

ASSURED  
GUARANTY®



Financial Supplement

**Assured Guaranty Municipal Corp.**

December 31, 2012



**Assured Guaranty Municipal Corp.**  
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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. (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, 2012. For the purposes of this financial supplement, all references to the "Company" shall mean AGM and its consolidated entities.

Some amounts in this financial supplement may not add due to rounding.

**Cautionary Statement Regarding Forward Looking Statements:**

Any forward looking statements made in this supplement reflect the current views of Assured Guaranty with respect to future events and financial performance and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements involve risks and uncertainties that may cause actual results to differ materially from those set forth in these statements. Assured Guaranty's forward looking statements could be affected by many events. These events include (1) rating agency action, including a ratings downgrade, a change in outlook, the placement of ratings on watch for downgrade, or a change in rating criteria, at any time, of Assured Guaranty or any of its subsidiaries and/or of transactions that Assured Guaranty's subsidiaries have insured; (2) developments in the world's financial and capital markets that adversely affect the demand for the Company's insurance, issuers' payment rates, Assured Guaranty's loss experience, its exposure to refinancing risk in transactions (which could result in substantial liquidity claims on its guarantees), its access to capital, its unrealized (losses) gains on derivative financial instruments or its investment returns; (3) changes in the world's credit markets, segments thereof or general economic conditions; (4) the impact of rating agency action with respect to sovereign debt and the resulting effect on the value of securities in the Company's investment portfolio and collateral posted by and to the Company; (5) more severe or frequent losses impacting the adequacy of Assured Guaranty's expected loss estimates; (6) the impact of market volatility on the mark-to-market of Assured Guaranty's contracts written in credit default swap form; (7) reduction in the amount of insurance opportunities available to Assured Guaranty; (8) deterioration in the financial condition of Assured Guaranty's reinsurers, the amount and timing of reinsurance recoverables actually received and the risk that reinsurers may dispute amounts owed to Assured Guaranty under its reinsurance agreements; (9) failure of Assured Guaranty to realize insurance loss recoveries or damages expected from originators, sellers, sponsors, underwriters or servicers of residential mortgage-backed securities transactions through loan putbacks, settlement negotiations or litigation; (10) the possibility that budget shortfalls or other factors will result in credit losses or impairments on obligations of state and local governments that the Company insures or reinsures; (11) increased competition, including from new entrants into the financial guaranty industry; (12) changes in applicable accounting policies or practices; (13) changes in applicable laws or regulations, including insurance and tax laws; (14) other governmental actions; (15) difficulties with the execution of Assured Guaranty's business strategy; (16) contract cancellations; (17) loss of key personnel; (18) adverse technological developments; (19) the effects of mergers, acquisitions and divestitures; (20) natural or man-made catastrophes; (21) other risks and uncertainties that have not been identified at this time; (22) management's response to these factors; and (23) other risk factors identified in Assured Guaranty's filings with the SEC. Readers are cautioned not to place undue reliance on these forward looking statements, which speak only as of the dates on which they are made. Assured Guaranty undertakes no obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise, except as required by law.

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

	Three Months Ended December 31,		Year Ended December 31,	
	2012	2011 <sup>(1)</sup>	2012	2011 <sup>(1)</sup>
<b>Operating income reconciliation:</b>				
<b>Operating income</b>	\$ 134	\$ 69	\$ 414	\$ 419
Plus after-tax adjustments:				
Realized gains (losses) on investments	0	(8)	(4)	(21)
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(15)	(23)	(5)	19
Fair value gains (losses) on committed capital securities	(2)	9	(5)	10
Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and loss adjustment expense ("LAE") reserves	1	(1)	12	(3)
Effect of consolidating financial guaranty variable interest entities ("FG VIEs")	(13)	1	7	(26)
<b>Net income</b>	<b>\$ 105</b>	<b>\$ 47</b>	<b>\$ 419</b>	<b>\$ 398</b>

**Return on equity ("ROE") calculations <sup>(2)</sup>:**

<b>ROE, excluding unrealized gain (loss) on investment portfolio</b>	<b>14.2%</b>	<b>6.9%</b>	<b>14.7%</b>	<b>15.9%</b>
<b>Operating ROE</b>	<b>15.9%</b>	<b>8.9%</b>	<b>12.7%</b>	<b>14.2%</b>

**New Business:**

Gross par written	\$ 3,640	\$ 4,979	\$ 14,344	\$ 14,857
Present value of new business production ("PVP") <sup>(3)</sup>	\$ 38	\$ 59	\$ 150	\$ 187

	As of	
	December 31, 2012	December 31, 2011 <sup>(1)</sup>
<b>Reconciliation of shareholder's equity to adjusted book value:</b>		
<b>Shareholder's equity</b>	<b>\$ 3,219</b>	<b>\$ 2,804</b>
Less after-tax adjustments:		
Effect of consolidating FG VIEs	(321)	(325)
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(102)	(98)
Fair value gains (losses) on committed capital securities	9	14
Unrealized gain (loss) on investment portfolio excluding foreign exchange effect	198	110
<b>Operating shareholder's equity</b>	<b>3,435</b>	<b>3,103</b>
After-tax adjustments:		
Less: Deferred acquisition costs	(72)	(64)
Plus: Net present value of estimated net future credit derivative revenue	71	98
Plus: Net unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed	1,622	1,893
<b>Adjusted book value</b>	<b>\$ 5,200</b>	<b>\$ 5,158</b>

**Other information**

Net debt service outstanding	\$ 445,275	\$ 479,218
Net par outstanding	299,490	320,398
Claims-paying resources <sup>(4)</sup>	6,490	6,756

1) Effective January 1, 2012, the Company adopted, and applied retroactively, new guidance on acquisition costs. The effect of adoption was a decrease in net income of \$1 million and \$6 million for the three months and year ended December 31, 2011, respectively, and a decrease to shareholder's equity and operating shareholder's equity of \$13 million as of December 31, 2011.

2) Quarterly ROE calculations represent annualized returns.

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

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

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

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2012	2011 <sup>(1)</sup>	2012	2011 <sup>(1)</sup>
<b>Revenues:</b>				
Net earned premiums	\$ 143	\$ 159	\$ 590	\$ 661
Net investment income	60	55	233	216
Net realized investment gains (losses)	2	(6)	(5)	(18)
Net change in fair value of credit derivatives:				
Realized gains (losses) and other settlements	0	1	11	70
Net unrealized gains (losses)	0	(17)	41	92
Net change in fair value of credit derivatives	0	(16)	52	162
Fair value gains (losses) on committed capital securities	(3)	13	(8)	15
Fair value gains (losses) on FG VIEs	37	18	115	(61)
Other income	(7)	1	103	47
<b>Total revenues</b>	<b>232</b>	<b>224</b>	<b>1,080</b>	<b>1,022</b>
<b>Expenses:</b>				
Loss and loss adjustment expenses	62	148	397	382
Amortization of deferred acquisition costs	(4)	(2)	(12)	(8)
Interest expense	1	1	7	6
Other operating expenses	26	21	105	95
<b>Total expenses</b>	<b>85</b>	<b>168</b>	<b>497</b>	<b>475</b>
<b>Income (loss) before income taxes</b>	<b>147</b>	<b>56</b>	<b>583</b>	<b>547</b>
Provision (benefit) for income taxes	42	9	164	149
<b>Net income (loss)</b>	<b>\$ 105</b>	<b>\$ 47</b>	<b>\$ 419</b>	<b>\$ 398</b>
Less after-tax adjustments:				
Realized gains (losses) on investments	\$ 0	\$ (8)	\$ (4)	\$ (21)
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(15)	(23)	(5)	19
Fair value gains (losses) on committed capital securities	(2)	9	(5)	10
Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves	1	(1)	12	(3)
Effect of consolidating FG VIEs	(13)	1	7	(26)
<b>Operating income</b>	<b>\$ 134</b>	<b>\$ 69</b>	<b>\$ 414</b>	<b>\$ 419</b>
<b>Effect of refundings and accelerations, net</b>				
Net earned premiums from refundings and accelerations	\$ 123	\$ 34	\$ 256	\$ 79
Operating income effect	79	22	166	51

1) Effective January 1, 2012, the Company adopted, and applied retroactively, new guidance on acquisition costs. The effect of adoption was a decrease in net income of \$1 million and \$6 million for the three months and year ended December 31, 2011, respectively.

