

A photograph of a construction worker in a hard hat and safety harness walking across a steel beam of a bridge under construction. The sky is a mix of blue and orange, suggesting dawn or dusk. The image is partially obscured by text overlays.

Financial Supplement

Assured Guaranty Municipal Corp.

December 31, 2014



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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, 2014. For the purposes of this financial supplement, all references to the "Company", or "Consolidated AGM" shall mean Assured Guaranty Municipal Corp. (AGM) and its consolidated entities (consisting primarily of Assured Guaranty (Europe) Ltd., Municipal Assurance Holdings Inc., a company formed to own 100% of the common stock of Municipal Assurance Corp. (MAC), and variable interest entities Assured Guaranty Municipal is required to consolidate under accounting principles generally accepted in the United States). Assured Guaranty Municipal Corp. owns 60.7% of the outstanding shares of Municipal Assurance Holdings Inc., and Assured Guaranty Municipal Corp's affiliate Assured Guaranty Corp. owns the remaining 39.3%; Assured Guaranty Municipal consolidates all of MAC. AGM (excluding MAC) shall mean Consolidated AGM excluding Municipal Assurance Holdings Inc. and MAC.

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

Cautionary Statement Regarding Forward Looking Statements:

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

Assured Guaranty Municipal Corp.

Selected Financial Highlights

(dollars in millions)

	Three Months Ended December 31,		Year Ended December 31,	
	2014	2013	2014	2013
Operating income reconciliation:				
Operating income	\$ 91	\$ 81	\$ 404	\$ 440
Plus after-tax adjustments:				
Realized gains (losses) on investments	(20)	20	(31)	10
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(1)	7	12	37
Fair value gains (losses) on committed capital securities	0	5	(2)	5
Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and loss adjustment expense (LAE) reserves	(6)	2	(12)	0
Effect of consolidating financial guaranty variable interest entities (FG VIEs)	11	42	141	191
Net income (loss) attributable to Assured Guaranty Municipal Corp.	\$ 75	\$ 157	\$ 512	\$ 683
Effect of refundings and terminations, net				
Net earned premiums from refundings and terminations	\$ 35	\$ 35	\$ 98	\$ 176
Realized gains (losses) and other settlements from CDS terminations	—	3	1	13
Operating income effect	23	25	65	111
Return on equity (ROE) calculations ⁽¹⁾:				
ROE, excluding unrealized gain (loss) on investment portfolio	8.0%	18.3%	14.1%	21.0%
Operating ROE	9.4%	8.8%	10.7%	12.4%
New business:				
Gross par written	\$ 4,067	\$ 2,861	\$ 12,392	\$ 33,316
Present value of new business production (PVP) ⁽²⁾	38	66	138	387
	As of			
	December 31, 2014	December 31, 2013		
Reconciliation of shareholder's equity to adjusted book value:				
Shareholder's equity attributable to Assured Guaranty Municipal Corp.	\$ 3,951	\$ 3,552		
Less after-tax adjustments:				
Effect of consolidating FG VIEs	(25)	(148)		
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(67)	(82)		
Fair value gains (losses) on committed capital securities	11	14		
Unrealized gain (loss) on investment portfolio excluding foreign exchange effect	179	77		
Operating shareholder's equity	3,853	3,691		
After-tax adjustments:				
Less: Deferred acquisition costs	(50)	(56)		
Plus: Net present value of estimated net future credit derivative revenue	36	49		
Plus: Net unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed	1,261	1,406		
Adjusted book value	\$ 5,200	\$ 5,202		
Other information				
Net debt service outstanding ⁽³⁾	\$ 378,661	\$ 429,251		
Net par outstanding ⁽³⁾	252,752	286,857		
Claims-paying resources (including MAC) ⁽⁴⁾	6,984	6,790		

1) Quarterly ROE calculations represent annualized returns.

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

3) December 31, 2014 amounts include those of Municipal Assurance Corp. (MAC). Although Assured Guaranty Municipal owns approximately 60.7% of the outstanding shares of Municipal Assurance Holdings Inc. (MAC Holdings), a company formed to own 100% of the common stock of MAC, and Assured Guaranty Municipal's affiliate Assured Guaranty Corp. owns the remaining 39%, Assured Guaranty Municipal consolidates all of MAC.

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

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

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

	As of:	
	December 31, 2014	December 31, 2013
Assets:		
Investment portfolio:		
Fixed-maturity securities, available-for-sale, at fair value	\$ 6,212	\$ 5,522
Short-term investments, at fair value	377	667
Other invested assets (includes Surplus Note from affiliate of \$300 and \$300)	406	406
Total investment portfolio	6,995	6,595
Cash	23	53
Premiums receivable	450	578
Ceded unearned premium reserve	958	1,047
Reinsurance recoverable on unpaid losses	133	66
Salvage and subrogation recoverable	130	140
Credit derivative assets	79	98
Deferred tax asset, net	161	331
FG VIE assets, at fair value	823	1,691
Other assets	154	190
Total assets	\$ 9,906	\$ 10,789
Liabilities and shareholders' equity:		
Liabilities:		
Unearned premium reserve	\$ 3,425	\$ 3,652
Loss and loss adjustment expense reserve	404	273
Reinsurance balances payable, net	158	217
Notes payable	19	39
Credit derivative liabilities	287	326
Current income tax payable	57	114
FG VIE liabilities with recourse, at fair value	830	1,275
FG VIE liabilities without recourse, at fair value	114	686
Other liabilities	322	366
Total liabilities	5,616	6,948
Shareholders' equity:		
Preferred stock	—	—
Common stock	15	15
Additional paid-in capital	1,000	1,051
Retained earnings	2,752	2,400
Accumulated other comprehensive income	184	86
Total shareholders' equity attributable to Assured Guaranty Municipal Corp.	3,951	3,552
Noncontrolling interest	339	289
Total shareholders' equity	4,290	3,841
Total liabilities and shareholders' equity	\$ 9,906	\$ 10,789

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

	Three Months Ended December 31,		Year Ended December 31,	
	2014	2013	2014	2013
Revenues:				
Net earned premiums	\$ 100	\$ 115	\$ 374	\$ 508
Net investment income	69	71	267	246
Net realized investment gains (losses)	(36)	40	(59)	23
Net change in fair value of credit derivatives:				
Realized gains (losses) and other settlements	(2)	2	22	41
Net unrealized gains (losses)	2	22	19	57
Net change in fair value of credit derivatives	0	24	41	98
Fair value gains (losses) on committed capital securities	0	7	(4)	7
Fair value gains (losses) on FG VIEs	14	84	234	343
Other income (loss)	(3)	(16)	4	(23)
Total revenues	144	325	857	1,202
Expenses:				
Loss and loss adjustment expenses	(2)	58	(25)	92
Amortization of deferred ceding commissions	5	(4)	(4)	(28)
Interest expense	0	1	2	6
Other operating expenses	29	25	111	107
Total expenses	32	80	84	177
Income (loss) before income taxes	112	245	773	1,025
Provision (benefit) for income taxes	29	78	229	322
Net income (loss)	83	167	544	703
Less: Noncontrolling interest	8	10	32	20
Net income (loss) attributable to Assured Guaranty Municipal Corp.	\$ 75	\$ 157	\$ 512	\$ 683

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

	Three Months Ended December 31, 2014			Three Months Ended December 31, 2013		
	GAAP Income Statement Line Items As Reported	Less: Operating Income Adjustments	Non-GAAP Operating Income Components	GAAP Income Statement Line Items As Reported	Less: Operating Income Adjustments	Non-GAAP Operating Income Components
Revenues:						
Net earned premiums	\$ 100	\$ (5) (1)	\$ 105	\$ 115	\$ (12) (1)	\$ 127
Net investment income	69	6 (1)	63	71	1 (1)	70
Net realized investment gains (losses)	(36)	(36) (2)	—	40	39 (2)	1
Net change in fair value of credit derivatives:						
Realized gains (losses) and other settlements	(2)	(2)	—	2	2	—
Net unrealized gains (losses)	2	2	—	22	22	—
Credit derivative revenues	—	(6)	6	—	(13)	13
Net change in fair value of credit derivatives	0	(6) (3)	6	24	11 (3)	13
Fair value gains (losses) on committed capital securities	0	0 (4)	—	7	7 (4)	—
Fair value gains (losses) on FG VIEs	14	14 (1)	—	84	84 (1)	—
Other income (loss)	(3)	(5) (1)(5)	2	(16)	(9) (5)	(7)
Total revenues	144	(32)	176	325	121	204
Expenses:						
Loss and loss adjustment expenses:						
Financial guaranty insurance	(2)	(9) (1)	7	58	3 (1)	55
Credit derivatives	—	0 (3)	0	—	1 (3)	(1)
Amortization of deferred ceding commissions	5	—	5	(4)	—	(4)
Interest expense	0	—	0	1	—	1
Other operating expenses	29	—	29	25	—	25
Total expenses	32	(9)	41	80	4	76
Income (loss) before income taxes	112	(23)	135	245	117	128
Provision (benefit) for income taxes	29	(7) (6)	36	78	41 (6)	37
Net income (loss)	83	(16)	99	167	76	91
Less: Noncontrolling interest	8	0	8	10	0	10
Net income (loss) attributable to Assured Guaranty Municipal Corp.	\$ 75	\$ (16)	\$ 91	\$ 157	\$ 76	\$ 81

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

2) Adjustments to eliminate realized gains (losses) on available-for-sale investments.

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

4) Adjustments to eliminate fair value gain (loss) on committed capital securities.

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

6) Tax effect of the above adjustments.

