

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

## Financial Supplement

**Assured Guaranty Corp.**

March 31, 2019



**Assured Guaranty Corp.**  
**March 31, 2019**  
**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, 2018 and its Quarterly Report on Form 10-Q for the quarterly periods ended March 31, 2019. This financial supplement should also be read in conjunction with the Company's financial statements posted on [agltd.com/investor-information](http://agltd.com/investor-information). For the purposes of this financial supplement, all references to the "Company" shall mean AGC and its consolidated entities.

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

**Cautionary Statement Regarding Forward Looking Statements:**

Any forward looking statements made in this supplement reflect the current views of Assured Guaranty with respect to future events and financial performance and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements involve risks and uncertainties that may cause actual results to differ materially from those set forth in these statements. Assured Guaranty's forward looking statements could be affected by many events. These events include (1) 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, or Assured Guaranty's loss experience; (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 assets and liabilities subject to mark-to-market, including certain of its investments, most of its contracts written in credit default swap (CDS) form, and variable interest entities; (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) difficulties with the execution of Assured Guaranty's business strategy; (16) loss of key personnel; (17) the effects of mergers, acquisitions and divestitures; (18) natural or man-made catastrophes; (19) other risk factors identified in AGL's filings with the SEC; (20) other risks and uncertainties that have not been identified at this time and; (21) 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.

**Assured Guaranty Corp.**  
**Selected Financial Highlights (1 of 2)**  
(dollars in millions)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Net income (loss)</b>	<b>\$ (6)</b>	<b>\$ 76</b>
Non-GAAP operating income <sup>(1)</sup>	14	58
Gain (loss) related to the effect of consolidating financial guaranty variable interest entities (FG VIE consolidation) (net of tax provision of \$- and \$-) included in non-GAAP operating income	—	1
<b>Effective tax rate on net income</b>	<b>32.6 %</b>	<b>18.6%</b>
Effective tax rate on non-GAAP operating income <sup>(2)</sup>	4.6 %	17.7 %
Effect of FG VIE consolidation included in effective tax rate on non-GAAP operating income	(0.4 )%	— %
<b>Return on equity (ROE) calculations<sup>(3)</sup>:</b>		
<b>GAAP ROE</b>	<b>(1.0)%</b>	<b>12.7%</b>
Non-GAAP operating ROE <sup>(1)</sup>	2.6 %	10.2 %
Effect of FG VIE consolidation on non-GAAP operating ROE	(0.1 )%	0.1 %
<b>New business:</b>		
<b>Gross written premiums (GWP)</b>	<b>\$ 2</b>	<b>\$ 1</b>
Present value of new business production (PVP) <sup>(1)</sup>	5	2
Gross par written	494	11
	<b>As of:</b>	
	<b>March 31, 2019</b>	<b>December 31, 2018</b>
<b>Shareholder's equity</b>	<b>\$ 2,316</b>	<b>\$ 2,329</b>
Non-GAAP operating shareholder's equity <sup>(1)</sup>	2,146	2,173
Non-GAAP adjusted book value <sup>(1)</sup>	2,640	2,691
Gain (loss) related to FG VIE consolidation included in non-GAAP operating shareholders' equity	(8)	(8)
Gain (loss) related to FG VIE consolidation included in non-GAAP adjusted book value	(9)	(9)
<b>Other Information</b>		
Net debt service outstanding	\$ 38,555	\$ 40,619
Net par outstanding	25,786	27,412
Claims-paying resources (including MAC) <sup>(4)</sup>	3,616	3,659

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

2) Represents the ratio of non-GAAP operating provision for income taxes to non-GAAP operating income before income taxes.

3) Quarterly ROE calculations represent annualized returns. See page 6 for additional information on calculation.

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

**Assured Guaranty Corp.**  
**Selected Financial Highlights (2 of 2)**  
(dollars in millions)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Effect of refundings and terminations on GAAP measures:</b>		
Net earned premiums, pre-tax	\$ 5	\$ 21
Net change in fair value of credit derivatives, pre-tax	—	3
Net income effect	6	21
<b>Effect of refundings and terminations on non-GAAP measures:</b>		
Operating net earned premiums and credit derivative revenues <sup>(1)</sup> , pre-tax	5	24
Non-GAAP operating income <sup>(1)</sup> effect	6	21

- 1) 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 non-GAAP operating income. Please refer to the explanation of Non-GAAP Financial Measures set forth at the end of this Financial Supplement.