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

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

	Three Months Ended December 31, 2012			Three Months Ended December 31, 2011		
	GAAP Income As Reported	Less: Operating Income Adjustments	Non-GAAP Operating Income Results	GAAP Income As Reported <sup>(1)</sup>	Less: Operating Income Adjustments	Non-GAAP Operating Income Results <sup>(1)</sup>
<b>Revenues:</b>						
Net earned premiums	\$ 143	\$ (102)	(2) \$ 245	\$ 159	\$ (17)	(2) \$ 176
Net investment income	60	5	(2) 55	55	8	(2) 47
Net realized investment gains (losses)	2	1	(3) 1	(6)	(7)	(3) 1
Net change in fair value of credit derivatives:						
Realized gains (losses) and other settlements	0	0	—	1	1	—
Net unrealized gains (losses)	0	0	—	(17)	(17)	—
Credit derivative revenues	—	(12)	12	—	(17)	17
Net change in fair value of credit derivatives	—	(12)	(4) 12	(16)	(33)	(4) 17
Fair value gains (losses) on committed capital securities	(3)	(3)	(5) —	13	13	(5) —
Fair value gains (losses) on FG VIEs	37	37	(2) —	18	18	(2) —
Other income	(7)	(3)	(6) (4)	1	(2)	(6) 3
<b>Total revenues</b>	<b>232</b>	<b>(77)</b>	<b>309</b>	<b>224</b>	<b>(20)</b>	<b>244</b>
<b>Expenses:</b>						
Loss and loss adjustment expenses:						
Financial guaranty insurance	62	(48)	(2) 110	148	1	(2) 147
Credit derivatives	—	15	(4) (15)	—	14	(4) (14)
Amortization of deferred acquisition costs	(4)	—	(4)	(2)	—	(2)
Interest expense	1	—	1	1	—	1
Other operating expenses	26	—	26	21	—	21
<b>Total expenses</b>	<b>85</b>	<b>(33)</b>	<b>118</b>	<b>168</b>	<b>15</b>	<b>153</b>
<b>Income (loss) before income taxes</b>	<b>147</b>	<b>(44)</b>	<b>191</b>	<b>56</b>	<b>(35)</b>	<b>91</b>
Provision (benefit) for income taxes	42	(15)	(7) 57	9	(13)	(7) 22
<b>Net income (loss)</b>	<b>\$ 105</b>	<b>\$ (29)</b>	<b>\$ 134</b>	<b>\$ 47</b>	<b>\$ (22)</b>	<b>\$ 69</b>

- 1) Effective January 1, 2012, the Company adopted, and applied retroactively, new guidance on acquisition costs. The effect of adoption was a decrease in net income and operating income of \$1 million for the three months ended December 31, 2011.
- 2) Adjustments primarily related to elimination of the effects of consolidating FG VIEs.
- 3) Adjustments to eliminate realized gains (losses) on available-for-sale investments.
- 4) Adjustments to eliminate non-economic fair value gains (losses) on credit derivatives and reclassification to revenues and loss expense.
- 5) Adjustments to eliminate fair value gain (loss) on committed capital securities.
- 6) Adjustments primarily related to elimination of foreign exchange gains (losses) on revaluation of net premiums receivable.
- 7) Tax effect of the above adjustments.

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

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

	Year Ended December 31, 2012			Year Ended December 31, 2011		
	GAAP Income As Reported	Less: Operating Income Adjustments	Non-GAAP Operating Income Results	GAAP Income As Reported <sup>(1)</sup>	Less: Operating Income Adjustments	Non-GAAP Operating Income Results <sup>(1)</sup>
<b>Revenues:</b>						
Net earned premiums	\$ 590	\$ (150) (2)	\$ 740	\$ 661	\$ (73) (2)	\$ 734
Net investment income	233	16 (2)	217	216	5 (2)	211
Net realized investment gains (losses)	(5)	(12) (3)	7	(18)	(20) (3)	2
Net change in fair value of credit derivatives:						
Realized gains (losses) and other settlements	11	11	—	70	70	—
Net unrealized gains (losses)	41	41	—	92	92	—
Credit derivative revenues	—	(51)	51	—	(92)	92
Net change in fair value of credit derivatives	52	1 (4)	51	162	70 (4)	92
Fair value gains (losses) on committed capital securities	(8)	(8) (5)	—	15	15 (5)	—
Fair value gains (losses) on FG VIEs	115	115 (2)	—	(61)	(61) (2)	—
Other income	103	10 (6)	93	47	(6) (6)	53
<b>Total revenues</b>	<b>1,080</b>	<b>(28)</b>	<b>1,108</b>	<b>1,022</b>	<b>(70)</b>	<b>1,092</b>
<b>Expenses:</b>						
Loss and loss adjustment expenses:						
Financial guaranty insurance	397	(51) (2)	448	382	(89) (2)	471
Credit derivatives	—	15 (4)	(15)	—	52 (4)	(52)
Amortization of deferred acquisition	(12)	—	(12)	(8)	—	(8)
Interest expense	7	—	7	6	—	6
Other operating expenses	105	—	105	95	—	95
<b>Total expenses</b>	<b>497</b>	<b>(36)</b>	<b>533</b>	<b>475</b>	<b>(37)</b>	<b>512</b>
<b>Income (loss) before income taxes</b>	<b>583</b>	<b>8</b>	<b>575</b>	<b>547</b>	<b>(33)</b>	<b>580</b>
Provision (benefit) for income taxes	164	3 (7)	161	149	(12) (7)	161
<b>Net income (loss)</b>	<b>\$ 419</b>	<b>\$ 5</b>	<b>\$ 414</b>	<b>\$ 398</b>	<b>\$ (21)</b>	<b>\$ 419</b>

- 1) Effective January 1, 2012, the Company adopted, and applied retroactively, new guidance on acquisition costs. The effect of adoption was a decrease in net income and operating income of \$6 million for the year ended December 31, 2011.
- 2) Adjustments primarily related to elimination of the effects of consolidating FG VIEs.
- 3) Adjustments to eliminate realized gains (losses) on available-for-sale investments.
- 4) Adjustments to eliminate non-economic fair value gains (losses) on credit derivatives and reclassification to revenues and loss expense.
- 5) Adjustments to eliminate fair value gain (loss) on committed capital securities.
- 6) Adjustments primarily related to elimination of foreign exchange gains (losses) on revaluation of net premiums receivable and reclassification of termination fees on credit derivative contracts.
- 7) Tax effect of the above adjustments.

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

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

	As of:	
	December 31, 2012	December 31, 2011 <sup>(1)</sup>
<b>Assets:</b>		
Investment portfolio:		
Fixed maturity securities, available-for-sale, at fair value	\$ 4,831	\$ 4,916
Short-term investments, at fair value	473	412
Other invested assets	144	122
Total investment portfolio	5,448	5,450
Notes receivable from affiliates	383	300
Cash	47	59
Premiums receivable, net of ceding commissions payable	653	645
Ceded unearned premium reserve	1,187	1,373
Reinsurance recoverable on unpaid losses	75	79
Salvage and subrogation recoverable	383	316
Credit derivative assets	131	140
Deferred tax asset, net	409	631
Current income tax receivable	0	131
FG VIE assets, at fair value	1,870	2,057
Other assets	127	149
<b>Total assets</b>	<b>\$ 10,713</b>	<b>\$ 11,330</b>
<b>Liabilities and shareholder's equity:</b>		
<b>Liabilities:</b>		
Unearned premium reserve	\$ 3,866	\$ 4,515
Loss and loss adjustment expense reserve	230	297
Reinsurance balances payable, net	292	248
Notes payable	66	104
Credit derivative liabilities	414	456
FG VIE liabilities with recourse, at fair value	1,605	1,926
FG VIE liabilities without recourse, at fair value	678	704
Other liabilities	343	276
<b>Total liabilities</b>	<b>7,494</b>	<b>8,526</b>
<b>Shareholder's equity:</b>		
Preferred stock	—	—
Common stock	15	15
Additional paid-in capital	1,092	1,142
Retained earnings	1,880	1,491
Accumulated other comprehensive income	232	156
<b>Total shareholder's equity</b>	<b>3,219</b>	<b>2,804</b>
<b>Total liabilities and shareholder's equity</b>	<b>\$ 10,713</b>	<b>\$ 11,330</b>

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

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

	As of:	
	December 31, 2012	December 31, 2011
<b>Claims paying resources</b>		
Policyholders' surplus	\$ 1,785	\$ 1,227
Contingency reserve	1,539	1,881
<b>Qualified statutory capital</b>	<b>3,324</b>	<b>3,108</b>
Unearned premium reserve	2,090	2,172
Loss and loss adjustment expense reserves <sup>(1) (2)</sup>	(26)	318
<b>Total policyholders' surplus and reserves</b>	<b>5,388</b>	<b>5,598</b>
Present value of installment premium <sup>(2)</sup>	467	523
Standby line of credit/stop loss	200	200
Excess of loss reinsurance facility <sup>(3)</sup>	435	435
<b>Total claims paying resources</b>	<b>\$ 6,490</b>	<b>\$ 6,756</b>
Net par outstanding <sup>(4)</sup>	\$ 282,409	\$ 308,538
Net debt service outstanding <sup>(4)</sup>	426,864	466,415
<b>Ratios:</b>		
Net par outstanding to qualified statutory capital	85:1	99:1
Capital ratio <sup>(5)</sup>	128:1	150:1
Financial resources ratio <sup>(6)</sup>	66:1	69:1

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

# Assured Guaranty Municipal Corp.

## New Business Production

(dollars in millions)

	Three Months Ended December 31,		Year Ended December 31,	
	2012	2011	2012	2011
<b>Consolidated new business production analysis:</b>				
PVP				
Public finance - U.S.:				
Primary markets	\$ 31	\$ 51	\$ 125	\$ 145
Secondary markets	6	3	18	24
Public finance - non-U.S.:				
Primary markets	—	3	1	3
Secondary markets	—	—	—	—
Structured finance - U.S.	1	2	6	8
Structured finance - non-U.S.	—	—	—	7
<b>Total PVP</b>	<b>\$ 38</b>	<b>\$ 59</b>	<b>\$ 150</b>	<b>\$ 187</b>
Total PVP	\$ 38	\$ 59	\$ 150	\$ 187
Less: PVP of credit derivatives	—	—	—	—
PVP of financial guaranty insurance	38	59	150	187
Less: financial guaranty installment premium PVP	2	5	8	18
Total: financial guaranty upfront gross written premiums	36	54	142	169
Plus: financial guaranty installment gross written premiums <sup>(1)</sup>	38	5	52	1
<b>Total GWP</b>	<b>\$ 74</b>	<b>\$ 59</b>	<b>\$ 194</b>	<b>\$ 170</b>
<b>Consolidated financial guaranty gross par written:</b>				
Public finance - U.S.:				
Primary markets	\$ 3,149	\$ 4,741	\$ 13,042	\$ 13,710
Secondary markets	491	111	1,267	1,020
Public finance - non-U.S.:				
Primary markets	—	127	35	127
Secondary markets	—	—	—	—
Structured finance - U.S.	—	—	—	—
Structured finance - non-U.S.	—	—	—	—
<b>Total</b>	<b>\$ 3,640</b>	<b>\$ 4,979</b>	<b>\$ 14,344</b>	<b>\$ 14,857</b>