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

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

	Year Ended December 31, 2014			Year Ended December 31, 2013		
	GAAP Income Statement Line Items As Reported	Less: Operating Income Adjustments	Non-GAAP Operating Income Components	GAAP Income Statement Line Items As Reported	Less: Operating Income Adjustments	Non-GAAP Operating Income Components
Revenues:						
Net earned premiums	\$ 374	\$ (31) (1)	\$ 405	\$ 508	\$ (58) (1)	\$ 566
Net investment income	267	9 (1)	258	246	2 (1)	244
Net realized investment gains (losses)	(59)	(61) (2)	2	23	27 (2)	(4)
Net change in fair value of credit derivatives:						
Realized gains (losses) and other settlements	22	22	—	41	41	—
Net unrealized gains (losses)	19	19	—	57	57	—
Credit derivative revenues	—	(33)	33	—	(56)	56
Net change in fair value of credit derivatives	41	8 (3)	33	98	42 (3)	56
Fair value gains (losses) on committed capital securities	(4)	(4) (4)	—	7	7 (4)	—
Fair value gains (losses) on FG VIEs	234	234 (1)	—	343	343 (1)	—
Other income (loss)	4	(19) (1)(5)	23	(23)	(17) (5)	(6)
Total revenues	857	136	721	1,202	346	856
Expenses:						
Loss and loss adjustment expenses:						
Financial guaranty insurance	(25)	(31) (1)	6	92	(19) (1)	111
Credit derivatives	—	0 (3)	0	—	(9) (3)	9
Amortization of deferred ceding commissions	(4)	—	(4)	(28)	—	(28)
Interest expense	2	—	2	6	—	6
Other operating expenses	111	—	111	107	—	107
Total expenses	84	(31)	115	177	(28)	205
Income (loss) before income taxes	773	167	606	1,025	374	651
Provision (benefit) for income taxes	229	59 (6)	170	322	131 (6)	191
Net income (loss)	544	108	436	703	243	460
Less: Noncontrolling interest	32	0	32	20	0	20
Net income (loss) attributable to Assured Guaranty Municipal Corp.	\$ 512	\$ 108	\$ 404	\$ 683	\$ 243	\$ 440

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

2) Adjustments to eliminate realized gains (losses) on available-for-sale investments.

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

4) Adjustments to eliminate fair value gain (loss) on committed capital securities.

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

6) Tax effect of the above adjustments.

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

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

	As of:	
	December 31, 2014	December 31, 2013
Claims-paying resources		
Policyholders' surplus	\$ 2,267	\$ 1,746
Contingency reserve ⁽¹⁾	1,496	1,783
Qualified statutory capital	3,763	3,529
Unearned premium reserve ⁽¹⁾	1,769	1,891
Loss and LAE reserves ⁽¹⁾⁽²⁾	487	340
Total policyholders' surplus and reserves	6,019	5,760
Present value of installment premium ⁽¹⁾	315	395
Committed Capital Securities	200	200
Excess of loss reinsurance facility ⁽³⁾	450	435
Total claims-paying resources (including MAC)	6,984	6,790
Adjustment for MAC ⁽⁴⁾	954	917
Total claims-paying resources (excluding MAC)	\$ 6,030	\$ 5,873
Statutory net par outstanding ⁽⁵⁾	\$ 151,320	\$ 171,279
Equity method adjustment ⁽⁶⁾	49,970	58,358
Adjusted statutory net par outstanding ⁽¹⁾	\$ 201,290	\$ 229,637
Net debt service outstanding ⁽⁵⁾	\$ 234,490	\$ 263,089
Equity method adjustment ⁽⁶⁾	74,782	87,816
Adjusted net debt service outstanding ⁽¹⁾	\$ 309,272	\$ 350,905
Ratios:		
Adjusted net par outstanding to qualified statutory capital	53:1	65:1
Capital ratio ⁽⁷⁾	82:1	99:1
Financial resources ratio ⁽⁸⁾	44:1	52:1

- 1) The numbers shown for AGM include (i) its 100% share of its U.K. insurance subsidiary and (ii) its indirect share of MAC. AGM and AGC own 60.7% and 39.3%, respectively, of the outstanding stock of Municipal Assurance Holdings Inc., which owns 100% of the outstanding common stock of MAC. Amounts include financial guaranty insurance and credit derivatives.
- 2) Reserves as of December 31, 2014 and December 31, 2013 are reduced by approximately \$0.2 billion and \$0.4 billion, respectively for benefit related to representation and warranty recoverables.
- 3) Represents an aggregate \$450 million excess-of-loss reinsurance facility for the benefit of AGC, AGM and MAC, which became effective January 1, 2014. The facility terminates on January 1, 2016, unless AGC, AGM and MAC choose to extend it.
- 4) Represents adjustment for AGM's interest in and indirect ownership of MAC's total policyholders' surplus, contingency reserves, unearned premium reserve, and loss reserves and present value of installment premium.
- 5) Net par outstanding and net debt service outstanding are presented on a of statutory basis and comprise of AGM and its wholly owned United Kingdom (U.K.) subsidiary. 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).
- 6) Equity method adjustment is an adjustment made to reflect AGM's net exposure to MAC, as determined by its indirect equity ownership.
- 7) The capital ratio is calculated by dividing adjusted net debt service outstanding by qualified statutory capital.
- 8) The financial resources ratio is calculated by dividing adjusted net debt service outstanding by total claims-paying resources (including MAC adjustment for AGM).

Assured Guaranty Municipal Corp.

New Business Production (1 of 3)

(dollars in millions)

	Three Months Ended December 31,		Year Ended December 31,	
	2014	2013	2014	2013
New business production analysis:				
PVP:				
Public finance - U.S.				
Direct	\$ 37	\$ 60	\$ 127	\$ 115
Assumed from AGC via MAC	—	—	—	249
Public finance - non-U.S.	—	5	7	18
Structured finance - U.S.	1	1	4	5
Structured finance - non-U.S.	—	—	—	—
Total PVP	\$ 38	\$ 66	\$ 138	\$ 387
Reconciliation of PVP to gross written premiums (GWP):				
PVP of financial guaranty insurance	\$ 38	\$ 66	\$ 138	\$ 387
Less: financial guaranty installment premium PVP	—	1	13	21
Total: financial guaranty upfront gross written premiums	38	65	125	366
Plus: financial guaranty installment GWP and other GAAP adjustments ⁽¹⁾	(41)	(5)	(36)	5
Total GWP	\$ (3)	\$ 60	\$ 89	\$ 371
Financial guaranty gross par written:				
Public finance - U.S.				
Direct	\$ 4,067	\$ 2,739	\$ 12,264	\$ 8,655
Assumed from AGC via MAC	—	—	—	24,269
Public finance - non-U.S.	—	122	128	392
Structured finance - U.S.	—	—	—	—
Structured finance - non-U.S.	—	—	—	—
Total	\$ 4,067	\$ 2,861	\$ 12,392	\$ 33,316

1) Includes present value of new business on installment policies plus GWP adjustment on existing installment policies due to changes in assumptions and any cancellations of assumed reinsurance contracts and other GAAP adjustments.

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

Assured Guaranty Municipal Corp.

New Business Production (2 of 3)

(dollars in millions)

Three Months Ended December 31, 2014

	AGM (Excluding MAC)	MAC	Eliminations	Consolidated AGM
New business production analysis:				
PVP:				
Public finance - U.S.	\$ 36	\$ 1	\$ —	\$ 37
Public finance - non-U.S.	—	—	—	—
Structured finance - U.S.	1	—	—	1
Structured finance - non-U.S.	—	—	—	—
Total PVP	\$ 37	\$ 1	\$ —	\$ 38
Financial guaranty gross par written:				
Public finance - U.S.	\$ 3,860	\$ 207	\$ —	\$ 4,067
Public finance - non-U.S.	—	—	—	—
Structured finance - U.S.	—	—	—	—
Structured finance - non-U.S.	—	—	—	—
Total	\$ 3,860	\$ 207	\$ —	\$ 4,067

Three Months Ended December 31, 2013

	AGM (Excluding MAC)	MAC	Eliminations	Consolidated AGM
New business production analysis:				
PVP:				
Public finance - U.S.	\$ 59	\$ 1	\$ —	\$ 60
Public finance - non-U.S.	5	—	—	5
Structured finance - U.S.	1	—	—	1
Structured finance - non-U.S.	—	—	—	—
Total PVP	\$ 65	\$ 1	\$ —	\$ 66
Financial guaranty gross par written:				
Public finance - U.S.	\$ 2,618	\$ 121	\$ —	\$ 2,739
Public finance - non-U.S.	122	—	—	122
Structured finance - U.S.	—	—	—	—
Structured finance - non-U.S.	—	—	—	—
Total	\$ 2,740	\$ 121	\$ —	\$ 2,861

Assured Guaranty Municipal Corp.

New Business Production (3 of 3)

(dollars in millions)

	Year Ended December 31, 2014			
	AGM (Excluding MAC)	MAC	Eliminations	Consolidated AGM
New business production analysis:				
PVP:				
Public finance - U.S.	\$ 125	\$ 2	\$ —	\$ 127
Public finance - non-U.S.	7	—	—	7
Structured finance - U.S.	4	—	—	4
Structured finance - non-U.S.	—	—	—	—
Total PVP	\$ 136	\$ 2	\$ —	\$ 138

Financial guaranty gross par written:				
Public finance - U.S.	\$ 11,415	\$ 849	\$ —	\$ 12,264
Public finance - non-U.S.	128	—	—	128
Structured finance - U.S.	—	—	—	—
Structured finance - non-U.S.	—	—	—	—
Total	\$ 11,543	\$ 849	\$ —	\$ 12,392

	Year Ended December 31, 2013			
	AGM (Excluding MAC)	MAC	Eliminations	Consolidated AGM
New business production analysis:				
PVP:				
Public finance - U.S.				
Direct	114	1	—	\$ 115
Assumed from Assured Guaranty Municipal	—	467	(467)	—
Assumed from AGC	—	249	—	249
Public finance - non-U.S.	18	—	—	18
Structured finance - U.S.	5	—	—	5
Structured finance - non-U.S.	—	—	—	—
Total PVP	\$ 137	\$ 717	\$ (467)	\$ 387