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

	<b>As of:</b>	
	<b>March 31, 2019</b>	<b>December 31, 2018</b>
<b>Assets:</b>		
Investment portfolio:		
Fixed-maturity securities, available-for-sale, at fair value	\$ 2,931	\$ 2,907
Short-term investments, at fair value	111	126
Other invested assets	2	2
Equity method investments	240	234
Total investment portfolio	3,284	3,269
Cash	12	31
Premiums receivable, net of commissions payable	192	199
Ceded unearned premium reserve	209	221
Reinsurance recoverable on unpaid losses	170	171
Salvage and subrogation recoverable	218	214
Financial guaranty variable interest entities (FG VIE) assets, at fair value	98	101
Other assets	241	252
<b>Total assets</b>	<b>\$ 4,424</b>	<b>\$ 4,458</b>
<b>Liabilities and shareholders' equity:</b>		
<b>Liabilities:</b>		
Unearned premium reserve	\$ 934	\$ 982
Loss and loss adjustment expense (LAE) reserve	404	386
Notes payable to affiliates	300	300
Credit derivative liabilities	203	182
FG VIE liabilities with recourse, at fair value	104	108
FG VIE liabilities without recourse, at fair value	1	1
Other liabilities	162	170
<b>Total liabilities</b>	<b>2,108</b>	<b>2,129</b>
<b>Shareholders' equity:</b>		
Preferred stock	—	—
Common stock	15	15
Additional paid-in capital	842	842
Retained earnings	1,285	1,333
Accumulated other comprehensive income	174	139
<b>Total shareholders' equity</b>	<b>2,316</b>	<b>2,329</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 4,424</b>	<b>\$ 4,458</b>

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

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Revenues:</b>		
Net earned premiums	\$ 30	\$ 41
Net investment income	34	33
Net realized investment gains (losses)	—	(1)
Net change in fair value of credit derivatives	(18)	29
Fair value gains (losses) on committed capital securities	(4)	(1)
Other income (loss)	4	3
<b>Total revenues</b>	<b>46</b>	<b>104</b>
<b>Expenses:</b>		
Loss and LAE	41	1
Interest expense on note payable to affiliate	3	3
Other operating expenses	18	15
<b>Total expenses</b>	<b>62</b>	<b>19</b>
<b>Income (loss) before provision for income taxes and equity in net earnings of investee</b>	<b>(16)</b>	<b>85</b>
Equity in net earnings of investees	1	—
<b>Income (loss) before income taxes</b>	<b>(15)</b>	<b>85</b>
Provision (benefit) for income taxes	(5)	16
Equity in net earnings of MAC Holdings	4	7
<b>Net income (loss)</b>	<b>\$ (6)</b>	<b>\$ 76</b>

## Assured Guaranty Corp.

### Non-GAAP Operating Income Adjustments and Effect of FG VIE Consolidation (dollars in millions)

#### Non-GAAP Operating Income Adjustments and Effect of FG VIE Consolidation for the Three Months Ended March 31, 2019 and March 31, 2018

	Three Months Ended March 31, 2019		Three Months Ended March 31, 2018	
	Non-GAAP Operating Income Adjustments <sup>(1)</sup>	Effect of FG VIE Consolidation <sup>(2)</sup>	Non-GAAP Operating Income Adjustments <sup>(1)</sup>	Effect of FG VIE Consolidation <sup>(2)</sup>
<b>Adjustments to revenues:</b>				
Net earned premiums	\$ —	\$ —	\$ —	\$ —
Net investment income	—	—	—	—
Net realized investment gains (losses)	—	—	(1)	—
Net change in fair value of credit derivatives	(22)	—	25	—
Fair value gains (losses) on committed capital securities (CCS)	(4)	—	(1)	—
Other income (loss)	1	1	—	2
<b>Total revenue adjustments</b>	<b>(25)</b>	<b>1</b>	<b>23</b>	<b>2</b>
<b>Adjustments to expenses:</b>				
Loss expense	1	1	—	1
<b>Total expense adjustments</b>	<b>1</b>	<b>1</b>	<b>—</b>	<b>1</b>
<b>Pre-tax adjustments</b>	<b>(26)</b>	<b>—</b>	<b>23</b>	<b>1</b>
Tax effect of adjustments	(6)	—	5	—
Equity in net earnings of MAC Holdings	—	—	—	—
<b>After-tax adjustments</b>	<b>\$ (20)</b>	<b>\$ —</b>	<b>\$ 18</b>	<b>\$ 1</b>

- 1) The "Non-GAAP Operating Income Adjustments" column represents the amounts recorded in the condensed consolidated statements of operations that the Company removes to arrive at non-GAAP operating income. Please refer to the explanation of Non-GAAP Financial Measures set forth at the end of this Financial Supplement.
- 2) The "Effect of FG VIE Consolidation" column represents the amounts included in the condensed consolidated statements of operations and non-GAAP operating income that the Company removes to arrive at the core financial measures that management uses in certain of its compensation calculations and its decision making process. Please refer to the explanation of Non-GAAP Financial Measures set forth at the end of this Financial Supplement.