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

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

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

**Financial Guaranty Gross Par Written by Asset Type**

Sector	Three Months Ended December 31, 2012		Year Ended December 31, 2012	
	Gross Par Written	Avg. Internal Rating	Gross Par Written	Avg. Internal Rating
<b>U.S. public finance</b>				
General obligation	\$ 1,731	A-	\$ 8,610	A-
Municipal utilities	1,024	A-	2,442	A-
Tax backed	545	A	1,501	A
Higher education	145	A	744	A
Transportation	163	A-	621	A-
Healthcare	32	A-	330	A-
Other public finance	—	—	61	A
Total U.S. public finance	<u>3,640</u>	A-	<u>14,309</u>	A-
<b>Non-U.S. public finance:</b>				
Total non-U.S. public finance	<u>—</u>	—	<u>35</u>	BBB-
<b>Total public finance</b>	<u>\$ 3,640</u>	A-	<u>\$ 14,344</u>	A-
<b>U.S. structured finance:</b>				
Total U.S. structured finance	\$ —	—	\$ —	—
<b>Non-U.S. structured finance:</b>				
Total non-U.S. structured finance	<u>—</u>	—	<u>—</u>	—
<b>Total structured finance</b>	<u>\$ —</u>	—	<u>\$ —</u>	—
<b>Total gross par written</b>	<u>\$ 3,640</u>	A-	<u>\$ 14,344</u>	A-

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

**Assured Guaranty Municipal Corp.**  
**Available-for-Sale Investment Portfolio and Cash**  
**As of December 31, 2012**  
(dollars in millions)

	<u>Amortized Cost</u>	<u>Pre-Tax Book Yield</u>	<u>After-Tax Book Yield</u>	<u>Fair Value</u>	<u>Annualized Investment Income <sup>(1)</sup></u>
<b>Investment portfolio, available-for-sale:</b>					
Fixed maturity securities:					
U.S. Treasury securities and obligations of U.S. government agencies	\$ 38	3.33%	2.17%	\$ 43	\$ 1
Agency obligations	48	2.72%	1.77%	51	1
Obligations of states and political subdivisions	2,100	4.00%	3.78%	2,292	84
Insured obligations of state and political subdivisions <sup>(2)(4)</sup>	1,097	4.77%	4.52%	1,211	53
Corporate securities	215	3.00%	1.95%	228	7
Mortgage-backed securities ("MBS") <sup>(3)(4)</sup> :					
Residential MBS ("RMBS") <sup>(4)</sup>	524	7.40%	4.81%	440	39
Commercial MBS ("CMBS")	97	3.09%	2.01%	103	3
Asset-backed securities	287	7.32%	4.76%	342	21
Foreign government securities	192	2.82%	1.83%	202	5
Total fixed maturity securities	<u>4,598</u>	<u>4.64%</u>	<u>3.89%</u>	<u>4,912</u>	<u>214</u>
Short-term investments	455	0.05%	0.03%	455	0
Cash <sup>(5)</sup>	47	—%	—%	47	—
<b>Total</b>	<b>\$ 5,100</b>	<b>4.23%</b>	<b>3.55%</b>	<b>\$ 5,414</b>	<b>\$ 214</b>
Less: FG VIEs	107	9.98%	6.49%	63	13
<b>Total</b>	<b>\$ 4,993</b>	<b>4.07%</b>	<b>3.46%</b>	<b>\$ 5,351</b>	<b>\$ 201</b>

	<u>Fair Value</u>	<u>% of Portfolio</u>
<b>Ratings <sup>(6)</sup>:</b>		
U.S. Treasury securities and obligations of U.S. government agencies	\$ 43	0.9%
Agency obligations	51	1.0%
AAA/Aaa	897	18.3%
AA/Aa	2,658	54.1%
A/A	720	14.7%
BBB	20	0.4%
Below investment grade ("BIG") <sup>(7)</sup>	523	10.6%
Total fixed maturity securities, available-for-sale	<u>4,912</u>	<u>100.0%</u>
Less: FG VIEs	81	
<b>Total fixed maturity securities, available-for-sale</b>	<b>\$ 4,831</b>	

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

4.0

**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 \$104 million in U.S. subprime RMBS, which has an average rating of BIG.
- 4) Includes investments purchased for loss mitigation purposes.
- 5) Represents operating cash and is not included in yield calculations.
- 6) Ratings are represented by the lower of the Moody's and S&P classifications except for bonds purchased for loss mitigation or risk management strategies which use internal ratings classifications.
- 7) Included in the investment portfolio are securities purchased or obtained as part of loss mitigation or other risk management strategies of \$1,422 million in par with carrying value of \$523 million.

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

	Estimated Net Debt Service Amortization	Estimated Ending Net Debt Service Outstanding	Financial Guaranty Insurance <sup>(2)</sup>			Future Credit Derivative Revenues <sup>(4)</sup>	Total
			Expected PV Net Earned Premiums <sup>(3)</sup>	Accretion of Discount	Future Net Premiums Earned		
2012 (as of December 31)		\$ 445,275					
2013 Q1	\$ 9,725	435,550	\$ 87	\$ 3	\$ 90	\$ 11	\$ 101
2013 Q2	11,383	424,167	83	3	86	10	96
2013 Q3	10,689	413,478	78	3	81	10	91
2013 Q4	10,676	402,802	74	3	77	9	86
2014	40,601	362,201	273	11	284	28	312
2015	31,965	330,236	238	11	249	17	266
2016	25,084	305,152	213	10	223	13	236
2017	28,302	276,850	188	9	197	9	206
2013-2017	168,425	276,850	1,234	53	1,287	107	1,394
2018-2022	95,845	181,005	686	36	722	8	730
2023-2027	75,418	105,587	\$ 405	\$ 24	429	\$ 5	434
2028-2032	50,834	54,753	233	15	248	4	252
After 2032	54,753	—	234	14	248	\$ 5	253
<b>Total</b>	<b>\$ 445,275</b>		<b>\$ 2,792</b>	<b>\$ 142</b>	<b>\$ 2,934</b>	<b>\$ 129</b>	<b>\$ 3,063</b>

1) Represents the future expected amortization of current debt service outstanding (principal and interest), assuming no advance refundings, as of December 31, 2012. Actual amortization differs from expected maturities because borrowers may have the right to call or prepay guaranteed obligations and because of management's assumptions on structured finance amortization.

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

3) GAAP basis. Excludes \$251 million in expected present value of net earned premiums related to FG VIEs.

4) Excludes contracts with credit impairment.

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

**Structured Finance**

	Estimated Net Par Amortization					Estimated Ending Net Par Outstanding
	U.S. and Non-U.S. Pooled Corporate	U.S. RMBS	Financial Products <sup>(1)</sup>	Other Structured Finance	Total	
2012 (as of December 31)						\$ 47,303
2013 Q1	\$ 1,382	\$ 477	\$ 111	\$ 147	\$ 2,117	45,186
2013 Q2	2,924	412	113	108	3,557	41,629
2013 Q3	1,750	360	334	125	2,569	39,060
2013 Q4	2,349	335	83	165	2,932	36,128
2014	10,647	1,188	491	451	12,777	23,351
2015	5,039	996	266	144	6,445	16,906
2016	1,318	797	155	190	2,460	14,446
2017	5,829	617	76	119	6,641	7,805
2013-2017	31,238	5,182	1,629	1,449	39,498	7,805
2018-2022	824	1,895	360	669	3,748	4,057
2023-2027	39	619	314	265	1,237	2,820
2028-2032	81	148	657	429	1,315	1,505
After 2032	270	337	693	205	1,505	—
<b>Total structured finance</b>	<b>\$ 32,452</b>	<b>\$ 8,181</b>	<b>\$ 3,653</b>	<b>\$ 3,017</b>	<b>\$ 47,303</b>	

**Public Finance**

	Estimated Net Par Amortization	Estimated Ending Net Par Outstanding
2012 (as of December 31)		\$ 252,187
2013 Q1	\$ 4,317	247,870
2013 Q2	4,508	243,362
2013 Q3	4,941	238,421
2013 Q4	4,635	233,786
2014	16,099	217,687
2015	14,758	202,929
2016	12,613	190,316
2017	12,344	177,972
2013-2017	74,215	177,972
2018-2022	54,154	123,818
2023-2027	49,071	74,747
2028-2032	34,827	39,920
After 2032	39,920	—
<b>Total public finance</b>	<b>\$ 252,187</b>	

1) See Glossary for description of financial products.

## Assured Guaranty Municipal Corp.

Present Value ("PV") of Financial Guaranty Insurance Net Expected Loss to be Expensed

As of December 31, 2012

(dollars in millions)

	Net Expected Loss to be Expensed <sup>(1)</sup>	
	Operating <sup>(2)</sup>	GAAP <sup>(2)</sup>
2013 Q1	\$ 29	\$ 18
2013 Q2	28	18
2013 Q3	25	16
2013 Q4	22	14
2014	64	43
2015	50	37
2016	43	32
2017	41	32
2013-2017	302	210
2018-2022	138	108
2023-2027	58	46
2028-2032	28	20
After 2032	21	13
<b>Total expected PV of net expected loss to be expensed</b>	<b>547</b>	<b>397</b>
Discount	111	95
<b>Total future value</b>	<b>\$ 658</b>	<b>\$ 492</b>

1) The expected present value of net loss to be expensed is discounted by weighted-average risk free rates ranging from 0.0% to 3.28% for U.S. dollar denominated obligations.