Financial guaranty gross par written:				
Public finance - U.S.				
Direct	8,488	167	—	\$ 8,655
Assumed from Assured Guaranty Municipal	—	86,996	(86,996)	—
Assumed from AGC	—	24,269	—	24,269
Public finance - non-U.S.	392	—	—	392
Structured finance - U.S.	—	—	—	—
Structured finance - non-U.S.	—	—	—	—
Total	\$ 8,880	\$ 111,432	\$ (86,996)	\$ 33,316

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

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

Financial Guaranty Gross Par Written by Asset Type

	Three Months Ended December 31, 2014		Year Ended December 31, 2014	
	Gross Par Written	Avg. Internal Rating	Gross Par Written	Avg. Internal Rating
Sector				
U.S. public finance:				
Direct:				
General obligation	\$ 1,622	A-	\$ 5,453	A-
Tax backed	1,176	A-	3,214	A-
Municipal utilities	845	A	2,465	A-
Transportation	221	A-	687	BBB+
Higher education	117	A	220	A
Healthcare	—	—	70	BBB
Housing revenue	—	—	66	BBB-
Infrastructure finance	4	A	7	A
Other public finance	82	A+	82	A+
Total U.S. public finance	<u>4,067</u>	A	<u>12,264</u>	A-
Non-U.S. public finance:				
Infrastructure finance	<u>—</u>	—	<u>128</u>	BBB-
Total non-U.S. public finance	<u>—</u>	—	<u>128</u>	BBB-
Total public finance	<u>4,067</u>	A	<u>12,392</u>	A-
U.S. structured finance:				
Total U.S. structured finance	<u>—</u>	—	<u>—</u>	—
Total non-U.S. structured finance	<u>—</u>	—	<u>—</u>	—
Total structured finance	<u>—</u>	—	<u>—</u>	—
Total gross par written	<u>\$ 4,067</u>	A	<u>\$ 12,392</u>	A-

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

Assured Guaranty Municipal Corp.
Available-for-Sale Investment Portfolio and Cash (1 of 2)
As of December 31, 2014
(dollars in millions)

	Fair Value		
	AGM (Excluding MAC)	MAC	Consolidated AGM
Investment portfolio, available-for-sale:			
Fixed-maturity securities:			
Obligations of states and political subdivisions	\$ 2,381	\$ 1,074	\$ 3,455
Insured obligations of state and political subdivisions ⁽¹⁾⁽³⁾	529	205	734
U.S. Treasury securities and obligations of U.S. government agencies	16	18	34
Agency obligations	26	9	35
Corporate securities	546	97	643
Mortgage-backed securities (MBS):			
Residential MBS (RMBS) ⁽²⁾⁽³⁾	704	22	726
Commercial MBS (CMBS)	218	48	266
Asset-backed securities ⁽³⁾	167	26	193
Foreign government securities	191	—	191
Total fixed-maturity securities	4,778	1,499	6,277
Short-term investments and cash	366	29	395
Total	5,144	1,528	6,672
Less: FG VIEs	60	—	60
Total	\$ 5,084	\$ 1,528	\$ 6,612

	Fair Value (AGM Excluding MAC)	% of Portfolio
Ratings⁽⁴⁾:		
U.S. Treasury securities and obligations of U.S. government agencies	\$ 16	0.3%
Agency obligations	26	0.6%
AAA/Aaa	575	12.0%
AA/Aa	2,548	53.3%
A/A	954	20.0%
BBB	17	0.4%
Below investment grade (BIG) ⁽⁵⁾	642	13.4%
Total fixed-maturity securities, available-for-sale	4,778	100.0%
Less: FG VIEs	65	
Total fixed-maturity securities, available-for-sale	\$ 4,713	

- 1) Reflects obligations of state and local political subdivisions that have been insured by other financial guarantors. The underlying ratings of these bonds, after giving effect to the lower of the rating assigned by Standard & Poor's Ratings Services (S&P) or Moody's Investors Service, Inc. (Moody's), average A+.
- 2) Includes fair value of \$271 million in subprime RMBS, which has an average rating of BIG.
- 3) Includes securities purchased or obtained as part of loss mitigation or other risk management strategies.
- 4) Ratings are represented by the lower of the Moody's and S&P classifications except for bonds purchased for loss mitigation (loss mitigation bonds) or risk management strategies which use internal ratings classifications.
- 5) Includes below investment grade securities that were purchased or obtained as part of loss mitigation or other risk management strategies of \$1,212 million in par with carrying value of \$642 million.

Assured Guaranty Municipal Corp.
Available-for-Sale Investment Portfolio and Cash (2 of 2)
As of December 31, 2014
(dollars in millions)

	Amortized Cost	Pre-Tax Book Yield	After-Tax Book Yield	Fair Value	Annualized Investment Income ⁽¹⁾
Investment portfolio, available-for-sale:					
Fixed-maturity securities:					
Obligations of states and political subdivisions	\$ 3,261	3.72 %	3.50 %	\$ 3,455	\$ 121
Insured obligations of state and political subdivisions ⁽²⁾⁽⁴⁾	667	4.66	4.39	734	31
U.S. Treasury securities and obligations of U.S. government agencies	30	3.28	2.13	34	1
Agency obligations	34	2.96	1.93	35	1
Corporate securities	632	4.02	2.61	643	25
Mortgage-backed securities (MBS):					
Residential MBS (RMBS) ⁽³⁾⁽⁴⁾	719	6.71	4.36	726	48
Commercial MBS (CMBS)	258	3.34	2.17	266	9
Asset-backed securities ⁽⁴⁾	191	3.95	2.57	193	8
Foreign government securities	191	2.29	1.49	191	4
Total fixed-maturity securities	5,983	4.15	3.44	6,277	248
Short-term investments	372	0.04	0.02	372	0
Cash ⁽⁵⁾	23	—	—	23	—
Total	6,378	3.91	3.24	6,672	248
Less: FG VIEs	58	11.85	7.70	60	8
Total	\$ 6,320	3.83%	3.20%	\$ 6,612	\$ 240

Ratings ⁽⁶⁾:	Fair Value	% of Portfolio
U.S. Treasury securities and obligations of U.S. government agencies	\$ 34	0.5 %
Agency obligations	35	0.6
AAA/Aaa	770	12.3
AA/Aa	3,567	56.8
A/A	1,210	19.3
BBB	19	0.3
Below investment grade (BIG) ⁽⁷⁾	642	10.2
Total fixed-maturity securities, available-for-sale	6,277	100.0 %
Less: FG VIEs	65	
Total fixed-maturity securities, available-for-sale	\$ 6,212	

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

4.9

**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+. Includes fair value of \$183 million insured by AGC and AGM.
- 3) Includes fair value of \$271 million in subprime RMBS, which has an average rating of BIG.
- 4) Includes securities purchased or obtained as part of loss mitigation or other risk management strategies.
- 5) 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 (loss mitigation bonds) or other risk management strategies which use internal ratings classifications.
- 7) Includes below investment grade securities that were purchased or obtained as part of loss mitigation or other risk management strategies of \$1,212 million in par with carrying value of \$642 million.

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

	Estimated Net Debt Service Amortization	Estimated Ending Net Debt Service Outstanding	Financial Guaranty Insurance ⁽²⁾			Future Credit Derivative Revenues ⁽⁴⁾	Total
			Expected PV Net Earned Premiums	Accretion of Discount	Future Net Premiums Earned ⁽³⁾		
2014 (as of December 31)		\$ 378,661					
2015 Q1	\$ 9,581	369,080	\$ 66	\$ 2	\$ 68	\$ 6	\$ 74
2015 Q2	10,999	358,081	65	3	68	6	74
2015 Q3	10,672	347,409	63	2	65	5	70
2015 Q4	7,945	339,464	60	3	63	5	68
2016	28,859	310,605	234	9	243	16	259
2017	29,686	280,919	203	8	211	10	221
2018	20,058	260,861	182	8	190	2	192
2019	18,999	241,862	165	7	172	1	173
2015-2019	136,799	241,862	1,038	42	1,080	51	1,131
2020-2024	84,446	157,416	622	29	651	5	656
2025-2029	66,476	90,940	380	19	399	3	402
2030-2034	44,901	46,039	229	11	240	1	241
After 2034	46,039	—	210	10	220	1	221
Total	\$ 378,661		\$ 2,479	\$ 111	\$ 2,590	\$ 61	\$ 2,651

1) Represents the future expected amortization of current debt service outstanding (principal and interest), assuming no advance refundings, as of December 31, 2014. 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 16 for “Present Value of Financial Guaranty Insurance Net Expected Loss to be Expensed.”

3) Includes \$116 million in future net premiums earned related to FG VIEs.

4) Excludes contracts with credit impairment.

Please refer to the Glossary for an explanation of changes in the presentation of net debt service outstanding.