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

**Non-GAAP Operating Income Reconciliation**

	Three Months Ended March 31,	
	2019	2018
<b>Net income (loss)</b>	<b>\$ (6)</b>	<b>\$ 76</b>
Less pre-tax adjustments:		
Realized gains (losses) on investments	—	(1)
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(23)	25
Fair value gains (losses) on CCS	(4)	(1)
Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves <sup>(1)</sup>	1	—
Total pre-tax adjustments	(26)	23
Less tax effect on pre-tax adjustments	6	(5)
Non-GAAP operating income	<u>\$ 14</u>	<u>\$ 58</u>
 <b>Gain (loss) related to FG VIE consolidation (net of tax provision of \$- and \$-) included in non-GAAP operating income</b>	 <b>\$ —</b>	 <b>\$ 1</b>

1) Included in other income (loss) in the condensed consolidated statements of operations.

**ROE Reconciliation and Calculation**

	As of			
	March 31, 2019	December 31, 2018	March 31, 2018	December 31, 2017
<b>Shareholder's equity</b>	<b>\$ 2,316</b>	<b>\$ 2,329</b>	<b>\$ 2,304</b>	<b>\$ 2,518</b>
Non-GAAP operating shareholder's equity	2,146	2,173	2,172	2,367
<b>Gain (loss) related to FG VIE consolidation included in non-GAAP operating shareholders' equity</b>	<b>(8)</b>	<b>(8)</b>	<b>(7)</b>	<b>(7)</b>
	Three Months Ended March 31,			
	2019	2018		
<b>Net income (loss)</b>	<b>\$ (6)</b>	<b>\$ 76</b>		
Non-GAAP operating income	14	58		
<b>Gain (loss) related to FG VIE consolidation included in non-GAAP operating income</b>	<b>—</b>	<b>1</b>		
 <b>Average shareholder's equity</b>	 <b>\$ 2,323</b>	 <b>\$ 2,411</b>		
Average non-GAAP operating shareholder's equity	2,160	2,270		
<b>Gain (loss) related to FG VIE consolidation included in average non-GAAP operating shareholder's equity</b>	<b>(8)</b>	<b>(7)</b>		
 <b>GAAP ROE <sup>(1)</sup></b>	 <b>(1.0)%</b>	 <b>12.7%</b>		
Non-GAAP operating ROE <sup>(1)</sup>	2.6 %	10.2 %		
Effect of FG VIE consolidation included in non-GAAP operating ROE	(0.1) %	0.1 %		

1) Quarterly ROE calculations represent annualized returns.

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



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

	As of			
	March 31, 2019	December 31, 2018	March 31, 2018	December 31, 2017
<b>Reconciliation of shareholder's equity to non-GAAP adjusted book value:</b>				
<b>Shareholder's equity</b>	<b>\$ 2,316</b>	<b>\$ 2,329</b>	<b>\$ 2,304</b>	<b>\$ 2,518</b>
Less pre-tax reconciling items:				
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(42)	(20)	(78)	(103)
Fair value gains (losses) on CCS	33	38	30	31
Unrealized gain (loss) on investment portfolio	210	167	203	249
Less taxes	(31)	(29)	(23)	(26)
Non-GAAP operating shareholders' equity	2,146	2,173	2,172	2,367
Pre-tax reconciling items:				
Less: Deferred acquisition costs	(10)	(8)	5	4
Plus: Net present value of estimated net future credit derivative revenue	148	152	89	95
Plus: Net unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed	466	495	468	504
Plus taxes	(130)	(137)	(116)	(125)
Non-GAAP adjusted book value	<u>\$ 2,640</u>	<u>\$ 2,691</u>	<u>\$ 2,608</u>	<u>\$ 2,837</u>
<b>Gain (loss) related to FG VIE consolidation included in non-GAAP operating shareholder's equity (net of tax benefit of \$2, \$2, \$2, and \$2)</b>	<b>\$ (8)</b>	<b>\$ (8)</b>	<b>\$ (7)</b>	<b>\$ (7)</b>
<b>Gain (loss) related to FG VIE consolidation included in non-GAAP adjusted book value (net of tax benefit of \$3, \$3, \$3, and \$2)</b>	<b>\$ (9)</b>	<b>\$ (9)</b>	<b>\$ (8)</b>	<b>\$ (9)</b>

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

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

As of:

	March 31, 2019	December 31, 2018
<b>Claims-paying resources</b>		
Policyholders' surplus	\$ 1,770	\$ 1,793
Contingency reserve <sup>(1)</sup>	631	629
<b>Qualified statutory capital</b>	<b>2,401</b>	<b>2,422</b>
Unearned premium reserve and net deferred ceding commission income <sup>(1)</sup>	466	484
Loss and LAE reserves <sup>(1)</sup>	237	236
<b>Total policyholders' surplus and reserves</b>	<b>3,104</b>	<b>3,142</b>
Present value of installment premium <sup>(1)</sup>	132	137
CCS	200	200
Excess of loss reinsurance facility <sup>(2)</sup>	180	180
<b>Total claims-paying resources (including proportionate MAC ownership for AGC)</b>	<b>3,616</b>	<b>3,659</b>
Adjustment for MAC <sup>(3)</sup>	278	281
<b>Total claims-paying resources (excluding proportionate MAC ownership for AGC)</b>	<b>\$ 3,338</b>	<b>\$ 3,378</b>
 Statutory net par outstanding <sup>(4)</sup>	 \$ 25,152	 \$ 26,263
Equity method adjustment <sup>(3)</sup>	8,793	9,283
<b>Adjusted statutory net par outstanding <sup>(1)</sup></b>	<b>\$ 33,945</b>	<b>\$ 35,546</b>
 Net debt service outstanding <sup>(4)</sup>	 \$ 37,940	 \$ 39,473
Equity method adjustment <sup>(3)</sup>	12,972	13,740
<b>Adjusted net debt service outstanding <sup>(1)</sup></b>	<b>\$ 50,912</b>	<b>\$ 53,213</b>
 <b>Ratios:</b>		
Adjusted net par outstanding to qualified statutory capital	14:1	15:1
Capital ratio <sup>(5)</sup>	21:1	22:1
Financial resources ratio <sup>(6)</sup>	14:1	15:1

- 1) The numbers shown for AGC have been adjusted to include its indirect share of Municipal Assurance Corp. (MAC). Assured Guaranty Municipal Corp. (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.
- 2) Represents the \$180 million portion placed with an unaffiliated reinsurer of a \$400 million aggregate excess-of-loss reinsurance facility for the benefit of AGC, AGM and MAC, which became effective January 1, 2018. The facility terminates on January 1, 2020 unless AGC, AGM and MAC choose to extend it.
- 3) Represents adjustment for AGC's interest and indirect ownership of MAC.
- 4) Net par outstanding and net debt service outstanding are presented on a statutory basis.
- 5) The capital ratio is calculated by dividing adjusted net debt service outstanding by qualified statutory capital.
- 6) The financial resources ratio is calculated by dividing adjusted net debt service outstanding by total claims-paying resources (including MAC adjustment for AGC).

# Assured Guaranty Corp.

## New Business Production

(dollars in millions)

### Reconciliation of GWP to PVP for the Three Months Ended March 31, 2019 and March 31, 2018

	Three Months Ended March 31, 2019					Three Months Ended March 31, 2018				
	Public Finance		Structured Finance		Total	Public Finance		Structured Finance		Total
	U.S.	Non-U.S.	U.S.	Non-U.S.		U.S.	Non-U.S.	U.S.	Non-U.S.	
<b>Total GWP</b>	\$ (1)	\$ (2)	\$ 5	\$ —	\$ 2	\$ —	\$ 1	\$ —	\$ —	\$ 1
Less: Installment GWP and other GAAP adjustments <sup>(1)</sup>	(1)	(2)	4	—	1	—	—	—	—	—
Upfront GWP	—	—	1	—	1	—	1	—	—	1
Plus: Installment premium PVP	—	—	4	—	4	—	1	—	—	1
<b>Total PVP</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 5</u>	<u>\$ —</u>	<u>\$ 5</u>	<u>\$ —</u>	<u>\$ 2</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2</u>
<b>Gross par written</b>	\$ —	\$ —	\$ 494	\$ —	\$ 494	\$ —	\$ —	\$ 11	\$ —	\$ 11

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

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

# Assured Guaranty Corp.

Gross Par Written  
(dollars in millions)

## Gross Par Written by Asset Type

	Three Months Ended March 31, 2019	
	Gross Par Written	Avg. Internal Rating
<b>Sector</b>		
<b>U.S. public finance</b>		
Total U.S. public finance	\$ —	—
<b>Non-U.S. public finance:</b>		
Total non-U.S. public finance	—	—
<b>Total public finance</b>	—	—
<b>U.S. structured finance:</b>		
Pooled corporate obligations	257	AA-
Life insurance transactions	200	AA
Structured credit	15	BBB
Other structured finance	22	A-
Total U.S. structured finance	494	AA-
<b>Non-U.S. structured finance:</b>		
Total non-U.S. structured finance	—	—
<b>Total structured finance</b>	494	AA-
<b>Total gross par written</b>	<b>\$ 494</b>	<b>AA-</b>

