AA	N/A
ACE 2007-D1	49	CCC	2.6
GSAMP 2007-HSBC1	47	AAA	60.6
Conseco Finance Manufactured Housing Series 2001-2	44	CCC	18.0
Countrywide HELOC 2005-C	43	CCC	0.0
Terwin Mortgage Trust 2005-16HE	43	CCC	—
Long Beach 2004-1	43	AAA	73.8
DORAL 2006-1	43	B	7.4
Mid-State Trust X	42	AAA	40.4
Long Beach 2004-3N	40	AAA	52.9
Aggregate (BofA) - Countrywide Home Loans (CWABS) 2004-1	40	AAA	65.9
Deutsche Alt-B 2006-AB1	39	CCC	0.0
Ameriquet 2003-5	39	BBB-	16.2
ABFC 2005-AQ1 - Aggregate (BofA)	39	AA	15.6
Renaissance (Delta) 2004-2	39	AA	38.9
ACE 2005-HE6	38	AAA	74.6
Total top 50 U.S. structured finance exposures	\$ 8,231		

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 Municipal Corp.

Largest Exposures by Sector (3 of 4)

As of September 30, 2016

(dollars in millions)

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

Credit Name	Country	Net Par Outstanding	Internal Rating
Quebec Province	Canada	\$ 1,808	A+
Channel Link Enterprises Finance PLC (Eurotunnel)	France, United Kingdom	755	BBB
Thames Water Utility Finance PLC	United Kingdom	731	A-
Verbund - Lease and Sublease of Hydro-Electric equipment	Austria	509	AAA
Sydney Airport Finance Company	Australia	491	BBB
Campania Region - Healthcare receivable	Italy	451	BBB-
Capital Hospitals (Issuer) PLC	United Kingdom	448	BBB-
Southern Water Services Limited	United Kingdom	442	A-
Central Nottinghamshire Hospitals PLC	United Kingdom	391	BBB
South Lanarkshire Schools	Scotland	387	BBB-
Societe des Autoroutes du Nord et de l'Est de France S.A.	France	377	BBB+
Synthetic Investment Grade Pooled Corporate CDO	Refer to Note 1	322	AAA
The Hospital Company (QAH Portsmouth) Limited	United Kingdom	320	BBB
NewHospitals (St Helens & Knowsley) Finance PLC	United Kingdom	301	BBB
Private Other Structured Finance Transaction	Cayman Islands	287	AAA
Province of Nova Scotia	Canada	277	A+
Integrated Accommodation Services PLC	United Kingdom	274	BBB+
MPC Funding Limited	Australia	260	BBB+
Octagon Healthcare Funding PLC	United Kingdom	256	BBB
Envestra Limited	Australia	256	BBB
Plenary Health North Bay Finco Inc.	Canada	244	BBB+
Japan Expressway Holding and Debt Repayment Agency	Japan	233	A+
Reliance Rail Finance Pty. Limited	Australia	226	BB+
Gleneagles Funding Ltd. (1st Issue)	Refer to Note 2	226	BB
Sociedad Concesionaria Rutas Del Pacifico S.A.	Chile	220	BBB+
Total top 25 non-U.S. exposures		\$ 10,492	

1) Primarily United Kingdom, Australia, France, Netherlands and Switzerland.

2) Primarily United Kingdom, Canada, Australia, Norway and Ireland.

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, 2016

(dollars in millions)

10 Largest U.S. Residential Mortgage Servicer Exposures

Servicer:	Net Par Outstanding
Specialized Loan Servicing, LLC	\$ 1,122
Ocwen Loan Servicing, LLC ⁽¹⁾	1,032
Bank of America, N.A. ⁽²⁾	643
Wells Fargo Bank N.A.	307
JPMorgan Chase Bank	113
Select Portfolio Servicing, Inc.	83
Banco Popular de Puerto Rico	43
Ditech Financial LLC	43
EverHome Mortgage Company	20
Citicorp Mortgage Securities, Inc.	9
Total top 10 U.S. residential mortgage servicer exposures	<u>\$ 3,415</u>

1) Includes Homeward Residential Inc.

2) Includes Countrywide Home Loans Servicing LP.

10 Largest U.S. Healthcare Exposures

Credit Name:	Net Par Outstanding	Internal Rating	State
Carolina HealthCare System	\$ 241	AA-	NC
Dignity Health, California	232	A	CA
Children's National Medical Center, District of Columbia	205	A-	DC
Palmetto Health Alliance, South Carolina	201	A-	SC
Asante Health System	199	A+	OR
Methodist Healthcare	170	A+	TN
Columbus Regional Healthcare System Inc.	167	BBB-	GA
MedStar Health	159	A-	MD
Carilion Health System	153	A-	VA
Mercy Health (f/k/a Catholic Health Partners)	149	A	OH
Total top 10 U.S. healthcare exposures	<u>\$ 1,876</u>		

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

Assured Guaranty Municipal Corp.