Assured Guaranty Municipal Corp.
Expected Amortization of Net Par Outstanding (1 of 2)
(dollars in millions)

Structured Finance

	Estimated Net Par Amortization					Estimated Ending Net Par Outstanding
	U.S. and Non-U.S. Pooled Corporate	U.S. RMBS	Financial Products	Other Structured Finance	Total	
2014 (as of December 31)						\$ 26,034
2015 Q1	\$ 1,956	\$ 220	\$ 129	\$ 33	\$ 2,338	23,696
2015 Q2	2,968	238	133	24	3,363	20,333
2015 Q3	896	183	103	30	1,212	19,121
2015 Q4	664	167	6	41	878	18,243
2016	2,719	669	140	174	3,702	14,541
2017	6,594	556	55	166	7,371	7,170
2018	487	484	(22)	146	1,095	6,075
2019	322	389	9	218	938	5,137
2015-2019	16,606	2,906	553	832	20,897	5,137
2020-2024	2	1,251	140	427	1,820	3,317
2025-2029	31	414	524	107	1,076	2,241
2030-2034	107	91	792	309	1,299	942
After 2034	257	305	267	113	942	—
Total structured finance	\$ 17,003	\$ 4,967	\$ 2,276	\$ 1,788	\$ 26,034	

Public Finance

	Estimated Net Par Amortization	Estimated Ending Net Par Outstanding
2014 (as of December 31)		\$ 226,718
2015 Q1	\$ 4,420	222,298
2015 Q2	4,841	217,457
2015 Q3	6,781	210,676
2015 Q4	4,426	206,250
2016	15,119	191,131
2017	13,081	178,050
2018	10,352	167,698
2019	9,947	157,751
2015-2019	68,967	157,751
2020-2024	49,220	108,531
2025-2029	43,459	65,072
2030-2034	30,996	34,076
After 2034	34,076	—
Total public finance	\$ 226,718	

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

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

Public Finance:

Estimated Ending Net Par Outstanding

	MAC					Consolidated AGM
	AGM (excluding MAC)	Assumed from Assured Guaranty Municipal	Assumed from AGC	Direct	Total MAC	
2014 (as of December 31)	\$ 136,132	\$ 67,590	\$ 21,988	\$ 1,008	\$ 90,586	\$ 226,718
2015 Q1	133,739	65,798	21,754	1,007	88,559	222,298
2015 Q2	131,318	63,659	21,479	1,001	86,139	217,457
2015 Q3	127,307	61,216	21,163	990	83,369	210,676
2015 Q4	125,287	59,182	20,801	980	80,963	206,250
2016	117,746	52,766	19,685	934	73,385	191,131
2017	110,692	47,937	18,544	877	67,358	178,050
2018	105,361	44,170	17,352	815	62,337	167,698
2019	100,127	40,662	16,213	749	57,624	157,751
2024	72,206	24,808	11,058	459	36,325	108,531
2029	45,727	12,855	6,256	234	19,345	65,072
2034	25,445	5,736	2,800	95	8,631	34,076

Public Finance:

Estimated Net Par Amortization

	MAC					Consolidated AGM
	AGM (excluding MAC)	Assumed from Assured Guaranty Municipal	Assumed from AGC	Direct	Total MAC	
2015 Q1	\$ 2,393	\$ 1,792	\$ 234	\$ 1	\$ 2,027	\$ 4,420
2015 Q2	2,421	2,139	275	6	2,420	4,841
2015 Q3	4,011	2,443	316	11	2,770	6,781
2015 Q4	2,020	2,034	362	10	2,406	4,426
2016	7,541	6,416	1,116	46	7,578	15,119
2017	7,054	4,829	1,141	57	6,027	13,081
2018	5,331	3,768	1,192	61	5,021	10,352
2019	5,234	3,508	1,139	66	4,713	9,947
2015-2019	36,005	26,929	5,775	258	32,962	68,967
2020-2024	27,921	15,854	5,154	291	21,299	49,220
2025-2029	26,479	11,953	4,802	225	16,980	43,459
2030-2034	20,282	7,119	3,457	138	10,714	30,996
After 2034	25,445	5,736	2,800	95	8,631	34,076

Assured Guaranty Municipal Corp.
Present Value (PV) of Financial Guaranty Insurance Net Expected Loss to be Expensed
As of December 31, 2014
(dollars in millions)

	Net Expected Loss to be Expensed ⁽¹⁾	
	Operating ⁽²⁾	GAAP ⁽²⁾
2015 Q1	\$ 10	\$ 7
2015 Q2	9	6
2015 Q3	10	7
2015 Q4	11	8
2016	38	29
2017	30	22
2018	27	19
2019	23	17
2015-2019	158	115
2020-2024	80	61
2025-2029	40	32
2030-2034	29	21
After 2034	16	10
Total expected PV of net expected loss to be expensed	323	239
Discount	185	155
Total future value	\$ 508	\$ 394

- 1) The present value of net expected loss to be paid is discounted using weighted-average risk free rates ranging from 0.0% to 2.95% 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 6)

As of December 31, 2014

(dollars in millions)

Net Par Outstanding by Asset Type

	AGM (excluding MAC)	MAC				Consolidated AGM
		Assumed from Assured Guaranty Municipal	Assumed from AGC	Direct	Total MAC	
U.S. public finance:						
General obligation	\$ 41,717	\$ 40,036	\$ 12,368	\$ 867	\$ 53,271	\$ 94,988
Tax backed	25,325	10,192	3,409	86	13,687	39,012
Municipal utilities	21,808	11,189	3,385	41	14,615	36,423
Transportation	12,442	2,743	905	14	3,662	16,104
Healthcare	7,356	—	—	—	—	7,356
Higher education	3,483	2,462	1,299	0	3,761	7,244
Housing	1,493	629	46	—	675	2,168
Infrastructure finance	1,322	—	—	—	—	1,322
Other public finance ⁽¹⁾	894	339	576	—	915	1,809
Total U.S. public finance	115,840	67,590	21,988	1,008	90,586	206,426
Non-U.S. public finance:						
Infrastructure finance	9,448	—	—	—	—	9,448
Regulated utilities	6,291	—	—	—	—	6,291
Other public finance	4,553	—	—	—	—	4,553
Total non-U.S. public finance	20,292	—	—	—	—	20,292
Total public finance	136,132	67,590	21,988	1,008	90,586	226,718
U.S. structured finance:						
Pooled corporate obligations	13,574	—	—	—	—	13,574
RMBS	4,967	—	—	—	—	4,967
Financial products	2,276	—	—	—	—	2,276
Insurance securitizations	328	—	—	—	—	328
Consumer receivables	160	—	—	—	—	160
Commercial receivables	38	—	—	—	—	38
Structured credit	6	—	—	—	—	6
Other structured finance	160	—	—	—	—	160
Total U.S. structured finance	21,509	—	—	—	—	21,509
Non-U.S. structured finance:						
Pooled corporate obligations	3,429	—	—	—	—	3,429
RMBS	724	—	—	—	—	724
Other structured finance	372	—	—	—	—	372
Total non-U.S. structured finance	4,525	—	—	—	—	4,525
Total structured finance	26,034	—	—	—	—	26,034
Total	\$ 162,166	\$ 67,590	\$ 21,988	\$ 1,008	\$ 90,586	\$ 252,752

1) Includes investor-owned utilities.

Assured Guaranty Municipal Corp.
Financial Guaranty Profile (2 of 6)
(dollars in millions)

Net Par Outstanding and Average Rating by Asset Type

	December 31, 2014		December 31, 2013	
	Net Par Outstanding	Avg. Internal Rating	Net Par Outstanding	Avg. Internal Rating
U.S. public finance:				
General obligation	\$ 94,988	A+	\$ 106,028	A+
Tax backed	39,012	A+	42,073	A+
Municipal utilities	36,423	A	39,533	A
Transportation	16,104	A	18,296	A
Healthcare	7,356	A	7,704	A
Higher education	7,244	A	7,805	A+
Housing	2,168	A+	2,786	A+
Infrastructure finance	1,322	BB+	1,289	BB+
Other public finance ⁽¹⁾	1,809	A+	2,104	A+
Total U.S. public finance	206,426	A	227,618	A+
Non-U.S. public finance:				
Infrastructure finance	9,448	BBB	10,674	BBB
Regulated utilities	6,291	BBB+	6,184	BBB+
Other public finance	4,553	A	4,851	A
Total non-U.S. public finance	20,292	BBB+	21,709	BBB+
Total public finance	226,718	A	249,327	A
U.S. structured finance:				
Pooled corporate obligations	13,574	AAA	20,753	AAA
RMBS	4,967	BBB-	6,085	BBB-
Financial products	2,276	AA-	2,709	AA-
Insurance securitizations	328	AA	306	AA
Consumer receivables	160	BB-	187	BB-
Commercial receivables	38	BBB-	44	BB
Structured credit	6	BB	6	B
Other structured finance	160	A-	327	A
Total U.S. structured finance	21,509	AA	30,417	AA+
Non-U.S. structured finance:				
Pooled corporate obligations	3,429	AAA	5,613	AAA
RMBS	724	A	1,044	A+
Structured credit	—	—	83	BBB+
Other structured finance	372	AAA	373	AAA
Total non-U.S. structured finance	4,525	AA+	7,113	AAA
Total structured finance	26,034	AA	37,530	AA+
Total	\$ 252,752	A	\$ 286,857	A+

1) Includes investor-owned utilities.

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

Assured Guaranty Municipal Corp.

Financial Guaranty Profile (3 of 6)

As of December 31, 2014

(dollars in millions)

Distribution by Ratings of Financial Guaranty Portfolio

	Public Finance - U.S.		Public Finance - Non-U.S.		Structured Finance - U.S.		Structured Finance - Non-U.S.		Total	
Ratings:	Net Par Outstanding	%	Net Par Outstanding	%	Net Par Outstanding	%	Net Par Outstanding	%	Net Par Outstanding	%
AAA	\$ 3,254	1.6 %	\$ 541	2.8 %	\$ 13,185	61.3 %	\$ 3,311	73.1 %	\$ 20,291	8.1 %
AA	62,175	30.1	348	1.7	4,883	22.7	312	6.9	67,718	26.8
A	112,119	54.3	5,488	27.0	45	0.2	175	3.9	117,827	46.6
BBB	25,604	12.4	12,891	63.5	266	1.2	226	5.0	38,987	15.4
BIG	3,274	1.6	1,024	5.0	3,130	14.6	501	11.1	7,929	3.1
Net par outstanding(1)	<u>\$ 206,426</u>	<u>100.0%</u>	<u>\$ 20,292</u>	<u>100.0%</u>	<u>\$ 21,509</u>	<u>100.0%</u>	<u>\$ 4,525</u>	<u>100.0%</u>	<u>\$ 252,752</u>	<u>100.0%</u>

1) Excludes \$675 million in loss mitigation bonds as of December 31, 2014 related to consolidated FG VIEs.