**Assured Guaranty Corp.**  
**Investment Portfolio and Cash**  
**As of March 31, 2019**  
(dollars in millions)

	<b>Amortized Cost</b>	<b>Pre-Tax Book Yield</b>	<b>After-Tax Book Yield</b>	<b>Fair Value</b>	<b>Annualized Investment Income <sup>(1)</sup></b>
<b>Investment portfolio:</b>					
Fixed-maturity securities:					
U.S. obligations of states and political subdivisions <sup>(3)</sup>	\$ 1,617	3.52 %	3.21 %	\$ 1,705	\$ 57
Insured obligations of state and political subdivisions <sup>(2)</sup>	26	4.62	3.67	27	1
U.S. Treasury securities and obligations of U.S. government agencies	33	3.19	2.52	33	1
Agency obligations	18	5.37	4.24	19	1
Corporate securities	284	3.38	2.67	288	10
Mortgage-backed securities (MBS):					
Residential MBS (RMBS) <sup>(3)</sup>	102	3.97	3.14	102	4
Commercial MBS (CMBS)	42	3.15	2.49	42	1
Asset-backed securities <sup>(3)</sup>	606	9.07	7.16	715	55
Total fixed-maturity securities	2,728	4.77	4.02	2,931	130
Short-term investments	111	2.36	1.86	111	3
Cash <sup>(4)</sup>	12	—	—	12	—
<b>Total</b>	<b>\$ 2,851</b>	<b>4.67%</b>	<b>3.94%</b>	<b>\$ 3,054</b>	<b>\$ 133</b>

**Ratings <sup>(5)</sup>:**

	<b>Fair Value</b>	<b>% of Portfolio</b>
U.S. Treasury securities and obligations of U.S. government agencies	\$ 33	1.1 %
Agency obligations	19	0.6
AAA/Aaa	280	9.6
AA/Aa	1,312	44.8
A/A	461	15.7
BBB	131	4.5
Below investment grade (BIG) <sup>(6)</sup>	639	21.8
Not rated	56	1.9
<b>Total fixed-maturity securities, available-for-sale</b>	<b>\$ 2,931</b>	<b>100.0%</b>

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

**5.1**

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

**A-**

- 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 BBB, after giving effect to the lower of the rating assigned by S&P Global Ratings, a division of Standard & Poor's Financial Services LLC (S&P) or Moody's Investors Service, Inc. (Moody's).
- 3) Includes securities purchased or obtained for loss mitigation purposes.
- 4) Cash is not included in the yield calculation.
- 5) Ratings are represented by the lower of the Moody's or S&P classifications except for bonds purchased for loss mitigation (loss mitigation securities) or other risk management strategies which use internal ratings classifications.
- 6) Includes below investment grade securities that were purchased or obtained as part of loss mitigation or other risk management strategies of \$909 million in par with carrying value of \$639 million.

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

	Estimated Net Debt Service Amortization <sup>(1)</sup>	Estimated Ending Net Debt Service Outstanding <sup>(1)</sup>	Financial Guaranty Insurance <sup>(2)</sup>			Future Credit Derivative Revenues
			Expected PV Net Earned Premiums	Accretion of Discount	Effect of FG VIE Consolidation on Expected PV Net Earned Premiums and Accretion of Discount	
2019 (as of March 31)		\$ 38,555				
2019 Q2	\$ 1,327	37,228	\$ 24	\$ 1	\$ —	\$ 3
2019 Q3	1,118	36,110	22	1	—	3
2019 Q4	894	35,216	22	1	—	3
2020	2,716	32,500	81	1	1	10
2021	3,023	29,477	71	2	1	10
2022	2,340	27,137	62	2	1	9
2023	1,728	25,409	55	2	—	8
2019-2023	13,146	25,409	337	10	3	46
2024-2028	7,704	17,705	213	7	2	38
2029-2033	6,334	11,371	136	4	1	32
2034-2038	5,276	6,095	63	1	1	24
After 2038	6,095	—	28	1	—	24
<b>Total</b>	<b>\$ 38,555</b>		<b>\$ 777</b>	<b>\$ 23</b>	<b>\$ 7</b>	<b>\$ 164</b>

1) Represents the future expected amortization of current debt service outstanding (principal and interest), assuming no advance refundings, as of March 31, 2019. Actual amortization differs from expected maturities because borrowers may have the right to call or prepay guaranteed obligations, terminations and because of management's assumptions on structured finance amortization.

2) See page 13 for “Net Expected Loss to be Expensed.”

**Assured Guaranty Corp.**  
Net Expected Loss to be Expensed  
As of March 31, 2019  
(dollars in millions)

	Net Expected Loss to be Expensed <sup>(1)</sup>
	GAAP
2019 Q2	\$ 7
2019 Q3	6
2019 Q4	6
2020	25
2021	25
2022	26
2023	29
2019-2023	124
2024-2028	122
2029-2033	79
2034-2038	35
After 2038	6
<b>Total expected present value of net expected loss to be expensed<sup>(2)</sup></b>	<b>366</b>
Future accretion	37
<b>Total expected future loss and LAE</b>	<b>\$ 403</b>

1) The present value of net expected loss to be paid is discounted using risk-free rates ranging from 0.0% to 2.87% for U.S. dollar denominated obligations.