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

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

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

	December 31, 2012		December 31, 2011	
	Net Par Outstanding	Avg. Internal Rating	Net Par Outstanding	Avg. Internal Rating
<b>U.S. public finance:</b>				
General obligation	\$ 103,384	A+	\$ 105,129	A+
Tax backed	43,511	A+	46,004	A+
Municipal utilities	39,898	A	42,053	A+
Transportation	19,135	A	19,403	A
Healthcare	8,505	A	8,781	A
Higher education	7,478	A+	7,353	A+
Housing	3,945	AA-	4,691	AA-
Infrastructure finance	1,226	BB+	1,212	BB+
Investor-owned utilities	40	A-	44	A-
Other public finance	1,681	A	1,739	A+
Total U.S. public finance	228,803	A+	236,409	A+
<b>Non-U.S. public finance:</b>				
Infrastructure finance	11,563	BBB	11,223	BBB
Regulated utilities	6,556	BBB+	6,843	BBB+
Other public finance	5,265	A	6,334	A+
Total non-U.S. public finance	23,384	BBB+	24,400	BBB+
<b>Total public finance</b>	<b>\$ 252,187</b>	<b>A</b>	<b>\$ 260,809</b>	<b>A+</b>
<b>U.S. structured finance:</b>				
Pooled corporate obligations	\$ 25,430	AAA	\$ 30,413	AAA
RMBS	8,181	BB	10,303	BB-
Financial products	3,653	AA-	5,217	AA-
Insurance securitizations	306	AA	369	AA
Consumer receivables	232	BB	807	AA-
Structured credit	89	CCC	79	CCC
Commercial receivables	53	BB	58	BB
Other structured finance	378	BBB+	490	A-
Total U.S. structured finance	38,322	AA	47,736	AA
<b>Non-U.S. structured finance:</b>				
Pooled corporate obligations	7,022	AAA	9,634	AAA
RMBS	1,303	AA-	1,395	AA-
Structured credit	283	BBB	413	BBB
Insurance securitizations	—	—	38	A+
Other structured finance	373	Super Senior	373	Super Senior
Total non-U.S. structured finance	8,981	AA+	11,853	AAA
<b>Total structured finance</b>	<b>\$ 47,303</b>	<b>AA</b>	<b>\$ 59,589</b>	<b>AA</b>
<b>Total net par outstanding</b>	<b>\$ 299,490</b>	<b>A+</b>	<b>\$ 320,398</b>	<b>A+</b>

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

# Assured Guaranty Municipal Corp.

## Financial Guaranty Profile (2 of 4)

As of December 31, 2012

(dollars in millions)

### Distribution by Ratings of Financial Guaranty Portfolio

Ratings:	Public Finance - U.S.		Public Finance - Non-U.S.		Structured Finance - U.S.		Structured Finance - Non-U.S.		Consolidated	
	Net Par Outstanding	%	Net Par Outstanding	%	Net Par Outstanding(1)	%	Net Par Outstanding	%	Net Par Outstanding	%
Super senior	\$ —	—%	\$ —	—%	\$ 8,658	22.6%	\$ 2,493	27.8%	\$ 11,151	3.7%
AAA	3,521	1.5%	508	2.2%	15,758	41.1%	4,133	46.0%	23,920	8.0%
AA	82,798	36.2%	789	3.4%	6,833	17.8%	469	5.2%	90,889	30.3%
A	118,867	52.0%	5,946	25.4%	1,155	3.0%	586	6.6%	126,554	42.3%
BBB	21,795	9.5%	14,506	62.0%	215	0.6%	676	7.5%	37,192	12.4%
BIG	1,822	0.8%	1,635	7.0%	5,703	14.9%	624	6.9%	9,784	3.3%
<b>Total net par outstanding</b>	<b>\$ 228,803</b>	<b>100.0%</b>	<b>\$ 23,384</b>	<b>100.0%</b>	<b>\$ 38,322</b>	<b>100.0%</b>	<b>\$ 8,981</b>	<b>100.0%</b>	<b>\$ 299,490</b>	<b>100.0%</b>

### Ceded Par Outstanding by Reinsurer and Insurer Financial Strength Rating

Reinsurer	Moody's Rating	S&P Rating	Ceded Par Outstanding	% of Total
Affiliated companies <sup>(2)</sup>			\$ 64,923	68.6%
Non-affiliated companies:				
Tokio Marine & Nichido Fire Insurance Co., Ltd.	Aa3	AA-	8,395	8.9%
American Overseas Reinsurance Company Limited <sup>(3)</sup>	WR	WR	7,672	8.1%
Radian Asset Assurance Inc.	Ba1	B+	5,097	5.4%
Syncora Guarantee Inc.	WR	WR	4,156	4.4%
Mitsui Sumitomo Insurance Co. Ltd.	A1	A+	2,243	2.4%
ACA Financial Guaranty Corporation	NR	WR	810	0.9%
Swiss Reinsurance Company	A1	AA-	430	0.4%
Other	Various	Various	958	0.9%
Total non-affiliated companies			29,761	31.4%
<b>Total</b>			<b>\$ 94,684</b>	<b>100.0%</b>

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

2) As of the date of this document, the affiliates of AGM are Assured Guaranty Re Ltd. and its subsidiaries rated Baa1 by Moody's and AA- by S&P and AGC and its subsidiaries rated A3 by Moody's and AA- by S&P.

3) Formerly RAM Reinsurance Company Ltd.

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

# Assured Guaranty Municipal Corp.

Financial Guaranty Profile (3 of 4)

As of December 31, 2012

(dollars in millions)

## Geographic Distribution of Financial Guaranty Portfolio

	<b>Net Par Outstanding</b>	<b>% of Total</b>
<b>U.S.:</b>		
Public finance		
California	\$ 34,912	11.7%
Pennsylvania	19,634	6.6%
New York	18,478	6.2%
Illinois	16,025	5.3%
Texas	15,105	5.0%
Florida	13,409	4.5%
Michigan	10,486	3.5%
New Jersey	9,916	3.3%
Georgia	6,635	2.2%
Washington	6,145	2.0%
Other states	78,058	26.1%
Total public finance	228,803	76.4%
Structured finance (multiple states)	38,322	12.8%
<b>Total U.S.</b>	<b>267,125</b>	<b>89.2%</b>
<b>Non-U.S.:</b>		
United Kingdom	12,140	4.0%
Australia	4,765	1.6%
Canada	3,646	1.2%
France	1,782	0.6%
Italy	1,717	0.6%
Other	8,315	2.8%
<b>Total non-U.S.</b>	<b>32,365</b>	<b>10.8%</b>
<b>Total net par outstanding</b>	<b>\$ 299,490</b>	<b>100.0%</b>

# Assured Guaranty Municipal Corp.

## Financial Guaranty Profile (4 of 4)

As of December 31, 2012

(dollars in millions)

### Net Economic Exposure to Selected European Countries

	<u>Hungary</u>	<u>Ireland</u>	<u>Italy</u>	<u>Portugal</u>	<u>Spain</u>	<u>Total</u>
Sovereign and sub-sovereign exposure:						
Public finance	\$ —	\$ —	\$ 827	\$ 96	\$ 219	\$ 1,142
Infrastructure finance	324	—	218	—	144	686
<b>Total sovereign and sub-sovereign exposure</b>	<b>324</b>	<b>—</b>	<b>1,045</b>	<b>96</b>	<b>363</b>	<b>1,828</b>
Non-sovereign exposure:						
Regulated utilities	—	—	135	—	7	142
RMBS	211	—	479	—	—	690
Pooled corporate obligations	—	76	59	12	108	255
<b>Total non-sovereign exposure</b>	<b>211</b>	<b>76</b>	<b>673</b>	<b>12</b>	<b>115</b>	<b>1,087</b>
<b>Total</b>	<b>\$ 535</b>	<b>\$ 76</b>	<b>\$ 1,718</b>	<b>\$ 108</b>	<b>\$ 478</b>	<b>\$ 2,915</b>
<b>Total BIG</b>	<b>\$ 535</b>	<b>\$ 7</b>	<b>\$ 207</b>	<b>\$ 96</b>	<b>\$ 362</b>	<b>\$ 1,207</b>

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

# Assured Guaranty Municipal Corp.

## Pooled Corporate Obligations Profile

As of December 31, 2012

(dollars in millions)

### Distribution of Pooled Corporate Obligations by Ratings

	<u>Net Par Outstanding</u>	<u>% of Total</u>	<u>Avg. Initial Credit Enhancement</u>	<u>Avg. Current Credit Enhancement</u>
<b>Ratings:</b>				
Super Senior	\$ 10,586	32.6%	28.2%	27.3%
AAA	18,667	57.5%	26.4%	27.7%
AA	1,353	4.2%	36.3%	34.3%
A	990	3.0%	0.0%	0.1%
BBB	443	1.4%	13.5%	10.8%
BIG	413	1.3%	0.0%	0.0%
<b>Total exposures</b>	<b>\$ 32,452</b>	<b>100.0%</b>	<b>26.1%</b>	<b>26.4%</b>

### Distribution of Pooled Corporate Obligations by Asset Class

	<u>Net Par Outstanding</u>	<u>% of Total</u>	<u>Avg. Initial Credit Enhancement</u>	<u>Avg. Current Credit Enhancement</u>	<u>Avg. Rating</u>
<b>Asset class:</b>					
CBOs/CLOs	\$ 17,595	54.2%	28.4%	29.7%	AAA
Synthetic investment grade pooled corporates	9,089	28.0%	21.1%	19.2%	AAA
Synthetic high yield pooled corporates	3,616	11.1%	35.0%	30.4%	AAA
Market value CDOs of corporates	1,493	4.6%	17.0%	29.9%	AAA
Trust preferred - banks and insurance	90	0.3%	48.1%	57.3%	A+
CDO of CDOs (corporate)	8	0.0%	25.5%	23.5%	BBB
Other pooled corporates	561	1.8%	—%	—%	BBB-
<b>Total exposures</b>	<b>\$ 32,452</b>	<b>100.0%</b>	<b>26.1%</b>	<b>26.4%</b>	<b>AAA</b>