Distribution by Ratings of U.S. Public Finance Portfolio

	MAC						
Ratings:	AGM (excluding MAC)	Assumed from Assured Guaranty Municipal	Assumed from AGC	Direct	Total MAC	Consolidated AGM	
AAA	\$ 1,133	\$ 2,086	\$ 35	\$ —	\$ 2,121	\$ 3,254	
AA	31,814	26,644	3,693	24	30,361	62,175	
A	62,094	33,974	15,297	754	50,025	112,119	
BBB	17,604	4,817	2,953	230	8,000	25,604	
BIG	3,195	69	10	—	79	3,274	
Net par outstanding	<u>\$ 115,840</u>	<u>\$ 67,590</u>	<u>\$ 21,988</u>	<u>\$ 1,008</u>	<u>\$ 90,586</u>	<u>\$ 206,426</u>	

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

Assured Guaranty Municipal Corp.

Financial Guaranty Profile (4 of 6)

As of December 31, 2014

(dollars in millions)

Ceded Par Outstanding by Reinsurer and Insurer Financial Strength Rating

Reinsurer	Moody's Rating	S&P Rating	Ceded Par Outstanding	% of Total
Affiliated companies	(1)	(1)	\$ 58,891	73.3 %
Non-affiliated companies:				
American Overseas Reinsurance Company Limited (f/k/a Ram Re)	WR (3)	WR	5,535	7.0
Tokio Marine & Nichido Fire Insurance Co., Ltd.	Aa3 (2)	AA- (2)	5,280	6.6
Radian Asset Assurance Inc.	Ba1	B+	4,045	5.0
Syncora Guarantee Inc.	WR	WR	3,715	4.6
Mitsui Sumitomo Insurance Co. Ltd.	A1	A+ (2)	2,043	2.5
ACA Financial Guaranty Corporation	NR (4)	WR	746	0.9
Swiss Reinsurance Company	Aa3	AA-	93	0.1
Total non-affiliated companies			21,457	26.7
Total			\$ 80,348	100.0%

- 1) As of the date of this document, the affiliates of AGM are Assured Guaranty Re Ltd. and its subsidiaries ("AG Re"), rated Baa1 (negative) by Moody's and AA (stable) by S&P, and AGC and its subsidiaries, rated A3 (negative) by Moody's and AA (stable) by S&P. In addition, MAC is rated AA+ (stable) from Kroll Bond Rating Agency and AA (stable) from S&P.
- 2) The Company has structural collateral agreements satisfying the triple-A credit requirement of S&P and/or Moody's.
- 3) Represents "Withdrawn Rating."
- 4) Represents "Not Rated."

Assured Guaranty Municipal Corp.

Financial Guaranty Profile (5 of 6)

As of December 31, 2014

(dollars in millions)

Geographic Distribution of Financial Guaranty Portfolio

	Net Par Outstanding	% of Total
U.S.:		
U.S. Public finance		
California	\$ 33,308	13.2 %
Pennsylvania	17,387	6.9
New York	16,029	6.3
Texas	15,690	6.2
Illinois	15,437	6.1
Florida	11,459	4.5
Michigan	9,003	3.6
New Jersey	8,904	3.5
Georgia	5,626	2.2
Ohio	5,254	2.1
Other states and U.S. territories	68,329	27.1
Total public finance	206,426	81.7
U.S. Structured finance	21,509	8.5
Total U.S.	227,935	90.2
Non-U.S.:		
United Kingdom	11,478	4.5
Canada	3,160	1.3
Australia	2,766	1.1
France	1,443	0.6
Italy	1,131	0.4
Other	4,839	1.9
Total non-U.S.	24,817	9.8
Total net par outstanding	\$ 252,752	100.0%

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

Assured Guaranty Municipal Corp.

Financial Guaranty Profile (6 of 6)

As of December 31, 2014

(dollars in millions)

Net Direct Economic Exposure to Selected European Countries

	Hungary	Italy	Portugal	Spain	Total
Sovereign and sub-sovereign exposure:					
Non-infrastructure public finance	\$ —	\$ 723	\$ 86	\$ 196	\$ 1,005
Infrastructure finance	256	7	—	128	391
Total sovereign and sub-sovereign exposure	256	730	86	324	1,396
Non-sovereign exposure:					
Regulated utilities	—	129	—	—	129
RMBS	178	251	—	—	429
Total non-sovereign exposure	178	380	—	—	558
Total	\$ 434	\$ 1,110	\$ 86	\$ 324	\$ 1,954
Total BIG	\$ 361	\$ —	\$ 86	\$ 324	\$ 771

Note: While the Company's exposures are shown in U.S. dollars, the obligations the Company insures are in various currencies, primarily Euros. 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.

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

Assured Guaranty Municipal Corp.

Exposure to Puerto Rico (1 of 3)

As of December 31, 2014

(dollars in millions)

Gross Par and Gross Debt Service Outstanding of Puerto Rico

	Gross Par Outstanding	Gross Debt Service Outstanding
Subject to the Now Voided Puerto Rico Public Corporation Debt Enforcement and Recovery Act (the "Recovery Act") ⁽¹⁾	\$ 1,844	\$ 2,868
Not subject to the Now Voided Recovery Act	2,204	3,711
Total	<u>\$ 4,048</u>	<u>\$ 6,579</u>

1) On February 6, 2015, the U.S. District Court for the District of Puerto Rico ruled that the Recovery Act is preempted by the Federal Bankruptcy Code and is therefore void. On February 19, 2015, the Commonwealth appealed the ruling to the U.S. Court of Appeals for the First Circuit.

Net Exposure to Puerto Rico by Risk

	Net Par Outstanding	Gross Par Outstanding	Internal Rating
Exposures subject to the Now Voided Recovery Act:			
Puerto Rico Highways and Transportation Authority (Transportation revenue) ("Primary policies")	\$ 223	\$ 339	BB-
Puerto Rico Highways and Transportation Authority (Transportation revenue) ("Second-to-pay policies") ⁽¹⁾	80	81	AA
Total	<u>303</u>	<u>420</u>	BB+
Puerto Rico Electric Power Authority	464	873	B-
Puerto Rico Highways and Transportation Authority (Highway revenue)	197	551	BB
Total	<u>964</u>	<u>1,844</u>	
Exposures not subject to the Now Voided Recovery Act:			
Commonwealth of Puerto Rico - General Obligation Bonds	749	1,293	BB
Puerto Rico Municipal Finance Agency	223	568	BB-
Puerto Rico Sales Tax Financing Corporation	261	269	BBB
Puerto Rico Public Buildings Authority	18	74	BB+
Total	<u>1,251</u>	<u>2,204</u>	
Total net exposure to Puerto Rico	<u>\$ 2,215</u>	<u>\$ 4,048</u>	

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

Assured Guaranty Municipal Corp.

Exposure to Puerto Rico (2 of 3)

As of December 31, 2014

(dollars in millions)

Amortization Schedule of Net Par Outstanding of Puerto Rico

Scheduled Net Par Amortization															
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 -2029	2030 -2034	2035 -2039	2040 -2043	Total
Exposures subject to the Now Voided Recovery Act:															
Puerto Rico Highways and Transportation Authority (Transportation revenue) ("Primary policies")	\$ 14	\$ 16	\$ 22	\$ 18	\$ 9	\$ 10	\$ 10	\$ 11	\$ 12	\$ —	\$ 63	\$ 38	\$ —	\$ —	\$ 223
Puerto Rico Highways and Transportation Authority (Transportation revenue) ("Second-to-pay policies") ⁽²⁾	—	—	—	2	—	—	—	—	—	—	49	18	11	—	80
Puerto Rico Electric Power Authority	56	13	4	2	18	29	14	15	52	49	152	60	—	—	464
Puerto Rico Highways and Transportation Authority (Highway revenue)	3	6	3	3	6	7	10	4	6	7	17	77	48	—	197
Total	73	35	29	25	33	46	34	30	70	56	281	193	59	—	964
Exposures not subject to the Now Voided Recovery Act:															
Commonwealth of Puerto Rico - General Obligation Bonds	32	38	46	19	32	33	—	12	3	38	112	231	153	—	749
Puerto Rico Municipal Finance Agency	29	30	26	21	23	14	13	13	7	7	37	3	—	—	223
Puerto Rico Sales Tax Financing Corporation	—	(1)	(1)	(1)	(1)	(1)	(1)	(1)	1	0	(6)	21	—	252	261
Puerto Rico Public Buildings Authority	4	3	2	—	2	5	—	—	1	—	1	—	—	—	18
Total	65	70	73	39	56	51	12	24	12	45	144	255	153	252	1,251
Total net par for Puerto Rico	\$ 138	\$ 105	\$ 102	\$ 64	\$ 89	\$ 97	\$ 46	\$ 54	\$ 82	\$ 101	\$ 425	\$ 448	\$ 212	\$ 252	\$2,215

Assured Guaranty Municipal Corp.

Exposure to Puerto Rico (3 of 3)

As of December 31, 2014

(dollars in millions)

Amortization Schedule of Net Debt Service Outstanding of Puerto Rico

Scheduled Net Debt Service Amortization																
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 -2029	2030 -2034	2035 -2039	2040 -2043	Total	
Exposures subject to the Now Voided Recovery Act:																
Puerto Rico Highways and Transportation Authority (Transportation revenue) ("Primary policies")	\$ 26	\$ 27	\$ 33	\$ 26	\$ 17	\$ 17	\$ 17	\$ 18	\$ 18	\$ 5	\$ 84	\$ 41	\$ —	\$ —	\$ 329	
Puerto Rico Highways and Transportation Authority (Transportation revenue) ("Second-to-pay policies") ⁽²⁾	4	4	4	7	4	4	4	4	4	4	64	26	12	—	145	
Puerto Rico Electric Power Authority	78	32	22	20	36	46	29	30	66	61	183	66	—	—	669	
Puerto Rico Highways and Transportation Authority (Highway revenue)	13	16	13	13	16	16	19	12	15	15	53	105	52	—	358	
Total	121	79	72	66	73	83	69	64	103	85	384	238	64	—	1,501	
Exposures not subject to the Now Voided Recovery Act:																
Commonwealth of Puerto Rico - General Obligation Bonds	71	76	82	53	64	63	29	41	31	67	229	317	169	—	1,292	
Puerto Rico Municipal Finance Agency	41	40	34	28	29	18	17	17	10	10	42	2	—	—	288	
Puerto Rico Sales Tax Financing Corporation	13	13	13	13	13	13	13	13	14	13	64	89	64	281	629	
Puerto Rico Public Buildings Authority	5	4	3	0	2	6	0	0	1	0	1	—	—	—	22	
Total	130	133	132	94	108	100	59	71	56	90	336	408	233	281	2,231	
Total net debt service for Puerto Rico	\$ 251	\$ 212	\$ 204	\$ 160	\$ 181	\$ 183	\$ 128	\$ 135	\$ 159	\$ 175	\$ 720	\$ 646	\$ 297	\$ 281	\$3,732	

Assured Guaranty Municipal Corp.