Rollforward of Net Expected Loss and LAE to be Paid After Benefit for R&W (dollars in millions)

Rollforward of Net Expected Loss and LAE to be Paid⁽¹⁾ After Benefit for R&W for the Three Months Ended September 30, 2016

Financial Guaranty Insurance Contracts and Credit Derivatives	Net Expected Loss to be Paid (Recovered) as of June 30, 2016	Economic Loss Development During 3Q-16	(Paid) Recovered Losses During 3Q-16	Net Expected Loss to be Paid (Recovered) as of September 30, 2016
Public Finance:				
U.S. public finance	\$ 316	\$ 13	\$ (65)	\$ 264
Non-U.S. public finance	25	(1)	—	24
Public Finance:	<u>341</u>	<u>12</u>	<u>(65)</u>	<u>288</u>
U.S. RMBS				
First lien:				
Alt-A first lien	(79)	3	2	(74)
Option ARMs	(47)	1	1	(45)
Subprime first lien	189	(17)	(15)	157
Total first lien	<u>63</u>	<u>(13)</u>	<u>(12)</u>	<u>38</u>
Second lien	70	(10)	7	67
Total U.S. RMBS ⁽²⁾	<u>133</u>	<u>(23)</u>	<u>(5)</u>	<u>105</u>
Other structured finance	19	(2)	0	17
Structured Finance	<u>152</u>	<u>(25)</u>	<u>(5)</u>	<u>122</u>
Total	<u>\$ 493</u>	<u>\$ (13)</u>	<u>\$ (70)</u>	<u>\$ 410</u>

Rollforward of Net Expected Loss and LAE to be Paid⁽¹⁾ After Benefit for R&W for the Nine Months Ended September 30, 2016

Financial Guaranty Insurance Contracts and Credit Derivatives	Net Expected Loss to be Paid (Recovered) as of December 31, 2015	Economic Loss Development During 2016	(Paid) Recovered Losses During 2016	Net Expected Loss to be Paid (Recovered) as of September 30, 2016
Public Finance:				
U.S. public finance	\$ 214	\$ 124	\$ (74)	\$ 264
Non-U.S. public finance	26	(2)	—	24
Public Finance:	<u>240</u>	<u>122</u>	<u>(74)</u>	<u>288</u>
U.S. RMBS				
First lien:				
Alt-A first lien	89	(40)	(123)	(74)
Option ARMs	(31)	(17)	3	(45)
Subprime first lien	207	(33)	(17)	157
Total first lien	<u>265</u>	<u>(90)</u>	<u>(137)</u>	<u>38</u>
Second lien	37	(20)	50	67
Total U.S. RMBS ⁽²⁾	<u>302</u>	<u>(110)</u>	<u>(87)</u>	<u>105</u>
Other structured finance	23	(5)	(1)	17
Structured Finance	<u>325</u>	<u>(115)</u>	<u>(88)</u>	<u>122</u>
Total	<u>\$ 565</u>	<u>\$ 7</u>	<u>\$ (162)</u>	<u>\$ 410</u>

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

2) Includes future net representations and warranties (R&W) recoverable (payable) of \$62 million as of December 31, 2015, \$(58) million as of June 30, 2016 and \$(72) million as of September 30, 2016.

Assured Guaranty Municipal Corp.

Loss Measures

As of September 30, 2016

(dollars in millions)

	Total Net Par Outstanding for BIG Transactions	3Q-16 Loss and LAE	3Q-16 Operating Loss and LAE	YTD 2016 Loss and LAE	YTD 2016 Operating Loss and LAE	Total Expected PV of Net Expected Loss to be Expensed	Total Expected PV of Operating Net Expected Loss to be Expensed
Public Finance:							
U.S. public finance	\$ 2,775	\$ 15	\$ 15	\$ 126	\$ 126	\$ 42	\$ 42
Non-U.S public finance	826	0	0	(2)	(2)	9	9
Public Finance	3,601	15	15	124	124	51	51
Structured Finance:							
U.S. RMBS:							
First lien:							
Prime first lien	43	—	—	—	—	\$ 0	0
Alt-A first lien	369	1	1	3	4	20	29
Option ARMs	39	1	1	(16)	(16)	15	15
Subprime	880	(6)	(7)	(12)	(14)	45	48
Total first lien	1,331	(4)	(5)	(25)	(26)	80	92
Second lien	864	1	(6)	5	1	48	100
Total U.S. RMBS	2,195	(3)	(11)	(20)	(25)	128	192
Other structured finance	491	(1)	(1)	(3)	(3)	1	1
Structured Finance	2,686	(4)	(12)	(23)	(28)	129	193
Total	\$ 6,287	\$ 11	\$ 3	\$ 101	\$ 96	\$ 180	\$ 244