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

## Assured Guaranty Municipal Corp.

U.S. RMBS Profile (1 of 3)

As of December 31, 2012

(dollars in millions)

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

Ratings:	Prime First Lien	Closed End Seconds	HELOC	Alt-A First Lien	Option ARMs	Subprime First Lien	Total Net Par Outstanding
AAA	\$ 2	\$ —	\$ 59	\$ 44	\$ —	\$ 965	\$ 1,070
AA	49	158	141	170	237	672	1,427
A	1	—	226	—	—	1	227
BBB	25	—	—	8	—	79	112
BIG	—	303	2,039	882	525	1,595	5,344
<b>Total exposures</b>	<b>\$ 77</b>	<b>\$ 461</b>	<b>\$ 2,465</b>	<b>\$ 1,104</b>	<b>\$ 762</b>	<b>\$ 3,313</b>	<b>\$ 8,181</b>

### Distribution of U.S. RMBS by Year Insured<sup>(1)</sup> and Type of Exposure

Year insured:	Prime First Lien	Closed End Seconds	HELOC	Alt-A First Lien	Option ARMs	Subprime First Lien	Total Net Par Outstanding
2004 and prior	\$ 4	\$ —	\$ 163	\$ 54	\$ —	\$ 1,075	\$ 1,295
2005	—	—	403	254	29	197	884
2006	73	184	886	377	196	120	1,836
2007	—	276	1,013	419	536	1,857	4,101
2008	—	—	—	—	—	65	65
<b>Total exposures</b>	<b>\$ 77</b>	<b>\$ 461</b>	<b>\$ 2,465</b>	<b>\$ 1,104</b>	<b>\$ 762</b>	<b>\$ 3,313</b>	<b>\$ 8,181</b>

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

Year insured:	AAA Rated	AA Rated	A Rated	BBB Rated	BIG Rated	Total
2004 and prior	\$ 1,006	\$ 35	\$ 2	\$ 46	\$ 206	\$ 1,295
2005	34	92	—	11	747	884
2006	30	380	—	25	1,401	1,836
2007	—	920	226	30	2,925	4,101
2008	—	—	—	—	65	65
<b>Total exposures</b>	<b>\$ 1,070</b>	<b>\$ 1,427</b>	<b>\$ 227</b>	<b>\$ 112</b>	<b>\$ 5,344</b>	<b>\$ 8,181</b>
% of Total	13.1%	17.4%	2.8%	1.4%	65.3%	100.0%

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

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

# Assured Guaranty Municipal Corp.

U.S. RMBS Profile (2 of 3)

As of December 31, 2012

(dollars in millions)

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

### U.S. Prime First Lien

Year insured	Net Par Outstanding	Pool Factor	Subordination	Cumulative Losses	60+ Day Delinquencies	Number of Transactions
2005	\$ —	—%	—%	—%	—%	—
2006	73	51.8%	8.7%	0.4%	17.9%	1
2007	—	—%	—%	—%	—%	—
2008	—	—%	—%	—%	—%	—
<b>Total</b>	<b>\$ 73</b>	<b>51.8%</b>	<b>8.7%</b>	<b>0.4%</b>	<b>17.9%</b>	<b>1</b>

### U.S. Closed End Seconds

Year insured	Net Par Outstanding	Pool Factor	Subordination	Cumulative Losses	60+ Day Delinquencies	Number of Transactions
2005	\$ —	—%	—%	—%	—%	—
2006	184	12.7%	—%	59.7%	6.4%	1
2007	276	15.3%	—%	68.4%	8.0%	8
2008	—	—%	—%	—%	—%	—
<b>Total</b>	<b>\$ 461</b>	<b>14.3%</b>	<b>—%</b>	<b>64.9%</b>	<b>7.4%</b>	<b>9</b>

### U.S. HELOC

Year insured	Net Par Outstanding	Pool Factor	Subordination	Cumulative Losses	60+ Day Delinquencies	Number of Transactions
2005	\$ 403	14.9%	5.0%	12.8%	9.0%	4
2006	886	23.3%	3.5%	36.1%	7.7%	7
2007	1,013	40.6%	4.1%	28.5%	5.7%	7
2008	—	—%	—%	—%	—%	—
<b>Total</b>	<b>\$ 2,302</b>	<b>29.5%</b>	<b>4.0%</b>	<b>28.7%</b>	<b>7.0%</b>	<b>18</b>

### U.S. Alt-A First Lien

Year insured	Net Par Outstanding	Pool Factor	Subordination	Cumulative Losses	60+ Day Delinquencies	Number of Transactions
2005	\$ 254	27.0%	4.6%	10.0%	24.8%	8
2006	377	34.5%	0.0%	20.0%	39.2%	7
2007	419	45.7%	0.1%	21.7%	39.0%	4
2008	—	—%	—%	—%	—%	—
<b>Total</b>	<b>\$ 1,050</b>	<b>37.1%</b>	<b>1.2%</b>	<b>18.3%</b>	<b>35.6%</b>	<b>19</b>

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

## Assured Guaranty Municipal Corp.

U.S. RMBS Profile (3 of 3)

As of December 31, 2012

(dollars in millions)

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

#### U.S. Option ARMs

Year insured	Net Par Outstanding	Pool Factor	Subordination	Cumulative Losses	60+ Day Delinquencies	Number of Transactions
2005	\$ 29	18.2 %	0.0 %	14.8 %	22.1 %	2
2006	196	40.0 %	— %	21.4 %	46.7 %	4
2007	536	40.0 %	0.0 %	25.2 %	43.1 %	6
2008	—	— %	— %	— %	— %	—
<b>Total</b>	<b>\$ 762</b>	<b>39.1 %</b>	<b>0.0 %</b>	<b>23.8 %</b>	<b>43.2 %</b>	<b>12</b>

#### U.S. Subprime First Lien

Year insured	Net Par Outstanding	Pool Factor	Subordination	Cumulative Losses	60+ Day Delinquencies	Number of Transactions
2005	\$ 197	37.7 %	19.4 %	7.3 %	31.1 %	3
2006	120	31.4 %	37.9 %	18.0 %	33.9 %	2
2007	1,857	52.5 %	14.6 %	22.9 %	44.4 %	9
2008	65	56.6 %	19.4 %	19.5 %	33.3 %	1
<b>Total</b>	<b>\$ 2,238</b>	<b>50.2 %</b>	<b>16.4 %</b>	<b>21.2 %</b>	<b>42.3 %</b>	<b>15</b>

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

# Assured Guaranty Municipal Corp.

## U.S. Consumer Receivables Profile

As of December 31, 2012

(dollars in millions)

### Distribution of U.S. Consumer Receivables by Rating

Rating:	Manufactured Housing	Auto	Total Net Par Outstanding
AAA	\$ —	\$ —	\$ —
AA	53	16	69
A	—	—	—
BBB	35	—	35
BIG	128	—	128
<b>Total exposures</b>	<b>\$ 216</b>	<b>\$ 16</b>	<b>\$ 232</b>

Average rating	BB-	AA	BB
Average initial credit enhancement	27.4%	24.3%	27.2%
Average current credit enhancement	25.4%	67.4%	28.3%

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

**Assured Guaranty Municipal Corp.**  
**Credit Derivative Net Par Outstanding Profile**  
As of December 31, 2012  
(dollars in millions)

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

<b>Ratings:</b>	<b>Net Par Outstanding</b>	<b>% of Total</b>
Super Senior	\$ 10,488	31.5 %
AAA	17,338	52.1 %
AA	1,839	5.5 %
A	1,781	5.3 %
BBB	1,319	4.0 %
BIG	529	1.6 %
Total credit derivative net par outstanding	<b>\$ 33,294</b>	<b>100.0%</b>

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

	<b>Net Par Outstanding</b>	<b>Average Rating</b>
<b>Public Finance</b>		
U.S. public finance	\$ 756	A-
Non-U.S. public finance	1,709	BBB
<b>Total public finance</b>	<b>\$ 2,465</b>	<b>BBB+</b>
<b>U.S. structured finance</b>		
Pooled corporate obligations	23,896	AAA
Insurance securitizations	306	AA
RMBS	172	A
Commercial receivables	53	BB
Other structured finance	90	CCC
Total U.S. structured finance	24,517	AAA
<b>Non-U.S. structured finance:</b>		
Pooled corporate obligations	5,957	AAA
RMBS	355	AA-
Total non-U.S. structured finance	6,312	AAA
<b>Total structured finance</b>	<b>\$ 30,829</b>	<b>AAA</b>
<b>Total credit derivative net par outstanding</b>	<b>\$ 33,294</b>	<b>AAA</b>