2) Excludes \$4 million related to FG VIEs, which are eliminated in consolidation.

**Assured Guaranty Corp.**  
**Financial Guaranty Profile (1 of 3)**  
(dollars in millions)

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

	March 31, 2019		December 31, 2018	
	Net Par Outstanding	Avg. Internal Rating	Net Par Outstanding	Avg. Internal Rating
<b>U.S. public finance:</b>				
Tax backed	\$ 3,802	BBB-	\$ 4,168	BBB-
General obligation	3,568	BBB+	3,777	BBB+
Transportation	2,127	A-	2,255	A-
Infrastructure finance	2,008	A	2,051	A-
Municipal utilities	1,660	BBB	1,928	BBB
Healthcare	1,074	A-	1,371	A-
Higher education	545	A-	585	A-
Investor-owned utilities	457	A-	603	A-
Housing revenue	142	BBB	145	BBB
Other public finance	986	A-	994	A-
Total U.S. public finance	16,369	BBB+	17,877	BBB+
<b>Non-U.S. public finance:</b>				
Regulated utilities	2,160	BBB+	2,347	BBB+
Infrastructure finance	1,709	BBB	1,509	BBB-
Pooled infrastructure	702	AAA	687	AAA
Other public finance	359	A-	362	A-
Total non-U.S. public finance	4,930	A-	4,905	A-
<b>Total public finance</b>	<b>21,299</b>	<b>BBB+</b>	<b>22,782</b>	<b>BBB+</b>
<b>U.S. structured finance:</b>				
RMBS	1,327	BBB	1,399	BBB-
Pooled corporate obligations	1,104	AA-	1,015	AA-
Consumer receivables	695	A+	720	A+
Life insurance transactions	480	AA	510	AA
Other structured finance	408	BBB+	414	BBB+
Total U.S. structured finance	4,014	A	4,058	A
<b>Non-U.S. structured finance:</b>				
RMBS	215	A+	215	A+
Pooled corporate obligations	3	BBB	47	AA
Other structured finance	255	A-	310	A-
Total non-U.S. structured finance	473	A	572	A
<b>Total structured finance</b>	<b>4,487</b>	<b>A</b>	<b>4,630</b>	<b>A</b>
<b>Total</b>	<b>\$ 25,786</b>	<b>BBB+</b>	<b>\$ 27,412</b>	<b>BBB+</b>

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



**Assured Guaranty Corp.**  
Financial Guaranty Profile (2 of 3)  
As of March 31, 2019  
(dollars in millions)

**Distribution by Ratings of Financial Guaranty Portfolio**

Ratings:	Public Finance - U.S.			Public Finance - Non-U.S.			Structured Finance - U.S.			Structured Finance - Non-U.S.			Total		
	Net Par Outstanding	%		Net Par Outstanding	%		Net Par Outstanding	%		Net Par Outstanding	%		Net Par Outstanding	%	
AAA	\$ 19	0.1 %		\$ 794	16.1 %		\$ 653	16.3 %		\$ 134	28.4 %		\$ 1,600	6.2 %	
AA	3,135	19.2		191	3.9		1,457	36.3		1	0.2		4,784	18.5	
A	6,527	39.9		932	18.9		698	17.4		143	30.2		8,300	32.2	
BBB	4,857	29.6		2,880	58.4		501	12.4		195	41.2		8,433	32.7	
BIG	1,831	11.2		133	2.7		705	17.6		—	—		2,669	10.4	
<b>Net Par Outstanding<sup>(1)</sup></b>	<b>\$ 16,369</b>	<b>100.0%</b>		<b>\$ 4,930</b>	<b>100.0%</b>		<b>\$ 4,014</b>	<b>100.0%</b>		<b>\$ 473</b>	<b>100.0%</b>		<b>\$ 25,786</b>	<b>100.0%</b>	

- 1) As of March 31, 2019, excludes \$682 million of net par attributable to loss mitigation strategies, including loss mitigation securities held in the investment portfolio, which are primarily BIG.

**Ceded Par Outstanding**

	Ceded Par Outstanding <sup>(1)(2)</sup>	% of Total
Affiliated reinsurers	\$ 19,025	99.5 %
Non-affiliated reinsurers	99	0.5 %
<b>Total</b>	<b>\$ 19,124</b>	<b>100.0%</b>

- 1) Of the total ceded par to reinsurers rated BIG or not rated, none is rated BIG.

- 2) There was no collateral posted by third party reinsurers and \$296 million posted by an affiliated reinsurer as of March 31, 2019.

