ASSURED GUARANTY®

Financial Supplement

Municipal Assurance Holdings Inc.

September 30, 2017

Municipal Assurance Corp.

AN ASSURED GUARANTY COMPANY

Municipal Assurance Holdings Inc.
September 30, 2017
Financial Supplement

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This financial supplement should be read in conjunction with documents filed by Assured Guaranty Ltd. (AGL and, together with its subsidiaries, Assured Guaranty) with the Securities and Exchange Commission (SEC), including its Annual Report on Form 10-K for the year ended December 31, 2016 and its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017, June 30, 2017 and September 30, 2017.

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

Cautionary Statement Regarding Forward Looking Statements:

Any forward looking statements made in this supplement reflect the current views of Assured Guaranty with respect to future events and financial performance and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements involve risks and uncertainties that may cause actual results to differ materially from those set forth in these statements. Assured Guaranty's forward looking statements could be affected by many events. These events include (1) reduction in the amount of available insurance opportunities and/or in the demand for Assured Guaranty's insurance; (2) rating agency action, including a ratings downgrade, a change in outlook, the placement of ratings on watch for downgrade, or a change in rating criteria, at any time, of AGL or any of its subsidiaries, and/or of any securities AGL or any of its subsidiaries have issued, and/or of transactions that AGL's subsidiaries have insured; (3) developments in the world's financial and capital markets that adversely affect obligors' payment rates, Assured Guaranty's loss experience, or its exposure to refinancing risk in transactions (which could result in substantial liquidity claims on its guarantees); (4) the possibility that budget or pension shortfalls or other factors will result in credit losses or impairments on obligations of state, territorial and local governments and their related authorities and public corporations that Assured Guaranty insures or reinsures; (5) the failure of Assured Guaranty to realize loss recoveries that are assumed in its expected loss estimates ; (6) increased competition, including from new entrants into the financial guaranty industry; (7) rating agency action on obligors, including sovereign debtors, resulting in a reduction in the value of securities in Assured Guaranty's investment portfolio and in collateral posted by and to Assured Guaranty; (8) the inability of Assured Guaranty to access external sources of capital on acceptable terms; (9) changes in the world's credit markets, segments thereof, interest rates or general economic conditions; (10) the impact of market volatility on the mark-to-market of Assured Guaranty's contracts written in credit default swap form; (11) changes in applicable accounting policies or practices; (12) changes in applicable laws or regulations, including insurance, bankruptcy and tax laws, or other governmental actions; (13) the impact of changes in the world's economy and credit and currency markets and in applicable laws or regulations relating to the decision of the United Kingdom to exit the European Union; (14) the possibility that acquisitions or alternative investments made by Assured Guaranty do not result in the benefits anticipated or subject Assured Guaranty to unanticipated consequences; (15) deterioration in the financial condition of Assured Guaranty's reinsurers, the amount and timing of reinsurance recoverables actually received and the risk that reinsurers may dispute amounts owed to Assured Guaranty under its reinsurance agreements; (16) difficulties with the execution of Assured Guaranty's business strategy; (17) loss of key personnel; (18) the effects of mergers, acquisitions and divestitures; (19) natural or man-made catastrophes; (20) other risk factors identified in AGL's filings with the SEC; (21) other risks and uncertainties that have not been identified at this time; and (22) management's response to these factors. Readers are cautioned not to place undue reliance on these forward looking statements, which speak only as of the dates on which they are made. Assured Guaranty undertakes no obligation to update publicly or review any forward looking statement, whether as a result of new information, future developments or otherwise, except as required by law.

Municipal Assurance Holdings Inc.