Reconciliation of GAAP to Non-GAAP operating loss measures

Loss and LAE

Adjustments to add losses incurred related to:

Credit derivatives

FG VIEs

Operating loss and LAE

3Q-16	2016
\$ 11	\$ 101
\$ (7)	\$ (8)
(1)	3
\$ 3	\$ 96

GAAP net expected loss to be expensed

Adjustments to add net expected loss to be expensed related to:

FG VIEs

Operating net expected loss to be expensed

As of September 30,
2016

\$ 180

64

\$ 244

GAAP future accretion

Adjustments to add future accretion related to:

FG VIEs

Operating future accretion

\$ 82

15

\$ 97

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

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

	As of and for Nine Months Ended September 30,	Year Ended December 31,			
	2016	2015	2014	2013	2012
Statutory Data					
Policyholders' surplus	\$ 2,466	\$ 2,441	\$ 2,267	\$ 1,746	\$ 1,785
Contingency reserve	1,425	1,357	1,496	1,783	1,539
Qualified statutory capital	3,891	3,798	3,763	3,529	3,324
Unearned premium reserve	1,378	1,597	1,769	1,891	2,090
Loss and LAE reserves	364	438	487	340	(26)
Total policyholders' surplus and reserves	5,633	5,833	6,019	5,760	5,388
Present value of installment premium	217	275	315	395	467
CCS	200	200	200	200	200
Excess of loss reinsurance facility	360	360	450	435	435
Total claims-paying resources (including proportionate MAC ownership for AGM)	6,410	6,668	6,984	6,790	6,490
Adjustment for MAC	662	940	954	917	—
Total claims-paying resources (excluding proportionate MAC ownership for AGM)	\$ 5,748	\$ 5,728	\$ 6,030	\$ 5,873	\$ 6,490
Other Financial Information (Statutory Basis)					
Net debt service outstanding (end of period) ⁽¹⁾	225,728	262,652	\$ 309,272	\$ 350,905	\$ 425,766
Gross debt service outstanding (end of period) ⁽¹⁾	325,069	371,282	431,626	486,413	573,272
Net par outstanding (end of period) ⁽¹⁾	147,736	170,925	201,290	229,637	281,739
Gross par outstanding (end of period) ⁽¹⁾	209,859	238,062	276,304	311,891	370,976
Ceded to Assured Guaranty affiliates	52,174	54,855	54,704	57,019	60,704
Ceded par to other companies	9,949	12,282	20,309	25,237	28,534
Ratios:					
Net par outstanding to qualified statutory capital	38:1	45:1	53:1	65:1	85:1
Capital ratio ⁽¹⁾	58:1	69:1	82:1	99:1	128:1
Financial resources ratio ⁽¹⁾	35:1	39:1	44:1	52:1	66:1
Gross debt service written:					
Public finance	17,018	27,849	\$ 21,022	\$ 16,204	\$ 22,471
Structured finance	—	—	—	—	—
Total gross debt service written	\$ 17,018	\$ 27,849	\$ 21,022	\$ 16,204	\$ 22,471

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

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

Glossary

Net Par Outstanding and Internal Ratings

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

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

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

Performance Indicators

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

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

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

Sectors

Below are brief descriptions of selected types of public and structured finance obligations that the Company insures and reinsures. For a more complete description, please refer to Assured Guaranty Ltd.'s Annual Report on Form 10-K for the year ended December 31, 2015.

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.

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.

Glossary (continued)

Sectors (continued)

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

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

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

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

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

Structured Finance:

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

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

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

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

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 Business is how the Company refers to the guaranteed investment contracts ("GICs") portion of a line of business previously conducted by AGMH that Assured Guaranty did not acquire when it purchased AGMH in 2009 from Dexia SA and that is being run off. That line of business was comprised of AGMH's GICs business, its medium term notes business and the equity payment agreements associated with AGMH's leveraged lease business. Assured Guaranty is indemnified by Dexia SA and certain of its affiliates against loss from the former Financial Products Business.

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

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

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

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

Non-GAAP Financial Measures

The Company discloses both financial measures determined in accordance with accounting principles generally accepted in the United States of America (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, which may define non-GAAP financial measures differently than Assured Guaranty.

Assured Guaranty's management and AGL's Board of Directors use non-GAAP financial measures, as well as GAAP financial measures and other factors, to evaluate Assured Guaranty's results of operations, financial condition and progress towards long-term goals. By disclosing non-GAAP financial measures, Assured Guaranty gives investors, analysts and financial news reporters access to some of the same information that management and AGL's Board of Directors review internally. Assured Guaranty believes its 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.