Pooled Corporate Obligations Profile

As of December 31, 2014

(dollars in millions)

Distribution of Pooled Corporate Obligations by Ratings

	Net Par Outstanding	% of Total	Avg. Initial Credit Enhancement	Avg. Current Credit Enhancement
Ratings:				
AAA	\$ 15,122	88.9 %	24.6 %	26.7 %
AA	1,352	8.0	37.5	32.3
A	102	0.6	10.5	31.2
BBB	32	0.2	—	—
BIG	395	2.3	—	—
Total exposures	\$ 17,003	100.0%	25.6%	27.1%

Distribution of Pooled Corporate Obligations by Asset Class

	Net Par Outstanding	% of Total	Avg. Initial Credit Enhancement	Avg. Current Credit Enhancement	Avg. Rating
Asset class:					
CBOs/CLOs	\$ 8,097	47.6 %	29.4 %	34.0 %	AAA
Synthetic investment grade pooled corporates	7,354	43.3	22.3	20.3	AAA
Market value CDOs of corporates	946	5.6	17.0	20.1	AAA
Trust preferred - banks and insurance	44	0.3	44.9	58.2	AA+
Other pooled corporates	562	3.2	—	—	BBB-
Total exposures	\$ 17,003	100.0%	25.6%	27.1%	AAA

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

Assured Guaranty Municipal Corp.

U.S. RMBS Profile

As of December 31, 2014

(dollars in millions)

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

Ratings:	Prime First Lien	Closed-End Second Lien	HELOC	Alt-A First Lien	Option ARMs	Subprime First Lien	Total Net Par Outstanding
AAA	\$ 1	\$ —	\$ 8	\$ 40	\$ —	\$ 852	\$ 900
AA	37	101	65	123	114	464	905
A	1	—	—	—	—	—	1
BBB	19	—	105	8	—	69	201
BIG	—	80	1,070	649	60	1,102	2,960
Total exposures	\$ 57	\$ 181	\$ 1,248	\$ 819	\$ 174	\$ 2,487	\$ 4,967

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

Year insured:	Prime First Lien	Closed-End Second Lien	HELOC	Alt-A First Lien	Option ARM	Subprime First Lien	Total Net Par Outstanding
2004 and prior	\$ 2	\$ —	\$ 109	\$ 39	\$ —	\$ 872	\$ 1,022
2005	—	—	257	206	16	183	662
2006	56	42	468	287	21	101	975
2007	—	139	414	286	137	1,273	2,250
2008	—	—	—	—	—	58	58
Total exposures	\$ 57	\$ 181	\$ 1,248	\$ 819	\$ 174	\$ 2,487	\$ 4,967

1) Assured Guaranty Municipal has not insured any U.S. RMBS transactions since 2008.

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

Assured Guaranty Municipal Corp.
Credit Derivative Net Par Outstanding Profile
As of December 31, 2014
(dollars in millions)

Distribution of Credit Derivative Net Par Outstanding by Rating

Ratings:	Net Par Outstanding	% of Total
AAA	\$ 14,471	79.5 %
AA	1,843	10.1
A	920	5.1
BBB	830	4.6
BIG	129	0.7
Total credit derivative net par outstanding	\$ 18,193	100.0%

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

	Net Par Outstanding	Average Rating
Public Finance		
U.S. public finance	\$ 1,341	A
Non-U.S. public finance	503	BBB+
Total public finance	1,844	A-
U.S. structured finance		
Pooled corporate obligations	12,914	AAA
Insurance securitizations	328	AA
RMBS	116	AA-
Commercial receivables	38	BBB-
Other structured finance	65	BB
Total U.S. structured finance	13,461	AAA
Non-U.S. structured finance:		
Pooled corporate obligations	2,770	AAA
RMBS	118	BB+
Total non-U.S. structured finance	2,888	AAA
Total structured finance	16,349	AAA
Total credit derivative net par outstanding	\$ 18,193	AAA

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

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

BIG Exposures by Asset Exposure Type

	BIG Net Par Outstanding	
	December 31, 2014	December 31, 2013
U.S. public finance:		
General obligation	\$ 1,074	\$ 1,290
Infrastructure finance	932	909
Tax backed	682	783
Municipal utilities	466	520
Transportation revenue	64	63
Healthcare	56	69
Housing	—	14
Total U.S. public finance	3,274	3,648
Non-U.S. public finance:		
Infrastructure finance	742	854
Other public finance	282	317
Total non-U.S. public finance	1,024	1,171
Total public finance	4,298	4,819
U.S. structured finance:		
RMBS	2,960	3,595
Consumer receivables	100	113
Structured credit	6	6
Commercial receivables	—	45
Other structured finance	64	77
Total U.S. structured finance	3,130	3,836
Non-U.S. structured finance:		
Pooled corporate obligations	395	413
RMBS	106	216
Total non-U.S. structured finance	501	629
Total structured finance	3,631	4,465
Total BIG net par outstanding	\$ 7,929	\$ 9,284

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

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

Net Par Outstanding by BIG Category⁽¹⁾

		Financial Guaranty Insurance and Credit Derivatives Surveillance Categories	
		December 31, 2014	December 31, 2013
Category 1			
U.S. public finance	\$	2,748	\$ 3,535
Non-U.S. public finance		1,024	780
U.S. structured finance		777	1,426
Non-U.S. structured finance		501	629
Total Category 1		<u>5,050</u>	<u>6,370</u>
Category 2			
U.S. public finance		464	—
Non-U.S. public finance		—	391
U.S. structured finance		662	1,105
Non-U.S. structured finance		—	—
Total Category 2		<u>1,126</u>	<u>1,496</u>
Category 3			
U.S. public finance		62	113
Non-U.S. public finance		—	—
U.S. structured finance		1,691	1,305
Non-U.S. structured finance		—	—
Total Category 3		<u>1,753</u>	<u>1,418</u>
BIG Total	\$	<u>7,929</u>	<u>\$ 9,284</u>

- 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 future losses possible, but for which none are currently expected. BIG Category 2: Below-investment-grade transactions for which future losses are expected but for which no claims (other than liquidity claims which is a claim that the Company expects to be reimbursed within one year) have yet been paid. BIG Category 3: Below-investment-grade transactions for which future losses are expected and on which claims (other than liquidity claims) have been paid.

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

Assured Guaranty Municipal Corp.
Below Investment Grade Exposures (3 of 4)
As of December 31, 2014
(dollars in millions)

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

Name or description	Net Par Outstanding	Internal Rating
U.S. public finance:		
Skyway Concession Company LLC	\$ 932	BB
Puerto Rico General Obligation, Appropriations and Guarantees of the Commonwealth	767	BB
Puerto Rico Electric Power Authority	464	B-
Puerto Rico Highways and Transportation Authority	420	BB-
Puerto Rico Municipal Finance Agency	223	BB-
Lackawanna County, Pennsylvania	88	BB-
Wayne County, Michigan	68	BB+
Stockton City, California	62	D
Total	3,024	
Non-U.S. public finance:		
Reliance Rail Finance Pty. Limited	358	BB
M6 Duna Autopalya Koncesszios Zartkoruen Mukodo Reszvenytarsasag	256	BB-
Valencia Fair	187	BB-
Autovia de la Mancha, S.A.	128	BB-
Metropolitano de Porto Lease and Sublease of Railroad Equipment	55	B+
Total	984	
Total	\$ 4,008	

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

Assured Guaranty Municipal Corp.

Below Investment Grade Exposures (4 of 4)

As of December 31, 2014

(dollars in millions)

Structured Finance BIG Exposures Greater Than \$50 Million

Name or description	BIG Net Par Outstanding	Internal Rating	Current Credit Enhancement	60+ Day Delinquencies
U.S. structured finance:				
U.S. RMBS:				
Option One 2007-FXD2	\$ 302	CCC	0.0%	23.0%
MABS 2007-NCW	271	CCC	8.4	46.7
Countrywide HELOC 2006-I	250	BB	0.0	2.9
Nomura Asset Accept. Corp. 2007-1	213	CCC	0.0	32.8
Soundview 2007-WMC1	170	CCC	—	53.3
Countrywide HELOC 2005-D	146	B	0.0	4.1
New Century 2005-A	137	CCC	10.0	25.2
Countrywide HELOC 2006-F	136	BB	0.0	6.9
Countrywide HELOC 2007-B	119	BB	0.0	2.4
Countrywide HELOC 2007-A	119	BB	0.0	2.9
GMACM 2004-HE3	109	CCC	0.0	5.6
CSAB 2006-3	104	CCC	0.0	43.0
IndyMac 2007-H1 HELOC	93	B	0.0	2.3
Countrywide HELOC 2005-C	70	B	0.1	5.4
Soundview Home Loan Trust 2008-1	58	CCC	10.8	28.1
CSAB 2006-2	53	CCC	0.0	38.8
Terwin Mortgage Trust 2005-16HE	52	CCC	—	25.8
Total U.S. RMBS	2,402			
Non-RMBS:				
NRG Peaker	64	BB	N/A	
Conseco Finance Manufactured Housing Series 2001-2	56	CCC	14.9	
Total non-RMBS	120			
Total U.S. structured finance	2,522			
Non-U.S. structured finance:				
Gleneagles Funding Ltd. (1st Issue)	226	BB	N/A	
Private Pooled Corporate Transaction	81	BB	N/A	
FHB 8.95% 2016 MBIA Wrap	60	BB-	N/A	
Total Non-U.S. structured finance	367			
Total	\$ 2,889			

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

Assured Guaranty Municipal Corp.