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

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

**BIG Exposures by Asset Type**

	<b>BIG Net Par Outstanding</b>	
	<b>December 31, 2012</b>	<b>December 31, 2011 <sup>(1)</sup></b>
<b>U.S. public finance:</b>		
Infrastructure finance	\$ 885	\$ 860
General obligation	480	493
Tax backed	226	202
Municipal utilities	155	164
Healthcare	48	122
Higher education	4	5
Other public finance	24	45
Total U.S. public finance	1,822	1,891
<b>Non-U.S. public finance:</b>		
Infrastructure finance	1,321	1,313
Other public finance	314	291
Total non-U.S. public finance	1,635	1,604
<b>Total public finance</b>	<b>\$ 3,457</b>	<b>\$ 3,495</b>
<b>U.S. structured finance:</b>		
RMBS	\$ 5,344	\$ 7,012
Consumer receivables	128	143
Structured credit	89	79
Commercial receivables	53	58
Pooled corporate obligations	—	171
Other structured finance	89	99
Total U.S. structured finance	5,703	7,562
<b>Non-U.S. structured finance:</b>		
Pooled corporate obligations	413	584
RMBS	211	—
Total non-U.S. structured finance	624	584
<b>Total structured finance</b>	<b>\$ 6,327</b>	<b>\$ 8,146</b>
<b>Total BIG net par outstanding</b>	<b>\$ 9,784</b>	<b>\$ 11,641</b>

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

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

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

**Net Par Outstanding by BIG Category<sup>(1)</sup>**

	<b>Financial Guaranty Insurance and Credit Derivatives Surveillance Categories</b>	
	<b>December 31, 2012</b>	<b>December 31, 2011<sup>(2)</sup></b>
<b>Category 1</b>		
U.S. public finance	\$ 1,633	\$ 1,739
Non-U.S. public finance	1,635	1,415
U.S. structured finance	230	1,187
Non-U.S. structured finance	624	557
Total Category 1	4,122	4,898
<b>Category 2</b>		
U.S. public finance	—	—
Non-U.S. public finance	—	189
U.S. structured finance	1,640	2,123
Non-U.S. structured finance	—	—
Total Category 2	1,640	2,312
<b>Category 3</b>		
U.S. public finance	189	152
Non-U.S. public finance	—	—
U.S. structured finance	3,833	4,252
Non-U.S. structured finance	—	27
Total Category 3	4,022	4,431
<b>BIG Total</b>	<b>\$ 9,784</b>	<b>\$ 11,641</b>

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

**Assured Guaranty Municipal Corp.**  
Below Investment Grade Exposures (3 of 5)  
As of December 31, 2012  
(dollars in millions)

**Public Finance BIG Exposures Greater Than \$50 Million**

<b>Name or description</b>	<b>Net Par Outstanding</b>	<b>Internal Rating</b>
<b>U.S. public finance:</b>		
Skyway Concession Company LLC	\$ 885	BB
Jefferson County Alabama School Sales Tax	144	BB
Jefferson County Alabama Sewer	125	D
Lackawanna County, Pennsylvania	94	BB-
Detroit (City of) Michigan	72	BB+
Harrisburg (City of) Pennsylvania General Obligation	69	B-
Stockton City, California	64	D
<b>Total</b>	<b>\$ 1,453</b>	
<b>Non-U.S. public finance:</b>		
Reliance Rail Finance Pty. Limited	\$ 455	BB
M6 Duna Autopalya Koncesszios Zartkoruen Mukodo Reszvenytarsasag	324	BB
Valencia Fair	208	BB-
Aeroporti Di Roma (ADR) Romulus Finance S.R.L. (Rome Airport)	207	BB
Cross City Tunnel Motorway Finance Limited	191	BB
Autovia de la Mancha, S.A.	144	BB-
Metropolitano de Porto Lease and Sublease of Railroad Equipment	55	B+
<b>Total</b>	<b>\$ 1,584</b>	
<b>Total</b>	<b>\$ 3,037</b>	

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

**Assured Guaranty Municipal Corp.**  
Below Investment Grade Exposures (4 of 5)  
As of December 31, 2012  
(dollars in millions)

**Structured Finance BIG Exposures Greater Than \$50 Million**

Name or description	Net Par Outstanding	Internal Rating	Current Credit Enhancement	60+ Day Delinquencies
<b>U.S. structured finance:</b>				
<b>U.S. RMBS:</b>				
MABS 2007-NCW	\$ 510	B	20.5%	58.2%
Option One 2007-FXD2	351	CCC	9.8%	25.5%
Countrywide HELOC 2006-I	336	CCC	0.0%	5.0%
Nomura Asset Accept. Corp. 2007-1	282	CCC	0.0%	41.8%
Countrywide HELOC 2006-F	280	CCC	0.0%	14.4%
MASTR 2007-3 (NEGAM)	212	CCC	0.0%	49.9%
Countrywide HELOC 2005-D	200	CCC	0.0%	11.3%
Terwin Mortgage Trust 2006-10SL	184	CCC	—%	6.4%
Soundview 2007-WMC1	178	CCC	—%	64.4%
Countrywide HELOC 2007-A	177	CCC	0.0%	5.2%
GMACM 2004-HE3	163	B	0.0%	0.0%
Countrywide HELOC 2007-B	162	CCC	0.0%	5.2%
New Century 2005-A	150	CCC	16.7%	31.1%
Renaissance (DELTA) 2007-3	144	CCC	6.3%	31.6%
FHABS 2007-HE1 HELOC	141	B	0.0%	3.0%
IndyMac 2007-H1 HELOC	127	CCC	0.0%	5.0%
FHABS 2006-HE2 HELOC	118	B	0.0%	3.0%
CSAB 2006-3	117	CCC	0.0%	46.3%
MARM 2007-1 (FKA MASTR 2007-OA1)	102	CCC	0.0%	36.1%
Countrywide HELOC 2005-C	102	CCC	0.1%	10.5%
CSAB 2006-2	75	CCC	0.0%	41.4%
FlagStar HELOC 2005-1	72	BB	25.3%	3.2%
FlagStar HELOC 2006-2	72	CCC	27.4%	4.7%
American Home Mortgage Assets Trust 2007-4	71	CCC	0.0%	36.4%
Soundview Home Loan Trust 2008-1	65	BB-	19.4%	33.3%
Terwin Mortgage Trust 2005-16HE	60	CCC	—%	30.3%
CSMC 2007-3	60	CCC	0.0%	32.3%
NAAC 2007-S2	57	CCC	0.0%	9.1%
<b>Subtotal U.S. RMBS</b>	<b>\$ 4,568</b>			

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

**Assured Guaranty Municipal Corp.**  
Below Investment Grade Exposures (5 of 5)  
As of December 31, 2012  
(dollars in millions)

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

<b>Name or description</b>	<b>Net Par Outstanding</b>	<b>Internal Rating</b>	<b>Current Credit Enhancement</b>
<b>U.S. structured finance:</b>			
<b>Other:</b>			
Private Other Non-Municipal Transaction	\$ 89	CCC	N/A
NRG Peaker	89	CCC	N/A
Conseco Finance Manufactured Housing Series 2001-2	72	CCC	N/A
GreenPoint 2000-4	56	CCC	N/A
America West Airlines Series 2000-1 G-1	53	BB	N/A
<b>Total other</b>	<b>\$ 359</b>		
<b>Total</b>	<b>\$ 4,927</b>		
<b>Non-U.S. structured finance:</b>			
Gleneagles Funding LTD (1st Issue)	\$ 226	BB	N/A
FHB 8.95% 2016	124	BB	N/A
OTP 10%	86	BB+	N/A
Private Pooled Corporate Transaction	80	BB	N/A
<b>Total</b>	<b>\$ 516</b>		
<b>Total</b>	<b>\$ 5,443</b>		

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

# Assured Guaranty Municipal Corp.

## Largest Exposures by Sector (1 of 4)

As of December 31, 2012

(dollars in millions)

### 50 Largest U.S. Public Finance Exposures

Credit Name	Net Par Outstanding	Internal Rating
New Jersey (State of)	\$ 2,528	A+
Chicago (City of) Illinois	2,024	A+
New York (City of) New York	1,791	AA-
Massachusetts (Commonwealth of)	1,733	AA
New York (State of)	1,563	A+
Los Angeles California Unified School District	1,425	AA-
Pennsylvania (Commonwealth of)	1,399	AA-
Houston Texas Water and Sewer Authority	1,352	AA-
California (State of)	1,349	BBB+
Arizona (State of)	1,316	A
University of California Board of Regents	1,314	AA
Atlanta Georgia Water & Sewer System	1,289	BBB+
Port Authority of New York and New Jersey	1,283	AA-
Illinois Toll Highway Authority	1,268	AA
Illinois (State of)	1,250	A
Wisconsin (State of)	1,204	A+
New York City Municipal Water Finance Authority	1,201	AA+
Miami-Dade County Florida Aviation Authority - Miami International Airport	1,120	A
Washington (State of)	1,047	AA
Los Angeles California Department of Water & Power - Electric Revenue Bonds	1,005	AA-
Massachusetts (Commonwealth of) Water Resources	1,003	AA
New York MTA Transportation Authority	976	A
Chicago-O'Hare International Airport	975	A
Puerto Rico (Commonwealth of)	971	BBB-
San Diego County, California Water	941	AA
Metro Washington Airport Authority	894	A+
Louisiana (State of) Gas and Fuel Tax	885	AA
Skyway Concession Company LLC	885	BB
Orlando-Orange County Expressway Authority, Florida	866	A+
San Diego California Unified School District	853	AA
Broward County Florida School Board	849	A+
California State University System Trustee	842	A+
Hartfield Atlanta International Airport	806	A
New Jersey Turnpike Authority	792	A-
Philadelphia Pennsylvania School District	792	A
Chicago Illinois Public Schools	788	A+
Long Island Power Authority	788	A-
New York State Thruway Authority	773	A
Miami-Dade County, Florida Water & Sewer	741	A+
Garden State Preservation Trust, New Jersey Open Space & Farmland	740	AA
Detroit Michigan Water Supply System	738	BBB+
Philadelphia (City of) Pennsylvania	737	BBB
Los Angeles Community College District County of Los Angeles, California	719	AA
Detroit Michigan Sewer	717	A-
Michigan (State of)	702	A+
Austin Texas Combined Utility System Revenue Bonds	644	A+
Maryland Transportation Authority Revenue Refunding Bonds, Series 1998-A (Transportation Facilities Projects)	643	A+
Michigan (State of) Gas & Motor Vehicle Tax	625	AA
Connecticut (State of)	619	A+
Oglethorpe Power Corp., GA First Mortgage Bonds	602	A-
<b>Total top 50 U.S. public finance exposures</b>	<b>\$ 52,367</b>	