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

**Assured Guaranty Corp.**  
Financial Guaranty Profile (3 of 3)  
As of March 31, 2019  
(dollars in millions)

**Geographic Distribution of Financial Guaranty Portfolio**

	<u>Net Par Outstanding</u>	<u>% of Total</u>
<b>U.S.:</b>		
U.S. public finance:		
California	\$ 3,408	13.2 %
Puerto Rico	1,586	6.2
Texas	1,266	4.9
New Jersey	1,255	4.9
New York	1,107	4.3
Florida	835	3.2
Illinois	701	2.7
District of Columbia	631	2.4
Pennsylvania	575	2.2
Virginia	479	1.9
Other	4,526	17.6
Total U.S. public finance	16,369	63.5
U.S. structured finance:	4,014	15.6
<b>Total U.S.</b>	<b>20,383</b>	<b>79.1</b>
<b>Non-U.S.:</b>		
United Kingdom	3,380	13.1
Australia	567	2.2
New Zealand	221	0.9
Chile	215	0.8
Mexico	189	0.7
Other	831	3.2
<b>Total non-U.S.</b>	<b>5,403</b>	<b>20.9</b>
<b>Total net par outstanding</b>	<b>\$ 25,786</b>	<b>100.0%</b>

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

**Assured Guaranty Corp.**  
Exposure to Puerto Rico (1 of 3)  
As of March 31, 2019  
(dollars in millions)

**Exposure to Puerto Rico**

	<u>Gross Par Outstanding</u>	<u>Net Par Outstanding</u>	<u>Gross Debt Service Outstanding</u>	<u>Net Debt Service Outstanding</u>
Total	\$ 1,939	\$ 1,586	\$ 3,245	\$ 2,627

**Exposure to Puerto Rico by Risk<sup>(1)</sup>**

	<u>Net Par Outstanding<sup>(2)</sup></u>	<u>Gross Par Outstanding</u>
<b>Commonwealth Constitutionally Guaranteed</b>		
Commonwealth of Puerto Rico - General Obligation Bonds <sup>(3)</sup>	\$ 301	\$ 352
Puerto Rico Public Buildings Authority (PBA)	142	143
<b>Public Corporations - Certain Revenues Potentially Subject to Clawback</b>		
Puerto Rico Highways and Transportation Authority (PRHTA) (Transportation revenue) <sup>(3)</sup>	495	630
PRHTA (Highways revenue) <sup>(3)</sup>	84	87
Puerto Rico Convention Center District Authority (PRCCDA)	152	152
Puerto Rico Infrastructure Financing Authority (PRIFA)	15	16
<b>Other Public Corporations</b>		
Puerto Rico Electric Power Authority (PREPA) <sup>(3)</sup>	72	121
Puerto Rico Aqueduct and Sewer Authority (PRASA) <sup>(4)</sup>	284	373
Puerto Rico Municipal Finance Agency (MFA) <sup>(4)</sup>	40	64
University of Puerto Rico <sup>(4)</sup>	1	1
Total exposure to Puerto Rico	<u>\$ 1,586</u>	<u>\$ 1,939</u>

1) The general obligation bonds of Puerto Rico and various obligations of its related authorities and public corporations are rated BIG.

2) Includes exposure to capital appreciation bonds with a current aggregate net par outstanding of \$2.4 million and a fully accreted net par at maturity of \$2.5 million.

3) As of the date of this filing, the seven-member financial oversight board established by the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) has certified a filing under Title III of PROMESA for these exposures.

4) As of the date of this filing, the Company has not paid claims on these credits.

**Assured Guaranty Corp.**  
Exposure to Puerto Rico (2 of 3)  
As of March 31, 2019  
(dollars in millions)

**Amortization Schedule of Net Par Outstanding of Puerto Rico<sup>(1)</sup>**

	2019 (2Q)	2019 (3Q)	2019 (4Q)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029 -2033	2034 -2038	2039 -2043	2044 -2047	Total
<b>Commonwealth Constitutionally Guaranteed</b>																	
Commonwealth of Puerto Rico - General Obligation Bonds	\$ —	\$ 33	\$ —	\$ 84	\$ 15	\$ 13	\$ 8	\$ 9	\$ 8	\$ 16	\$ 23	\$ 7	\$ 62	\$ 23	\$ —	\$ —	\$ 301
PBA	—	3	—	5	13	—	7	—	7	11	40	—	36	20	—	—	142
<b>Public Corporations - Certain Revenues Potentially Subject to Clawback</b>																	
PRHTA (Transportation revenue)	—	15	—	8	5	14	19	4	21	17	8	12	54	235	83	—	495
PRHTA (Highway revenue)	—	10	—	11	12	—	—	—	1	—	—	1	34	15	—	—	84
PRCCDA	—	—	—	—	—	—	—	—	—	—	19	—	50	83	—	—	152
PRIFA	—	—	—	—	—	—	2	—	—	—	—	—	—	3	10	—	15
<b>Other Public Corporations</b>																	
PREPA	—	—	—	1	1	1	1	1	1	20	17	17	12	—	—	—	72
PRASA	—	—	—	—	—	—	—	2	19	19	21	22	—	2	—	199	284
MFA	—	7	—	9	8	7	3	1	—	2	1	1	1	—	—	—	40
University of Puerto Rico	—	—	—	—	—	—	—	—	—	—	—	—	1	—	—	—	1
<b>Total</b>	<b>\$ —</b>	<b>\$ 68</b>	<b>\$ —</b>	<b>\$ 118</b>	<b>\$ 54</b>	<b>\$ 35</b>	<b>\$ 40</b>	<b>\$ 17</b>	<b>\$ 57</b>	<b>\$ 85</b>	<b>\$ 129</b>	<b>\$ 60</b>	<b>\$ 250</b>	<b>\$ 381</b>	<b>\$ 93</b>	<b>\$ 199</b>	<b>\$ 1,586</b>