Selected Financial Highlights

(dollars in millions)

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Net income (loss)	**$ 21**	**$ 27**	**$ 57**	**$ 87**
Operating income (non-GAAP)[1]	20	27	56	78
Effective tax rate on net income	**23.7%**	**27.2%**	**24.9%**	**27.3%**
Effective tax rate on operating income[2]	23.4 %	27.1 %	24.8 %	26.3 %
Return on equity (ROE) calculations [3]:				
GAAP ROE	**12.7%**	**14.6%**	**11.8%**	**13.5%**
Operating ROE (non-GAAP)[1]	12.8 %	15.4 %	12.0 %	12.7 %
New business:				
Gross written premiums (GWP)	**$ 0.6**	**$ 0.7**	**$ 2.6**	**$ 1.9**
Present value of new business production (PVP) [1]	0.8	1.0	3.0	2.8
Gross par written	186	249	578	705
Effect of refundings and terminations on GAAP measures				
Net earned premiums, pre-tax	15	19	33	51
Net income effect	9	12	21	33
Effect of refundings and terminations on non-GAAP measures:				
Operating net earned premiums[4][1], pre-tax	15	19	33	51
Operating income[4][1] effect	9	12	21	33

	As of September 30, 2017	As of December 31, 2016
Shareholder's equity	**$ 530**	**$ 752**
Non-GAAP operating shareholder's equity[1]	508	734
Non-GAAP adjusted book value[1]	663	933
Other Information		
Net debt service outstanding	$ 60,976	$ 77,460
Net par outstanding	44,765	56,640
Claims-paying resources [5]	1,150	1,442

1) Please refer to the explanation of Non-GAAP Financial Measures set forth at the end of this Financial Supplement. The prior-year's quarterly and year-to-date non-GAAP financial measures (operating income and operating ROE) have been updated to reflect the revised calculation as discussed in the explanation of Non-GAAP Financial Measures at the end of this Financial Supplement.
2) Represents the ratio of non-GAAP operating provision for income taxes to operating income before income taxes. See page 3 for GAAP pre-tax income and income tax expense and page 4 for non-GAAP pre-tax income and income tax components.
3) Quarterly ROE calculations represent annualized returns. See page 4 for additional information on calculation.
4) Consolidated statement of operations items mentioned in this Financial Supplement that are described as operating (i.e. operating net earned premiums) are non-GAAP measures and represent components of operating income.
5) See page 6 for additional detail on claims-paying resources.

Municipal Assurance Holdings Inc.

Consolidated Balance Sheets (unaudited)

(dollars in millions)

	As of:	
	September 30, 2017	December 31, 2016
Assets:		
Investment portfolio:		
Fixed-maturity securities, available-for-sale, at fair value	$ 817	$ 1,068
Short-term investments, at fair value	3	18
Total investment portfolio	820	1,086
Cash	1	1
Premiums receivable	1	2
Ceded unearned premium reserve	1	3
Intangible assets	16	16
Accrued investment income	11	13
Other assets	0	3
Total assets	**$ 850**	**$ 1,124**
Liabilities and shareholders' equity:		
Liabilities:		
Unearned premium reserve	$ 240	$ 309
Loss and loss adjustment expense reserve	3	0
Premiums payable	0	3
Current income tax payable	26	10
Deferred tax liability, net	36	35
Payables to affiliates	6	9
Other liabilities	9	6
Total liabilities	**320**	**372**
Shareholders' equity:		
Common stock and additional paid-in capital	508	683
Retained earnings	—	51
Accumulated other comprehensive income	22	18
Total shareholders' equity	**530**	**752**
Total liabilities and shareholders' equity	**$ 850**	**$ 1,124**

Municipal Assurance Holdings Inc.

Consolidated Statements of Operations (unaudited)

(dollars in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenues:				
Net earned premiums	$ 26	$ 34	$ 69	$ 95
Net investment income	8	7	23	27
Net realized investment gains (losses)	1	0	1	14
Other income	0	0	0	0
Total revenues	**35**	**41**	**93**	**136**
Expenses:				
Loss and loss adjustment expenses	3	0	3	0
Interest expense	—	—	—	2
Other operating expenses	4	4	14	14
Total expenses	**7**	**4**	**17**	**16**
Income (loss) before income taxes	**28**	**37**	**76**	**120**
Provision (benefit) for income taxes	7	10	19	33
Net income (loss)	**$ 21**	**$ 27**	**$ 57**	**$ 87**

Municipal Assurance Holdings Inc.