Many investors, analysts and financial news reporters use operating shareholders' equity 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 Assured Guaranty's fixed income investors also use operating shareholders' equity to evaluate the Assured Guaranty's capital adequacy. Many investors, analysts and financial news reporters also use adjusted book value to evaluate AGL's share price and as the basis of their decision to recommend, buy or sell the AGL common shares. Operating income enables investors and analysts to evaluate Assured Guaranty's financial results as compared with the consensus analyst estimates distributed publicly by financial databases. Two non-GAAP financial measures, growth in adjusted book value per share and operating income, are key measures used to help determine compensation.

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

Operating Income: Management believes that operating income is a useful measure because it presents the results of operations of the Company with all financial guaranty contracts accounted for on a consistent basis and excludes fair value adjustments that are not expected to result in economic gain or loss, which clarifies the understanding of the underwriting results and financial condition of the Company. Operating income is defined as net income (loss) attributable to the Company, as reported under GAAP, adjusted for the following:

- 1) Elimination of realized gains (losses) on the Company's investments, except for gains and losses on securities classified as trading. The timing of realized gains and losses, which depends largely on market credit cycles, can vary considerably across periods. The timing of sales is largely subject to the Company's discretion and influenced by market opportunities, as well as the Company's tax and capital profile.
- 2) Elimination of non-credit-impairment unrealized fair value gains (losses) on credit derivatives, which is the amount 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, this adjustment presents all financial guaranty contracts on a more consistent basis of accounting, whether or not they are subject to derivative accounting rules.
- 3) Elimination of fair value gains (losses) on the Company's CCS. 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 foreign exchange gains (losses) on remeasurement of net premium receivables and loss and LAE reserves. Long-dated receivables and loss and LAE reserves represent the present value of future contractual or expected cash flows. Therefore, the current period's foreign exchange remeasurement gains (losses) are not necessarily indicative of the total foreign exchange gains (losses) that the Company will ultimately recognize.
- 5) Elimination of the effects of consolidating FG VIEs. 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. This adjustment presents all financial guaranty contracts on a more consistent basis of accounting, whether or not GAAP requires consolidation.
- 6) 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.

Operating Shareholders' Equity: Management believes that operating shareholders' equity is a useful measure because it presents the equity of AGL with all financial guaranty contracts accounted for on a consistent basis and excludes fair value adjustments that are not expected to result in economic gain or loss, which clarifies the understanding of the underwriting results and financial condition of Assured Guaranty. Operating shareholders' equity is the basis of the calculation of adjusted book value (see below). Operating shareholders' equity is defined as shareholders' equity attributable to the Company, 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.

Non-GAAP Financial Measures (continued)

Operating Shareholders' Equity (continued)

- 2) Elimination of non-credit-impairment unrealized fair value gains (losses) on credit derivatives, which is the amount in excess of the present value of the expected estimated economic credit losses, and non-economic payments. Such fair value adjustments are heavily affected by, and in part fluctuate with, changes in market interest rates, credit spreads and other market factors and are not expected to result in an economic gain or loss.
- 3) Elimination of fair value gains (losses) on the Company's CCS. 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 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.
- 5) Elimination of the tax asset or liability related to the above adjustments, which are determined by applying the statutory tax rate in each of the jurisdictions that generate these adjustments.

Adjusted Book Value: Management uses adjusted book value to measure the intrinsic value of Assured Guaranty, excluding franchise value. Growth in adjusted book value per share is one of the key financial measures used in determining the amount of certain long term compensation to Assured Guaranty's management and employees and used by rating agencies and investors. Management believes that adjusted book value is a useful measure because it enables an evaluation of the net present value of Assured Guaranty's in-force premiums and revenues net of expected losses. Adjusted book value is 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 credit derivative revenue. See below.
- 3) Addition of the deferred premium revenue on financial guaranty contracts in excess of expected loss to be expensed, net of reinsurance. This amount represents the expected future net earned premiums, net of expected losses to be expensed, which are not reflected in GAAP equity.
- 4) Elimination of the tax asset or liability related to the above adjustments, which are determined by applying the statutory tax rate in each of the jurisdictions that generate these adjustments.

The 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.

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 Assured Guaranty's return on invested capital. Many investors, analysts and members of the financial news media use operating ROE to evaluate AGL's share price and as the basis of their decision to recommend, buy or sell the AGL common shares. Quarterly and year-to-date operating ROE are calculated on an annualized basis. Operating ROE is one of the key financial measures used in determining the amount of certain long-term compensation to Assured Guaranty's management and employees and used by rating agencies and investors.

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.

Non-GAAP Financial Measures (continued)

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 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 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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