Largest Exposures by Sector (1 of 4)

As of December 31, 2014

(dollars in millions)

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

Credit Name	Net Par Outstanding	Internal Rating
New Jersey (State of)	\$ 2,315	A-
Illinois (State of)	1,528	A-
Chicago (City of) Illinois	1,491	BBB+
Massachusetts (Commonwealth of)	1,403	AA
New York (City of) New York	1,358	AA-
California (State of)	1,344	A-
New York (State of)	1,330	A+
Atlanta Georgia Water & Sewer System	1,185	A-
Los Angeles, California Unified School District	1,158	AA-
Illinois Toll Highway Authority	1,147	AA
Arizona (State of)	1,146	A+
Houston, Texas Water and Sewer Authority	1,144	AA-
Pennsylvania (Commonwealth of)	1,120	A
Wisconsin (State of)	1,105	A+
New York Metropolitan Transportation Authority	1,078	A
Miami-Dade County Florida Aviation Authority - Miami International Airport	1,037	A
Chicago-O'Hare International Airport	992	A-
Massachusetts (Commonwealth of) Water Resources	970	AA
Washington (State of)	944	AA
Skyway Concession Company LLC	932	BB
San Diego County, California Water	921	AA
New York City Municipal Water Finance Authority	890	AA
Port Authority of New York and New Jersey	864	AA-
Louisiana (State of) Gas and Fuel Tax	851	AA
Chicago, Illinois Public Schools	845	BBB+
Puerto Rico General Obligation, Appropriations and Guarantees of the Commonwealth	767	BB
San Diego Unified School District, California	764	AA
Long Island Power Authority	753	A-
Orlando-Orange County Expressway Authority, Florida	749	A+
Miami-Dade County, Florida Water & Sewer	720	A+
Philadelphia School District, Pennsylvania	719	A
Los Angeles, California Department of Water & Power - Electric Revenue Bonds	708	AA-
Garden State Preservation Trust, New Jersey Open Space & Farmland	701	AA
Detroit Michigan Water Supply System	700	BBB
California State University System Trustee	696	A+
Detroit Michigan Sewer	670	BBB
New Jersey Turnpike Authority	660	A-
New York State Thruway Authority	636	A
Philadelphia (City of) Pennsylvania	635	BBB+
Broward County Florida School Board	633	A+
Los Angeles Community College District, California	613	AA
Oglethorpe Power Corporation, Georgia	602	BBB+
Metro Washington Airport Authority	575	A+
District of Columbia	550	AA-
Michigan (State of) Gas & Motor Vehicle Tax	518	AA
Regional Transportation Authority, Illinois Sales Tax	515	AA-
Michigan (State of)	513	A+
Connecticut (State of)	505	A+
Puerto Rico Highway and Transportation Authority	500	BB+
Maryland Transportation Authority	495	A+
Total top 50 U.S. public finance exposures	\$ 44,995	

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, 2014

(dollars in millions)

50 Largest U.S. Structured Finance Exposures

Credit Name	Net Par Outstanding	Internal Rating	Credit Enhancement
Fortress Credit Opportunities I, LP.	\$ 1,185	AA	31.8%
Synthetic Investment Grade Pooled Corporate CDO	765	AAA	14.8
Synthetic Investment Grade Pooled Corporate CDO	763	AAA	29.0
Synthetic Investment Grade Pooled Corporate CDO	743	AAA	27.3
Stone Tower Credit Funding	710	AAA	20.1
Synthetic Investment Grade Pooled Corporate CDO	666	AAA	22.5
Synthetic Investment Grade Pooled Corporate CDO	654	AAA	14.9
Synthetic Investment Grade Pooled Corporate CDO	514	AAA	14.3
Denali CLO VII, LTD.	473	AAA	20.6
Eastland CLO, LTD	458	AAA	42.5
Churchill Financial Cayman	429	AAA	38.0
Synthetic Investment Grade Pooled Corporate CDO	380	AAA	29.2
Synthetic Investment Grade Pooled Corporate CDO	342	AAA	16.3
Synthetic Investment Grade Pooled Corporate CDO	338	AAA	14.2
Credit Protection Trust 188	328	AA	N/A
Cent CDO 15 Limited	304	AAA	18.3
Option One 2007-FXD2	302	CCC	0.0
Grayson CLO	299	AAA	34.2
Synthetic Investment Grade Pooled Corporate CDO	281	AAA	30.3
Cent CDO 12 Limited	280	AAA	24.6
Phoenix CLO II	275	AAA	28.7
MABS 2007-NCW	271	CCC	8.4
Countrywide HELOC 2006-I	250	BB	0.0
Muir Grove CLO	231	AAA	28.8
Symphony CLO IV, LTD.	229	AAA	27.0
Synthetic Investment Grade Pooled Corporate CDO	218	AAA	15.6
Nomura Asset Accept. Corp. 2007-1	213	CCC	0.0
CWABS 2007-4	196	A	0.0
ColumbusNova CLO IV 2007-II	195	AAA	32.0
CIFC Funding 2007-II	194	AAA	49.8
Stone Tower CLO V	181	AAA	43.9
Tralea CDO I Ltd.	175	AAA	21.9
Soundview 2007-WMC1	170	CCC	—
Synthetic Investment Grade Pooled Corporate CDO	168	AAA	27.6
Countrywide 2007-13	160	AA-	13.8
LCM VI Ltd.	158	AAA	31.0
Centurion CDO 9	149	AAA	28.1
Airlie CLO 2006-II	147	AAA	33.3
Countrywide HELOC 2005-D	146	B	0.0
New Century 2005-A	137	CCC	10.0
Countrywide HELOC 2006-F	136	BB	0.0
Lime Street CLO, LTD.	130	AAA	34.9
HarbourView CLO 2006-1	125	AAA	28.4
Burr Ridge CLO Plus	122	AAA	36.4
Countrywide HELOC 2007-B	119	BB	0.0
Countrywide HELOC 2007-A	119	BB	0.0
Symphony CLO II, Ltd.	114	AAA	45.2
Blue Mountain CLO II	113	AAA	34.0
GMACM 2004-HE3	109	CCC	0.0
CSAB 2006-3	104	CCC	0.0
Total top 50 U.S. structured finance exposures	\$ 15,268		

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

Assured Guaranty Municipal Corp.

Largest Exposures by Sector (3 of 4)

As of December 31, 2014

(dollars in millions)

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

Credit Name	Country	Net Par Outstanding	Internal Rating
Quebec Province	Canada	\$ 2,065	A+
Thames Water Utility Finance PLC	United Kingdom	1,192	A-
Channel Link Enterprises Finance PLC	France, United Kingdom	908	BBB
Sydney Airport Finance Company	Australia	714	BBB
Capital Hospitals (Issuer) PLC	United Kingdom	539	BBB-
Southern Water Services Limited	United Kingdom	528	A-
Campania Region - Healthcare receivable	Italy	505	BBB-
Central Nottinghamshire Hospitals PLC	United Kingdom	497	BBB
Synthetic Investment Grade Pooled Corporate CDO	Refer to note 1	497	AAA
Verbund - Lease and Sublease of Hydro-Electric equipment	Austria	472	AAA
The Hospital Company (QAH Portsmouth) Limited	United Kingdom	406	BBB
NewHospitals (St Helens & Knowsley) Finance PLC	United Kingdom	382	BBB
Private Other Structured Finance Transaction	Cayman Islands	373	AAA
Integrated Accommodation Services PLC	United Kingdom	367	BBB+
Reliance Rail Finance Pty. Limited	Australia	358	BB
Societe des Autoroutes du Nord et de l'Est de France S.A.	France	323	BBB+
Synthetic Investment Grade Pooled Corporate CDO	Refer to note 2	322	AAA
Octagon Healthcare Funding PLC	United Kingdom	312	BBB
Synthetic Investment Grade Pooled Corporate CDO	Refer to note 3	307	AAA
Southern Gas Networks PLC	United Kingdom	292	BBB
MPC Funding Limited	Australia	290	BBB+
Plenary Health North Bay Finco Inc.	Canada	286	BBB+
Province of Nova Scotia	Canada	283	A+
Envestra Limited	Australia	272	BBB
Bakethin Finance Plc	United Kingdom	260	A-
Total top 25 non-U.S. exposures		\$ 12,750	

1) Primarily European Union, Canada, South Korea, Bermuda and Hong Kong.

2) Primarily United Kingdom, France, Australia and Netherlands.

3) Primarily United Kingdom, Germany, France and Netherlands.

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, 2014

(dollars in millions)

10 Largest U.S. Residential Mortgage Servicer Exposures

Servicer:	Net Par Outstanding
Specialized Loan Servicing, LLC	\$ 1,508
Ocwen Loan Servicing, LLC ⁽¹⁾	1,318
Bank of America, N.A. ⁽²⁾	1,043
Wells Fargo Bank NA	523
Select Portfolio Servicing, Inc.	270
JPMorgan Chase Bank	117
Doral Bank	55
Green Tree Servicing LLC	49
EverHome Mortgage Company	27
Citicorp Mortgage Securities, Inc.	11
Total top 10 U.S. residential mortgage servicer exposures	\$ 4,921

10 Largest U.S. Healthcare Exposures

Credit Name:	Net Par Outstanding	Internal Rating	State
Catholic Health Initiatives	\$ 257	A+	CO
Methodist Healthcare	250	A+	TN
MultiCare Health System	241	AA-	WA
Carolina HealthCare System	241	AA-	NC
Dignity Health, California	232	A	CA
Asante Health System	231	A	OR
Palmetto Health Alliance	210	A-	SC
Children's National Medical Center	203	A-	DC
Columbus Regional Healthcare System Inc.	171	BBB	GA
Catholic Health Partners	166	A+	OH
Total top 10 U.S. healthcare exposures	\$ 2,202		

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

2) Includes Countrywide Home Loans Servicing LP.