Selected Financial Highlights

GAAP to Non-GAAP Reconciliations (1 of 2)

(dollars in millions)

Operating income reconciliation:

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Net income (loss)	**$ 21**	**$ 27**	**$ 57**	**$ 87**
Less pre-tax adjustments:				
Realized gains (losses) on investments	1	0	1	14
Total pre-tax adjustments	1	0	1	14
Less tax effect on pre-tax adjustments	0	0	0	(5)
Operating income (non-GAAP)	$ 20	$ 27	$ 56	$ 78

ROE Reconciliation and Calculation

	As of September 30, 2017	June 30, 2017	December 31, 2016	September 30, 2016	June 30, 2016	December 31, 2015
Shareholders' equity	**$ 530**	**$ 769**	**$ 752**	**$ 746**	**$ 724**	**$ 960**
Non-GAAP operating shareholders' equity	508	746	734	710	683	923

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Net income (loss)	**$ 21**	**$ 27**	**$ 57**	**$ 87**
Operating income (non-GAAP)	20	27	56	78
Average shareholders' equity	**$ 650**	**$ 735**	**$ 641**	**$ 853**
Average non-GAAP operating shareholders' equity	627	697	621	817
GAAP ROE (1)	**12.7%**	**14.6%**	**11.8%**	**13.5%**
Operating ROE (Non-GAAP)(1)	12.8 %	15.4 %	12.0 %	12.7 %

1) Quarterly ROE calculations represent annualized returns.

Municipal Assurance Holdings Inc.

Selected Financial Highlights

GAAP to Non-GAAP Reconciliations (2 of 2)

(dollars in millions)

	As of					
	September 30, 2017	**June 30, 2017**	**December 31, 2016**	**September 30, 2016**	**June 30, 2016**	**December 31, 2015**
Reconciliation of shareholder's equity to non-GAAP adjusted book value:						
Shareholder's equity	**$ 530**	**$ 769**	**$ 752**	**$ 746**	**$ 724**	**$ 960**
Less pre-tax reconciling items:						
Unrealized gain (loss) on investment portfolio, pre-tax	32	34	27	55	65	57
Less taxes	(10)	(11)	(9)	(19)	(24)	(20)
Non-GAAP operating shareholders' equity	508	746	734	710	683	923
Pre-tax reconciling items:						
Plus: Net unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed	238	264	305	337	366	434
Plus taxes	(83)	(92)	(106)	(118)	(128)	(152)
Non-GAAP adjusted book value	$ 663	$ 918	$ 933	$ 929	$ 921	$ 1,205

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

Municipal Assurance Holdings Inc.

Claims-Paying Resources of Municipal Assurance Corp.[1]

(dollars in millions)

	As of:	
	September 30, 2017	December 31, 2016
Claims-paying resources		
Policyholders' surplus	$ 238	$ 487
Contingency reserve	281	260
Qualified statutory capital	**519**	**747**
Unearned premium reserve	270	333
Loss and LAE reserves	0	—
Total policyholders' surplus and reserves	**789**	**1,080**
Present value of installment premium	1	2
Excess of loss reinsurance facility [2]	360	360
Total claims-paying resources	**$ 1,150**	**$ 1,442**
Net par outstanding [3]	$ 33,101	$ 41,951
Net debt service outstanding [3]	48,671	61,829
Ratios:		
Net par outstanding to qualified statutory capital	64:1	56:1
Capital ratio [4]	94:1	83:1
Financial resources ratio [5]	42:1	43:1

1) Municipal Assurance Corp. (MAC) is a 100% owned subsidiary of Municipal Assurance Holdings Inc..

2) Represents an aggregate $360 million excess-of-loss reinsurance facility for the benefit of Assured Guaranty Corp. (AGC), Assured Guaranty Municipal Corp (AGM) and MAC, which became effective January 1, 2016. The facility terminates on January 1, 2018, unless AGC, AGM and MAC choose to extend it.

3) Net par outstanding and net debt service outstanding are presented on a statutory basis.

4) The capital ratio is calculated by dividing net debt service outstanding by qualified statutory capital.

5) The financial resources ratio is calculated by dividing net debt service outstanding by total claims-paying resources.

Municipal Assurance Holdings Inc.