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

## Assured Guaranty Municipal Corp.

### Largest Exposures by Sector (2 of 4)

As of December 31, 2012

(dollars in millions)

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

Credit Name	Net Par Outstanding	Internal Rating	Credit Enhancement
Fortress Credit Opportunities I, LP.	\$ 1,294	AA	35.0%
Synthetic Investment Grade Pooled Corporate CDO	1,157	AAA	13.4%
Stone Tower Credit Funding	1,119	AAA	29.9%
Synthetic High Yield Pooled Corporate CDO	976	AAA	40.1%
Synthetic Investment Grade Pooled Corporate CDO	765	Super Senior	14.8%
Synthetic Investment Grade Pooled Corporate CDO	763	Super Senior	29.0%
Synthetic Investment Grade Pooled Corporate CDO	743	Super Senior	28.0%
Synthetic High Yield Pooled Corporate CDO	732	AAA	37.4%
Synthetic Investment Grade Pooled Corporate CDO	726	Super Senior	22.5%
Mizuho II Synthetic CDO	715	A	N/A
Synthetic Investment Grade Pooled Corporate CDO	654	AAA	15.8%
Eastland CLO, LTD	531	Super Senior	39.2%
Synthetic Investment Grade Pooled Corporate CDO	514	Super Senior	14.3%
MABS 2007-NCW	510	B	20.5%
Denali CLO VII, LTD.	495	AAA	19.7%
Synthetic High Yield Pooled Corporate CDO	494	AAA	46.7%
Churchill Financial Cayman	466	AAA	35.9%
Phoenix CLO II	450	AAA	21.2%
Synthetic Investment Grade Pooled Corporate CDO	380	Super Senior	29.2%
Grayson CLO	378	Super Senior	29.7%
Synthetic Investment Grade Pooled Corporate CDO	368	Super Senior	14.2%
Stone Tower CLO V	360	Super Senior	28.9%
Option One 2007-FXD2	351	CCC	9.8%
Muir Grove CLO	343	AAA	21.5%
Synthetic Investment Grade Pooled Corporate CDO	342	AAA	16.3%
CIFC Funding 2006-1	340	AAA	23.9%
Countrywide HELOC 2006-I	336	CCC	0.0%
Credit Protection Trust 188	306	AA	N/A
Cent CDO 15 Limited	306	Super Senior	18.2%
Cent CDO 12 Limited	291	AAA	23.7%
ColumbusNova CLO Ltd. 2006-II	286	AAA	18.5%
Nomura Asset Accept. Corp. 2007-1	282	CCC	0.0%
Synthetic Investment Grade Pooled Corporate CDO	281	Super Senior	30.3%
Countrywide HELOC 2006-F	280	CCC	0.0%
CIFC Funding 2007-II	276	Super Senior	43.2%
Lime Street CLO, LTD.	276	AAA	24.4%
CIFC Funding 2006-II	265	Super Senior	32.2%
HarbourView CLO 2006-1	261	AAA	17.9%
LCM VI LTD.	261	AAA	21.5%
Brentwood CLO, Ltd.	253	Super Senior	32.4%
AIRLIE CLO 2006-II	238	AAA	25.2%
Synthetic Investment Grade Pooled Corporate CDO	237	Super Senior	14.8%
Avenue CLO IV	237	AAA	21.2%
Countrywide 2007-13	235	AA/BB	23.6%
Symphony CLO IV, LTD.	232	AAA	26.8%
Grant Grove CLO, Ltd.	226	AAA	22.2%
Macquarie HELOC 2007-1	226	A	9.4%
OFSI Fund III LTD.	219	AAA	32.1%
CIFC Funding 2006-1B	218	AAA	24.2%
CWABS 2007-4	214	AA/CCC	11.4%
<b>Total top 50 U.S. structured finance exposures</b>	<b>\$ 22,208</b>		

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

## Assured Guaranty Municipal Corp.

### Largest Exposures by Sector (3 of 4)

As of December 31, 2012

(dollars in millions)

#### 25 Largest Non-U.S. Exposures

Credit Name	Net Par Outstanding	Internal Rating
Quebec Province	\$ 2,030	A+
Sydney Airport Finance Company	1,459	BBB
Thames Water Utility Finance PLC	1,315	A-
Channel Link Enterprises Finance PLC	963	BBB
Japan Expressway Holding and Debt Repayment Agency	584	AA
Campania Region - Healthcare receivable	578	BBB-
Synthetic Investment Grade Pooled Corporate CDO	542	Super Senior
Southern Water Services Limited	540	A-
Capital Hospitals (Issuer) PLC	533	BBB-
Central Nottinghamshire Hospitals PLC	523	BBB
Reliance Rail Finance Pty. Limited	455	BB
Verbund - Lease and Sublease of Hydro-Electric equipment	427	AAA
The Hospital Company (QAH Portsmouth) Limited	423	BBB
NewHospitals (St Helens & Knowsley) Finance PLC	402	BBB
Integrated Accommodation Services PLC	393	BBB+
Synthetic Investment Grade Pooled Corporate CDO	386	AAA
Brisbane Airport	379	BBB
MPC Funding Limited	373	BBB+
Stone Tower Credit Funding	373	AAA
Private Other Structured Finance Transaction	373	Super Senior
Sociedad Concesionaria Rutas Del Pacifico S.A.	347	BBB
Plenary Health North Bay Finco Inc.	347	BBB+
Envestra Limited	343	BBB-
Duchess I CDO	343	BBB-
Westralia Airports Corporation	340	BBB-
<b>Total top 25 non-U.S. exposures</b>	<b><u>\$ 14,771</u></b>	

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

## Assured Guaranty Municipal Corp.

### Largest Exposures by Sector (4 of 4)

As of December 31, 2012

(dollars in millions)

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

Servicer:	<u>Net Par Outstanding</u>
Bank of America, N.A. <sup>(1)</sup>	\$ 3,133
Ocwen Financial Corporation <sup>(2)</sup>	1,805
Specialized Loan Servicing LLC	904
Wells Fargo Bank NA	579
Select Portfolio Servicing, Inc.	514
Ally Financial, Inc. <sup>(3)</sup>	325
First Horizon National Corporation	258
OneWest Bank Group LLC	253
JPMorgan Chase Bank	120
Doral Bank	73
<b>Total top 10 U.S. residential mortgage servicer exposures</b>	<b><u><u>\$ 7,964</u></u></b>

#### 10 Largest U.S. Healthcare Exposures

Credit Name:	<u>Net Par Outstanding</u>	<u>Internal Rating</u>	<u>State</u>
Carolina HealthCare System	\$ 241	AA-	NC
Asante Health System	239	A	OR
Dignity Health (f/k/a Catholic Healthcare West)	232	A	CA
Catholic Health Initiatives	231	AA	CO
MultiCare Health System	227	A+	WA
Palmetto Health Alliance	218	A-	SC
Children's National Medical Center (DC)	187	BBB+	DC
MedStar Health	177	A-	MD
Catholic Health Partners	176	A+	OH
Carilion Health System	174	BBB+	VA
<b>Total top 10 U.S. healthcare exposures</b>	<b><u><u>\$ 2,102</u></u></b>		

1) Includes Countrywide Home Loans Servicing LP.

2) Includes Homeward Residential Inc.

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

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

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

**Rollforward of Net Expected Loss and LAE to be Paid for the Three Months Ended December 31, 2012**

Financial Guaranty Insurance Contracts and Credit Derivatives	Net Expected Loss to be Paid as of September 30, 2012	Economic Loss Development During 4Q-12 <sup>(1)</sup>	(Paid) Recovered Losses During 4Q-12	Net Expected Loss to be Paid as of December 31, 2012
U.S. RMBS				
First lien:				
Alt-A first lien	\$ 149	\$ 6	\$ (6)	\$ 149
Option ARMs	(120)	24	(46)	(142)
Subprime first lien	156	6	—	162
Total first lien	<u>185</u>	<u>36</u>	<u>(52)</u>	<u>169</u>
Second lien:				
Closed end seconds	(39)	(8)	(2)	(49)
HELOC	(129)	28	(27)	(128)
Total second lien	<u>(168)</u>	<u>20</u>	<u>(29)</u>	<u>(177)</u>
Total U.S. RMBS	17	56	(81)	(8)
Other structured finance	39	(15)	4	28
U.S. public finance	(60)	6	(4)	(58)
Non-U.S. public finance	34	4	—	38
<b>Total</b>	<b><u>\$ 30</u></b>	<b><u>\$ 51</u></b>	<b><u>\$ (81)</u></b>	<b><u>\$ 0</u></b>

**Rollforward of Net Expected Loss and LAE to be Paid for the Year Ended December 31, 2012**

Financial Guaranty Insurance Contracts and Credit Derivatives	Net Expected Loss to be Paid as of December 31, 2011	Economic Loss Development During 2012 <sup>(1)</sup>	(Paid) Recovered Losses During 2012	Net Expected Loss to be Paid as of December 31, 2012
U.S. RMBS				
First lien:				
Alt-A first lien	\$ 93	\$ 24	\$ 32	\$ 149
Option ARMs	135	14	(291)	(142)
Subprime first lien	155	38	(31)	162
Total first lien	<u>383</u>	<u>76</u>	<u>(290)</u>	<u>169</u>
Second lien:				
Closed end seconds	(32)	(11)	(6)	(49)
HELOC	(75)	26	(79)	(128)
Total second lien	<u>(107)</u>	<u>15</u>	<u>(85)</u>	<u>(177)</u>
Total U.S. RMBS	276	91	(375)	(8)
Other structured finance	62	(37)	3	28
U.S. public finance	(35)	15	(38)	(58)
Non-U.S. public finance	38	195	(195)	38
<b>Total</b>	<b><u>\$ 341</u></b>	<b><u>\$ 264</u></b>	<b><u>\$ (605)</u></b>	<b><u>\$ 0</u></b>