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

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

Rollforward of Net Expected Loss and LAE to be Paid for the Three Months Ended December 31, 2014

Financial Guaranty Insurance Contracts and Credit Derivatives	Net Expected Loss to be Paid (Recovered) at September 30, 2014	Economic Loss Development During 4Q-14 ⁽¹⁾	(Paid) Recovered Losses During 4Q-14	Net Expected Loss to be Paid (Recovered) at December 31, 2014
U.S. RMBS				
First lien:				
Alt-A first lien	\$ 182	\$ (87)	\$ 142	\$ 237
Option ARMs	(36)	(18)	35	(19)
Subprime first lien	221	9	(7)	223
Total first lien	367	(96)	170	441
Second lien:				
Closed-end second lien	(14)	1	11	(2)
HELOC	(143)	15	108	(20)
Total second lien	(157)	16	119	(22)
Total U.S. RMBS	210	(80)	289	419
Other structured finance	27	(2)	(1)	24
U.S. public finance	98	47	(3)	142
Non-U.S. public finance	38	(4)	—	34
Total	\$ 373	\$ (39)	\$ 285	\$ 619

Rollforward of Net Expected Loss and LAE to be Paid for the Year Ended December 31, 2014

Financial Guaranty Insurance Contracts and Credit Derivatives	Net Expected Loss to be Paid (Recovered) at December 31, 2013	Economic Loss Development During 2014 ⁽¹⁾	(Paid) Recovered Losses During 2014	Net Expected Loss to be Paid (Recovered) at December 31, 2014
U.S. RMBS				
First lien:				
Alt-A first lien	\$ 183	\$ (73)	\$ 127	\$ 237
Option ARMs	(4)	(34)	19	(19)
Subprime first lien	222	(12)	13	223
Total first lien	401	(119)	159	441
Second lien:				
Closed-end second lien	(20)	2	16	(2)
HELOC	(108)	(42)	130	(20)
Total second lien	(128)	(40)	146	(22)
Total U.S. RMBS	273	(159)	305	419
Other structured finance	27	(2)	(1)	24
U.S. public finance	61	97	(16)	142
Non-U.S. public finance	42	(8)	—	34
Total	\$ 403	\$ (72)	\$ 288	\$ 619

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, 2014

	Future Net R&W Benefit at September 30, 2014	R&W Economic Loss Development During 4Q-14	R&W (Recovered) During 4Q-14	Future Net R&W Benefit at December 31, 2014(1)
Financial guaranty insurance:				
Alt-A first lien	\$ 79	\$ 88	\$ (149)	\$ 18
Option ARMs	46	(15)	(42)	(11)
Subprime first lien	95	16	(3)	108
Closed-end second lien	77	1	(2)	76
HELOC	108	—	(108)	—
Subtotal	405	90	(304)	191
Credit derivatives	—	—	—	—
Total	\$ 405	\$ 90	\$ (304)	\$ 191

Financial Guaranty Insurance and Credit Derivatives U.S. RMBS Benefit Development for the Year Ended December 31, 2014

	Future Net R&W Benefit at December 31, 2013(1)	R&W Economic Loss Development During 2014	R&W (Recovered) During 2014	Future Net R&W Benefit at December 31, 2014(1)
Financial guaranty insurance:				
Alt-A first lien	\$ 78	\$ 93	\$ (153)	\$ 18
Option ARMs	98	(7)	(102)	(11)
Subprime first lien	117	49	(58)	108
Closed-end second lien	82	—	(6)	76
HELOC	45	72	(117)	—
Subtotal	420	207	(436)	191
Credit derivatives	—	—	—	—
Total	\$ 420	\$ 207	\$ (436)	\$ 191

- 1) The number of risks subject to R&W recovery is 16, with related net debt service of \$1.0 billion as of December 31, 2014 compared to 25 with net debt service of \$2.3 billion as of December 31, 2013. Included in these amounts is net debt service related to transactions not yet subject to an agreement. A risk represents the aggregate of the financial guaranty policies that share the same revenue source for purposes of making Debt Service payments.

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

Assured Guaranty Municipal Corp.

Losses Incurred

As of December 31, 2014

(dollars in millions)

Financial Guaranty Insurance Contracts and Credit Derivatives	Total Net Par Outstanding for BIG Transactions	4Q-14 Losses Incurred	2014 Losses Incurred	Net Expected Loss to be Expensed
U.S. RMBS				
First lien:				
Alt-A first lien	\$ 648	\$ (55)	\$ (39)	\$ 38
Option ARMs	60	(15)	(24)	24
Subprime first lien	1,102	13	4	77
Total first lien	1,810	(57)	(59)	139
Second lien:				
Closed-end second lien	80	2	—	36
HELOC	1,070	19	(30)	103
Total second lien	1,150	21	(30)	139
Total U.S. RMBS	2,960	(36)	(89)	278
Other structured finance	671	(2)	0	2
U.S. public finance	3,274	45	96	30
Non-U.S. public finance	1,024	0	(1)	13
Total - operating	7,929	7	6	323
Effect of consolidating FG VIEs	—	(9)	(31)	(84)
Total	\$ 7,929	\$ (2)	\$ (25)	\$ 239

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

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

	Year Ended December 31,				
	2014	2013	2012	2011	2010
Statutory Data					
Policyholders' surplus	\$ 2,267	\$ 1,746	\$ 1,785	\$ 1,227	\$ 993
Contingency reserve	1,496	1,783	1,539	1,881	1,585
Qualified statutory capital	3,763	3,529	3,324	3,108	2,578
Unearned premium reserve	1,769	1,891	2,090	2,172	2,298
Loss and LAE reserves	487	340	(26)	318	436
Total policyholders' surplus and reserves	6,019	5,760	5,388	5,598	5,312
Present value of installment premium	315	395	467	523	691
Committed capital securities and credit facility	200	200	200	200	498
Excess of loss reinsurance facility	450	435	435	435	—
Total claims-paying resources (including MAC)	6,984	6,790	6,490	6,756	6,501
Adjustment for MAC	954	917	—	—	—
Total claims-paying resources (excluding MAC)	6,030	5,873	6,490	6,756	6,501
Other Financial Information (Statutory Basis)					
Net debt service outstanding (end of period)	\$ 309,272	\$ 350,905	\$ 425,766	\$ 465,457	\$ 515,768
Gross debt service outstanding (end of period)	431,626	486,413	573,272	655,477	715,626
Net par outstanding (end of period)	201,290	229,637	281,739	307,580	343,307
Gross par outstanding (end of period)	276,304	311,891	370,976	422,978	464,592
Ceded par to all Assured Guaranty companies	54,704	57,019	60,704	63,842	63,602
Ceded par to other companies	20,309	25,237	28,534	51,555	57,682
Ratios:					
Net par outstanding to qualified statutory capital	53:1	65:1	85:1	99:1	133:1
Capital ratio ⁽¹⁾	82:1	99:1	128:1	150:1	200:1
Financial resources ratio ⁽¹⁾	44:1	52:1	66:1	69:1	79:1
Gross debt service written:					
Public finance	\$ 21,022	\$ 16,204	\$ 22,471	\$ 26,302	\$ 43,115
Structured finance	—	—	—	—	—
Total gross debt service written	\$ 21,022	\$ 16,204	\$ 22,471	\$ 26,302	\$ 43,115

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

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

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

Glossary

Net Par Outstanding and Internal Ratings

Net par outstanding is insured par exposure, net of reinsurance cessions. Unless otherwise indicated, GAAP net par outstanding amounts exclude amounts related to securities the Company has purchased for loss mitigation purposes.

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

Performance Indicators

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

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

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

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 the year ended December 31, 2014.

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.

Glossary (continued)

Sectors (continued)

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

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

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

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

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

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

Commercial Mortgage-Backed Securities (CMBS)

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

Financial Products is the way in which the Company refers to the guaranteed investment contracts (GICs) portion of a line of business previously conducted by AGMH that the Company did not acquire when it purchased AGMH in 2009. That line of business, which the Company refers to as the former "Financial Products Business" of AGMH, was comprised of its guaranteed investment contracts business, its medium term notes business and the equity payment agreements associated with AGMH's leveraged lease business. When AGMH was still conducting Financial Products Business, AGM issued financial guaranty insurance policies on GICs and in respect of the GIC business; those policies cannot be revoked or canceled. Assured Guaranty is indemnified by Dexia against loss from the former 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 student loans, automobile loans and leases, manufactured home loans and other consumer receivables.

Glossary (continued)

Sectors (continued)

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

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

Other Structured Finance 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).

Management and the board of directors utilize non-GAAP financial 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, 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 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 Shareholders' 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 shareholders' 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 Shareholders' 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, which 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 settlements on credit derivatives (Credit Derivative Revenues) do not adequately measure. PVP in respect of financial guaranty contracts written in a specified period is defined as gross upfront and installment premiums received and the present value of gross estimated future installment premiums, in each case, discounted at 6%. For purposes of the PVP calculation, management discounts estimated future installment premiums on insurance contracts at 6%, while under GAAP, these amounts are discounted at a risk free rate. Additionally, under GAAP, management records future installment premiums on financial guaranty insurance contracts covering non-homogeneous pools of assets based on the contractual term of the transaction, whereas for PVP purposes, management records an estimate of the future installment premiums the Company expects to receive, which may be based upon a shorter period of time than the contractual term of the transaction. Actual future net earned or written premiums and Credit Derivative Revenues may differ from PVP due to factors including, but not limited to, changes in foreign exchange rates, prepayment speeds, terminations, credit defaults, or other factors that affect par outstanding or the ultimate maturity of an obligation.



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