New Business Production

(dollars in millions)

Reconciliation of GWP to PVP for the Three Months Ended September 30, 2017 and September 30, 2016

	Three Months Ended September 30,	
	2017	2016
U.S. Public Finance:		
Total GWP	**$ 0.6**	**$ 0.7**
Less: Installment GWP and other GAAP adjustments(1)	(0.2)	(0.3)
Upfront GWP	0.8	1.0
Plus: Installment premium PVP	—	—
Total PVP	$ 0.8	$ 1.0
Gross par written	**$ 186**	**$ 249**

Reconciliation of GWP to PVP for the Nine Months Ended September 30, 2017 and September 30, 2016

	Nine Months Ended September 30,	
	2017	2016
U.S. Public Finance:		
Total GWP	**$ 2.6**	**$ 1.9**
Less: Installment GWP and other GAAP adjustments(1)	(0.4)	(0.9)
Upfront GWP	3.0	2.8
Plus: Installment premium PVP	—	—
Total PVP	$ 3.0	$ 2.8
Gross par written	**$ 578**	**$ 705**

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

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

Municipal Assurance Holdings Inc.

Gross Par Written

(dollars in millions)

Gross Par Written by Asset Type

	Three Months Ended September 30, 2017		Nine Months Ended September 30, 2017	
	Gross Par Written	Avg. Internal Rating	Gross Par Written	Avg. Internal Rating
Sector:				
U.S. public finance				
Direct:				
General obligation	$ 173	A-	$ 516	A-
Municipal utilities	13	BBB+	39	BBB+
Tax backed	—	—	4	BBB
Transportation	—	—	18	BBB
Higher education	—	—	1	A-
Total direct	$ 186	A-	$ 578	A-
Total U.S. public finance gross par written	**$ 186**	**A-**	**$ 578**	**A-**

	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2017
Gross debt service written	$ 252	$ 812

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

Municipal Assurance Holdings Inc.

Available-for-Sale Investment Portfolio and Cash

As of September 30, 2017

(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	$ 555	3.10%	2.91%	$ 577	$ 17
Insured obligations of state and political subdivisions [2]	96	3.71%	3.51%	104	4
U.S. Treasury securities and obligations of U.S. government agencies	18	2.47%	1.61%	19	0
Corporate securities	79	3.12%	2.03%	80	3
Mortgage-backed securities (MBS):					
Residential MBS (RMBS)	9	2.81%	1.82%	9	0
Commercial MBS (CMBS)	19	3.46%	2.25%	20	1
Asset-backed securities	8	2.52%	1.64%	8	0
Total fixed-maturity securities	784	3.16%	2.82%	817	25
Short-term investments	3	1.00%	0.65%	3	0
Cash [3]	1	—%	—%	1	—
Total	**$ 788**	**3.15%**	**2.81%**	**$ 821**	**$ 25**

Ratings [4]:	Fair Value	% of Portfolio
U.S. Treasury securities and obligations of U.S. government agencies	$ 19	2.3%
AAA/Aaa	83	10.2
AA/Aa	529	64.8
A/A	145	17.7
BBB	41	5.0
Total fixed-maturity securities, available-for-sale	**$ 817**	**100.0%**

Duration of fixed-maturity securities and short-term investments (in years):	**4.2**
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, average A, after giving effect to the lower of the rating assigned by Standard & Poor's Financial Services LLC (S&P) or Moody's Investors Service, Inc. (Moody's).
3) Cash is not included in the yield calculation.
4) Ratings are represented by the lower of the Moody's and S&P classifications.

Municipal Assurance Holdings Inc.

Estimated Net Exposure Amortization[1] and Estimated Future Net Premium

(dollars in millions)

	Estimated Net Debt Service Amortization	Estimated Ending Net Debt Service Outstanding	Financial Guaranty Insurance: Expected PV Net Earned Premiums	Financial Guaranty Insurance: Accretion of Discount	Financial Guaranty Insurance: Future Credit Derivative Revenues
2017 (as of September 30)		$ 60,976			
2017 Q4	$ 2,522	58,454	$ 11	$ 0	$ 0
2018	11,438	47,016	36	0	0
2019	7,195	39,821	25	0	0
2020	3,790	36,031	20	0	0
2021	3,266	32,765	18	0	0
2017-2021	28,211	32,765	110	0	0
2022-2026	13,297	19,468	66	0	0
2027-2031	9,392	10,076	37	0	0
2032-2036	5,647	4,429	18	0	—
After 2036	4,429	—	9	0	—
Total	**$ 60,976**		**$ 240**	**$ 0**	**$ 0**

1) Represents the future expected amortization of current debt service outstanding (principal and interest), assuming no advance refundings, as of September 30, 2017. Actual amortization differs from expected maturities because borrowers may have the right to call or prepay guaranteed obligations, and changes in other assumptions.