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

## Assured Guaranty Municipal Corp.

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

### Financial Guaranty Insurance and Credit Derivatives U.S. RMBS Benefit Development for the Three Months Ended December 31, 2012

	Future Net R&W Benefit at September 30, 2012	R&W Economic Loss Development During 4Q-12	R&W Recovered During 4Q-12	Future Net R&W Benefit at December 31, 2012
<b>Financial guaranty insurance:</b>				
Alt-A first lien	\$ 133	\$ 1	\$ (2)	\$ 132
Option ARMs	511	31	(61)	481
Subprime first lien	103	4	—	107
Closed end seconds	112	3	—	115
HELOC	95	30	—	125
<b>Subtotal</b>	<b>\$ 954</b>	<b>\$ 69</b>	<b>\$ (63)</b>	<b>\$ 960</b>
<b>Credit derivatives</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Total</b>	<b>\$ 954</b>	<b>\$ 69</b>	<b>\$ (63)</b>	<b>\$ 960</b>

### Financial Guaranty Insurance and Credit Derivatives U.S. RMBS R&W Benefit Development for the Year Ended December 31, 2012

	Future Net R&W Benefit at December 31, 2011	R&W Economic Loss Development During 2012	R&W Recovered During 2012	Future Net R&W Benefit at December 31, 2012
<b>Financial guaranty insurance:</b>				
Alt-A first lien	\$ 181	\$ 19	\$ (68)	\$ 132
Option ARMs	619	78	(216)	481
Subprime first lien	101	6	—	107
Closed end seconds	118	3	(6)	115
HELOC	151	35	(61)	125
<b>Subtotal</b>	<b>\$ 1,170</b>	<b>\$ 141</b>	<b>\$ (351)</b>	<b>\$ 960</b>
<b>Credit derivatives</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Total</b>	<b>\$ 1,170</b>	<b>\$ 141</b>	<b>\$ (351)</b>	<b>\$ 960</b>

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

	Number of Risks as of		Debt Service as of	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
<b>Financial guaranty insurance:</b>				
Alt-A first lien	10	11	\$ 1,023	\$ 1,261
Option ARMs	7	10	604	1,240
Subprime first lien	5	5	810	892
Closed end seconds	2	2	120	219
HELOC	5	12	443	2,171
<b>Subtotal</b>	<b>29</b>	<b>40</b>	<b>\$ 3,000</b>	<b>\$ 5,783</b>
<b>Credit derivatives</b>	<b>—</b>	<b>—</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Total</b>	<b>29</b>	<b>40</b>	<b>\$ 3,000</b>	<b>\$ 5,783</b>

## Assured Guaranty Municipal Corp.

Losses Incurred

As of December 31, 2012

(dollars in millions)

Financial Guaranty Insurance Contracts and Credit Derivatives	Total Net Par Outstanding for BIG Transactions	4Q-12 Losses Incurred	2012 Losses Incurred	Net Reserve and Credit Impairment	Net Salvage and Subrogation Assets	Net Expected Loss to be Expensed
U.S. RMBS						
First lien:						
Alt-A first lien	\$ 882	\$ 10	\$ 47	\$ 52	\$ —	\$ 118
Option ARMs	525	43	112	29	213	96
Subprime first lien	1,595	7	39	78	—	91
Total first lien	<u>3,002</u>	<u>60</u>	<u>198</u>	<u>159</u>	<u>213</u>	<u>305</u>
Second lien:						
Closed end seconds	303	30	35	(10)	71	50
HELOC	2,039	21	29	—	169	150
Total second lien	<u>2,342</u>	<u>51</u>	<u>64</u>	<u>(10)</u>	<u>240</u>	<u>200</u>
Total U.S. RMBS	5,344	111	262	149	453	505
Other structured finance	983	(17)	(39)	14	—	10
U.S. public finance	1,822	0	9	16	86	23
Non-U.S. public finance	1,635	1	201	23	—	9
Subtotal	<u>9,784</u>	<u>95</u>	<u>433</u>	<u>202</u>	<u>539</u>	<u>547</u>
Effect of consolidating FG VIEs	—	(48)	(51)	(53)	(217)	(150)
<b>Total</b>	<b><u>\$ 9,784</u></b>	<b><u>\$ 47</u></b>	<b><u>\$ 382</u></b>	<b><u>\$ 149</u></b>	<b><u>\$ 322</u></b>	<b><u>\$ 397</u></b>

	Insurance Reserves	Credit Impairment on Credit Derivative Contracts <sup>(1)</sup>	Reserve and Credit Impairment	Salvage and Subrogation Recoverable	Net
Gross	\$ 230	\$ (5)	\$ 225	\$ 383	\$ (158)
Ceded	75	1	76	61	(2) 15
<b>Net</b>	<b><u>\$ 155</u></b>	<b><u>\$ (6)</u></b>	<b><u>\$ 149</u></b>	<b><u>\$ 322</u></b>	<b><u>\$ (173)</u></b>

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

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

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

	Year Ended December 31,				
	2012	2011	2010	2009	2008
<b>Statutory Data</b>					
Net income (loss)	\$ 256	\$ 632	\$ 402	\$ 228	\$ (1,377)
Policyholders' surplus	1,785	1,227	993	909	711
Contingency reserve	1,539	1,881	1,585	1,323	1,282
Qualified statutory capital	3,324	3,108	2,578	2,232	1,993
Unearned premium reserve	2,090	2,172	2,298	2,392	2,520
Loss and LAE reserves	(26)	318	436	1,022	1,688
Total policyholders' surplus and reserves	5,388	5,598	5,312	5,646	6,201
Present value of installment premium	467	523	691	783	963
Standby line of credit/stop loss	200	200	498	498	550
Excess of loss reinsurance facility	435	435	—	—	—
Total claims-paying resources	<u>\$ 6,490</u>	<u>\$ 6,756</u>	<u>\$ 6,501</u>	<u>\$ 6,927</u>	<u>\$ 7,714</u>
<b>Financial Ratios Calculated Using Statutory Information</b>					
Loss and LAE ratio <sup>(1)</sup>	71.8%	(26.7)%	47.0%	17.4%	480.2%
Expense ratio <sup>(2)</sup>	32.4%	36.9 %	32.5%	48.1%	9.1%
Combined ratio	<u>104.2%</u>	<u>10.2 %</u>	<u>79.5%</u>	<u>65.5%</u>	<u>489.3%</u>
<b>Other Financial Information (Statutory Basis)</b>					
Net debt service outstanding (end of period)	\$ 426,864	\$ 466,415	\$ 516,080	\$ 568,594	\$ 631,886
Gross debt service outstanding (end of period)	574,495	656,435	715,938	755,360	834,426
Net par outstanding (end of period)	282,409	308,538	343,619	381,148	424,393
Gross par outstanding (end of period)	371,695	423,936	464,904	493,798	545,568
Ceded par to all Assured Guaranty companies	60,751	63,842	63,602	32,501	32,927
Ceded par to other companies	28,534	51,555	57,682	79,433	88,248
Ratios:					
Par insured to statutory capital	85:1	99:1	133:1	171:1	213:1
Capital ratio <sup>(3)</sup>	128:1	150:1	200:1	255:1	317:1
Financial resources ratio <sup>(4)</sup>	66:1	69:1	79:1	82:1	82:1
Gross debt service written:					
Public finance	\$ 22,471	\$ 26,302	\$ 43,115	\$ 4,202	\$ 85,666
Structured finance	—	—	—	—	5,193
Total gross debt service written	<u>\$ 22,471</u>	<u>\$ 26,302</u>	<u>\$ 43,115</u>	<u>\$ 4,202</u>	<u>\$ 90,859</u>

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

## Glossary

### ***Net Par Outstanding and Internal Ratings***

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

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

### ***Performance Indicators***

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

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

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

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

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

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

### ***Sectors***

Below are brief descriptions of selected types of public and structured finance obligations that the Company insures and reinsures. For a more complete description, please refer to Assured Guaranty Ltd.'s Annual Report on Form 10-K for December 31, 2012.

#### *Public Finance:*

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

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

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

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

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

## Glossary (continued)

### Sectors (continued)

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

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

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

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

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

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

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

### Structured Finance:

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

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

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

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

### Commercial Mortgage-Backed Securities ("CMBS")

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

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

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

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

## Glossary (continued)

### Sectors (continued)

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

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

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

## Non-GAAP Financial Measures

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

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

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

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

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

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

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

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

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

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

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

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

## Non-GAAP Financial Measures (continued)

### Operating Shareholder's Equity (continued):

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

4) Elimination of the after-tax unrealized gains (losses) on the Company's investments, that are recorded as a component of accumulated other comprehensive income ("AOCI") (excluding foreign exchange remeasurement). The AOCI component of the fair value adjustment on the investment portfolio is not deemed economic because the Company generally holds these investments to maturity and therefore should not recognize an economic gain or loss.

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

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

1) Elimination of after-tax deferred acquisition costs, net. These amounts represent net deferred expenses that have already been paid or accrued and will be expensed in future accounting periods.

2) Addition of the after-tax net present value of estimated net future credit derivative revenue. See below.

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

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

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



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