Municipal Assurance Holdings Inc.

Expected Amortization of Net Par Outstanding

(dollars in millions)

U.S. Public Finance

	Estimated Net Par Amortization	Estimated Ending Net Par Outstanding
2017 (as of September 30)		$ 44,765
2017 Q4	$ 1,999	42,766
2018	9,621	33,145
2019	5,734	27,411
2020	2,509	24,902
2021	2,087	22,815
2017-2021	21,950	22,815
2022-2026	8,642	14,173
2027-2031	6,545	7,628
2032-2036	4,129	3,499
After 2036	3,499	—
Total U.S. public finance	**$ 44,765**	

Municipal Assurance Holdings Inc.

Financial Guaranty Profile (1 of 3)

(dollars in millions)

Net Par Outstanding and Average Rating by Asset Type

	September 30, 2017		December 31, 2016	
	Net Par Outstanding	Avg. Internal Rating	Net Par Outstanding	Avg. Internal Rating
U.S. public finance:				
General obligation	$ 26,978	A	$ 34,106	A
Municipal utilities	6,882	A	8,698	A
Tax backed	6,134	A+	7,900	A+
Higher education	2,111	A	2,516	A
Transportation	2,033	A-	2,493	A-
Housing	148	A+	256	A+
Other public finance	479	A	671	A
Total U.S. public finance	**$ 44,765**	**A**	**$ 56,640**	**A**

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

Municipal Assurance Holdings Inc.
Financial Guaranty Profile (2 of 3)
As of September 30, 2017
(dollars in millions)

Distribution by Ratings of U.S. Public Finance Financial Guaranty Portfolio

Ratings:	**Net Par Outstanding**	**% of Total**
AAA	$ 323	0.7 %
AA	10,679	23.9
A	27,303	60.9
BBB	6,156	13.8
Below Investment Grade (BIG)(1)	304	0.7
Total net par outstanding	**$ 44,765**	**100.0%**

1) Includes 18 revenue sources, in the BB and B categories, all from the general obligation, transportation revenue, tax, and municipal utility sectors. The largest exposure was $66 million in the general obligation sector, no other individual revenue source exceeds $50 million.

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

Municipal Assurance Holdings Inc.

Financial Guaranty Profile (3 of 3)

As of September 30, 2017

(dollars in millions)

Geographic Distribution of U.S. Public Finance Financial Guaranty Portfolio

	Net Par Outstanding	% of Total
U.S. public finance:		
California	$ 7,831	17.5 %
Texas	5,025	11.2
Illinois	3,556	7.9
Pennsylvania	3,480	7.8
New York	2,929	6.5
New Jersey	1,850	4.1
Florida	1,808	4.0
Michigan	1,594	3.6
Ohio	1,410	3.2
Alabama	1,121	2.5
Other states	14,161	31.7
Total U.S. public finance net par outstanding	**$ 44,765**	**100.0%**

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

Municipal Assurance Holdings Inc.

Largest Exposures by Sector
As of September 30, 2017
(dollars in millions)

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

Credit names:	Net Par Outstanding	Internal Rating
New York City Transitional Finance Authority	$ 151	AAA
San Bernardino County, California	149	A+
Garden State Preservation Trust, New Jersey Open Space & Farmland	148	A-
Harris County, Texas	144	AA+
Utah Transit Authority (Sales Tax)	140	AA+
Riverside, California	122	AA-
Indianapolis Local Public Improvement Bond Bank	118	AA
Grossmont-Cuyamaca Community College District, California	115	AA-
Miami-Dade County, Florida	114	A+
Wayne State University, Michigan	112	AA-
Escondido Union High School District, California	110	A+
Orange County Schools, Florida	107	A+
Kansas (State of)	106	A+
Alaska (State of)	104	AA
Texas Medical Center Central Heating & Cooling Services Corp (TECO)	104	AA-
District of Columbia Water and Sewer Authority Public Utility Bonds	103	A+
Corona-Norco Unified School District, California	103	AA-
Dade County Sales Tax, Florida	103	AA-
Will County Community Unit School District No. 365-U (Valley View), Illinois	101	AA-
Fresno (City of) Sewer System, California	101	AA-
Frisco Independent School District, Texas	100	AA
North Texas Tollway Authority	97	A
Regional Transportation Authority (Sales Tax), Illinois	96	AA-
University of Cincinnati	94	A+
Western Placer Unified School District, California	93	A-
Santa Ana Unified School District, California	91	A+
Massachusetts (Commonwealth of) Water Resources	90	AA
Mt. Diablo Unified School District, California	90	AA-
Pima County Sewer System, Arizona	88	A+
Colton Joint Unified School District, California	86	A+
Georgia State Road and Tollway Authority	85	AA-
Chicago Water, Illinois	84	BBB+
Norwalk-La Mirada Unified School District, California	84	A+
Palomar Pomerado Health	83	BBB
Rhode Island Department of Transportation	80	A+
San Diego Unified School District, California	80	AA
University of Houston Board of Regents, Texas	79	AA-
Community Unit School District No. 200 (Wheaton-Warrenville), Illinois	78	A+
Indianapolis Gas Utility Distribution System, Indiana	78	AA-
South Central Connecticut Regional Water Authority	77	A+
Tampa International Airport, Florida	76	A+
Pennsylvania Turnpike Commission Registration Fee	76	BBB
DeKalb County Water & Sewerage, Georgia	76	A+
Port Arthurs Independent School District, Texas	75	A-
Central Puget Sound Regional Transit Authority, Washington	75	AA+
Detroit (City of) School District, Michigan	75	AA-
Humble Independent School District, Texas	74	AA-
Oceanside Unified School District, California	74	A+
Beaumont Independent School District, Jefferson Counties,Texas	74	BBB
Rancho Santiago Community College District, California	74	AA
Total top 50 U.S. public finance exposures	**$ 4,837**	

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

Municipal Assurance Holdings Inc.

Summary of Statutory Financial and Statistical Data of Municipal Assurance Corp.

(dollars in millions)

	As of and for Nine Months Ended September 30,	Year Ended December 31,			
	2017	2016	2015	2014	2013
Statutory Data					
Policyholders' surplus	$ 238	$ 487	$ 730	$ 612	$ 514
Contingency reserve	281	260	282	300	320
Qualified statutory capital	**519**	**747**	**1,012**	**912**	**834**
Unearned premium reserve	270	333	469	591	671
Loss and LAE reserves	0	—	—	—	—
Total policyholders' surplus and reserves	**789**	**1,080**	**1,481**	**1,503**	**1,505**
Present value of installment premium	1	2	3	4	5
Excess of loss reinsurance facility	360	360	360	450	—
Total claims-paying resources	**$ 1,150**	**$ 1,442**	**$ 1,844**	**$ 1,957**	**$ 1,510**
Other Financial Information (Statutory Basis)					
Net debt service outstanding (end of period)	$ 48,671	$ 61,829	$ 92,048	$ 123,198	$ 144,672
Gross debt service outstanding (end of period)	48,671	61,829	92,048	123,198	144,672
Net par outstanding (end of period)	33,101	41,951	61,805	82,322	96,141
Gross par outstanding (end of period)	33,101	41,951	61,805	82,322	96,141
Ratios:					
Net par outstanding to qualified statutory capital	64:1	56:1	61:1	90:1	115:1
Capital ratio (1)	94:1	83:1	91:1	135:1	173:1
Financial resources ratio (1)	42:1	43:1	50:1	63:1	96:1

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

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

Glossary

Net Par Outstanding and Internal Ratings
Net Par Outstanding is insured par exposure net of reinsurance cessions.

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

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

Sectors
Below are brief descriptions of selected types of public 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, 2016.

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.

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.

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.

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

Non-GAAP Financial Measures

To reflect the key financial measures that management analyzes in evaluating the Company’s operations and progress towards long-term goals, the Company discloses both financial measures determined in accordance with GAAP and financial measures not determined in accordance with GAAP (non-GAAP financial measures).

Financial measures identified as non-GAAP should not be considered substitutes for GAAP financial measures. The primary limitation of non-GAAP financial measures is the potential lack of comparability to financial measures of other companies, whose definitions of non-GAAP financial measures may differ from those of Assured Guaranty.

By disclosing non-GAAP financial measures, the Company gives investors, analysts and financial news reporters access to information that management and the Board of Directors review internally. Assured Guaranty believes its presentation of non-GAAP financial measures provides information that is necessary for analysts to calculate their estimates of Assured Guaranty’s financial results in their research reports on Assured Guaranty and for investors, analysts and the financial news media to evaluate Assured Guaranty’s financial results.

GAAP requires the Company to consolidate certain variable interest entities (VIEs) that have issued debt obligations insured by the Company. However, the Company does not own such VIEs and its exposure is limited to its obligation under its financial guaranty insurance contract. Therefore, the Company had previously removed the effect of FG VIE consolidation in its calculation of its non-GAAP financial measures. However, since fourth quarter 2016, based on the SEC's May 2016 compliance and disclosure interpretations, the Company no longer removes the effect of FG VIE consolidation from its publicly disclosed non-GAAP financial measures. This change affects the Company's calculation of operating income (non-GAAP), operating ROE, non-GAAP operating shareholders’ equity and non-GAAP adjusted book value. Wherever possible, the Company has separately disclosed the effect of FG VIE consolidation. The prior-year quarterly non-GAAP financial measures have been updated to reflect the revised calculation.

Management and the Board of Directors use non-GAAP financial measures adjusted to remove FG VIE consolidation (which the Company refers to as its core financial measures), as well as GAAP financial measures and other factors, to evaluate the Company’s results of operations, financial condition and progress towards long-term goals. The Company uses these core financial measures in its decision making process and in its calculation of certain components of management compensation.

Many investors, analysts and financial news reporters use non-GAAP operating shareholders’ equity, adjusted to remove the effect of FG VIE consolidation, as the principal financial measure for valuing AGL’s current share price or projected share price and also as the basis of their decision to recommend, buy or sell AGL’s common shares. Many of the Company’s fixed income investors also use this measure to evaluate the Company’s capital adequacy.

Many investors, analysts and financial news reporters also use non-GAAP adjusted book value, adjusted to remove the effect of FG VIE consolidation, to evaluate AGL’s share price and as the basis of their decision to recommend, buy or sell the AGL common shares. Operating income adjusted for the effect of FG VIE consolidation enables investors and analysts to evaluate the Company’s financial results in comparison with the consensus analyst estimates distributed publicly by financial databases.

The core financial measures that the Company uses to help determine compensation are: (1) operating income, adjusted to remove the effect of FG VIE consolidation, (2) non-GAAP operating shareholders' equity, adjusted to remove the effect of FG VIE consolidation, (3) growth in non-GAAP adjusted book value per share, adjusted to remove the effect of FG VIE consolidation, and (4) PVP.

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

Operating Income (non-GAAP): Management believes that operating income is a useful measure because it clarifies the understanding of the underwriting results and financial condition of the Company and presents the results of operations of the Company excluding the fair value adjustments on credit derivatives and CCS that are not expected to result in economic gain or loss, as well as other adjustments described below. Management adjusts operating income further by removing FG VIE consolidation to arrive at its core operating income measure. Operating income is defined as net income (loss) attributable to AGL, as reported under GAAP, adjusted for the following:

1) Elimination of realized gains (losses) on the Company’s investments, except for gains and losses on securities classified as trading. The timing of realized gains and losses, which depends largely on market credit cycles, can vary considerably across periods. The timing of sales is largely subject to the Company’s discretion and influenced by market opportunities, as well as the Company’s tax and capital profile.

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

3) Elimination of fair value gains (losses) on the Company’s CCS. Such amounts are affected by changes in market interest rates, the Company's credit spreads, price indications on the Company's publicly traded debt, and other market factors and are not expected to result in an economic gain or loss.

4) Elimination of foreign exchange gains (losses) on remeasurement of net premium receivables and loss and LAE reserves. Long-dated receivables and loss and LAE reserves represent the present value of future contractual or expected cash flows. Therefore, the current period's foreign exchange remeasurement gains (losses) are not necessarily indicative of the total foreign exchange gains (losses) that the Company will ultimately recognize.

5) Elimination of the tax effects related to the above adjustments, which are determined by applying the statutory tax rate in each of the jurisdictions that generate these adjustments.

Non-GAAP Operating Shareholders' Equity and Non-GAAP Adjusted Book Value: Management believes that non-GAAP operating shareholders' equity is a useful measure because it presents the equity of the Company excluding the fair value adjustments on investments, credit derivatives and CCS, that are not expected to result in economic gain or loss, along with other adjustments described below. Management adjusts non-GAAP operating shareholders' equity further by removing FG VIE consolidation to arrive at its core operating shareholders' equity and core adjusted book value.

Non-GAAP operating shareholders' equity is the basis of the calculation of non-GAAP adjusted book value (see below). Non-GAAP operating shareholders' equity is defined as shareholders' equity attributable to AGL, as reported under GAAP, adjusted for the following:

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

2) Elimination of fair value gains (losses) on the Company's CCS. Such amounts are affected by changes in market interest rates, the Company's credit spreads, price indications on the Company's publicly traded debt, and other market factors and are not expected to result in an economic gain or loss.

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

4) Elimination of the tax asset or liability related to the above adjustments, which are determined by applying the statutory tax rate in each of the jurisdictions that generate these adjustments.

Management uses non-GAAP adjusted book value, adjusted for FG VIE consolidation, to measure the intrinsic value of the Company, excluding franchise value. Growth in non-GAAP adjusted book value per share adjusted for FG VIE consolidation (core adjusted book value) is one of the key financial measures used in determining the amount of certain long-term compensation elements to management and employees and used by rating agencies and investors. Management believes that non-GAAP adjusted book value is a useful measure because it enables an evaluation of the net present value of the Company's in-force premiums and revenues net of expected losses. Non-GAAP adjusted book value is non-GAAP operating shareholders' equity, as defined above, further adjusted for the following:

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

2) Addition of the net present value of estimated net future revenue on non financial guaranty contracts. See below.

3) Addition of the deferred premium revenue on financial guaranty contracts in excess of expected loss to be expensed, net of reinsurance. This amount represents the expected future net earned premiums, net of expected losses to be expensed, which are not reflected in GAAP equity.

4) Elimination of the tax asset or liability related to the above adjustments, which are determined by applying the statutory tax rate in each of the jurisdictions that generate these adjustments.

The unearned premiums and revenues included in non-GAAP adjusted book value will be earned in future periods, but actual earnings may differ materially from the estimated amounts used in determining current non-GAAP adjusted book value due to changes in foreign exchange rates, prepayment speeds, terminations, credit defaults and other factors.

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, adjusted for FG VIE consolidation, to evaluate AGL's share price and as the basis of their decision to recommend, buy or sell the AGL common shares. Quarterly and year-to-date operating ROE are calculated on an annualized basis. Operating ROE, adjusted for FG VIE consolidation, is one of the key management financial measures used in determining the amount of certain long-term compensation to management and employees and used by rating agencies and investors.

Non-GAAP Financial Measures (continued)

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

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

MUNICIPAL ASSURANCE CORP.

AN ASSURED GUARANTY COMPANY

Municipal Assurance Holdings Inc.

1633 Broadway
New York, NY 10019
(212) 974-0100
www.assuredguaranty.com
www.macmunibonds.com

Contacts:

Equity and Fixed Income Investors:

Robert Tucker
Senior Managing Director, Investor Relations and Corporate Communications
(212) 339-0861
rtucker@agltd.com

Michael Walker
Managing Director, Fixed Income Investor Relations
(212) 261-5575
mwalker@agltd.com

Andre Thomas
Managing Director, Equity Investor Relations
(212) 339-3551
athomas@agltd.com

Media:

Ashweeta Durani
Vice President, Corporate Communications
(212) 408-6042
adurani@agltd.com