1) Includes exposure to capital appreciation bonds with a current aggregate net par of \$2.4 million and a fully accreted net par at maturity of \$2.5 million.

**Assured Guaranty Corp.**  
Exposure to Puerto Rico (3 of 3)  
As of March 31, 2019  
(dollars in millions)

**Amortization Schedule of Net Debt Service Outstanding of Puerto Rico<sup>(1)</sup>**

	2019 (2Q)	2019 (3Q)	2019 (4Q)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029 -2033	2034 -2038	2039 -2043	2044 -2047	Total
<b>Commonwealth Constitutionally Guaranteed</b>																	
Commonwealth of Puerto Rico - General Obligation Bonds	\$ —	\$ 40	\$ —	\$ 97	\$ 24	\$ 22	\$ 16	\$ 17	\$ 16	\$ 23	\$ 29	\$ 12	\$ 75	\$ 25	\$ —	\$ —	\$ 396
PBA	—	7	—	12	19	6	13	6	13	17	45	3	50	23	—	—	214
<b>Public Corporations - Certain Revenues Potentially Subject to Clawback</b>																	
PRHTA (Transportation revenue)	—	27	—	33	30	38	43	27	44	38	28	32	144	283	91	—	858
PRHTA (Highway revenue)	—	13	—	15	15	3	3	3	3	3	3	3	44	16	—	—	124
PRCCDA	—	3	—	7	7	7	7	7	7	7	26	6	79	91	—	—	254
PRIFA	—	—	—	1	1	1	2	1	1	1	1	1	3	6	11	—	30
<b>Other Public Corporations</b>																	
PREPA	—	2	—	4	5	4	5	4	4	22	19	18	14	—	—	—	101
PRASA	—	7	—	15	15	15	15	16	33	33	33	34	52	54	52	229	603
MFA	—	8	—	11	9	8	3	1	1	2	1	1	1	—	—	—	46
University of Puerto Rico (U of PR)	—	—	—	—	—	—	—	—	—	—	—	—	1	—	—	—	1
<b>Total</b>	<b>\$ —</b>	<b>\$ 107</b>	<b>\$ —</b>	<b>\$ 195</b>	<b>\$ 125</b>	<b>\$ 104</b>	<b>\$ 107</b>	<b>\$ 82</b>	<b>\$ 122</b>	<b>\$ 146</b>	<b>\$ 185</b>	<b>\$ 110</b>	<b>\$ 463</b>	<b>\$ 498</b>	<b>\$ 154</b>	<b>\$ 229</b>	<b>\$ 2,627</b>

1) Includes exposure to capital appreciation bonds with a current aggregate net par of \$2.4 million and a fully accreted net par at maturity of \$2.5 million.

**Assured Guaranty Corp.**  
Direct Pooled Corporate Obligations Profile  
As of March 31, 2019  
(dollars in millions)

**Distribution of Direct Pooled Corporate Obligations by Ratings**

	Net Par Outstanding	% of Total	Avg. Initial Credit Enhancement	Avg. Current Credit Enhancement
<b>Ratings:</b>				
AAA	\$ 163	15.6 %	46.7 %	68.8 %
AA	573	54.8	43.8	52.1
A	198	18.9	31.8	35.2
BBB	112	10.7	40.5	42.2
BIG	—	—	—	—
<b>Total exposures</b>	<b>\$ 1,046</b>	<b>100.0%</b>	<b>41.7%</b>	<b>50.4%</b>

**Distribution of Direct Pooled Corporate Obligations by Asset Class**

	Net Par Outstanding	% of Total	Avg. Initial Credit Enhancement	Avg. Current Credit Enhancement	Avg. Rating
<b>Asset class:</b>					
CBOs/CLOs	\$ 332	31.7 %	34.3 %	35.9 %	A
Trust preferred					
Banks and insurance	620	59.3	44.8	57.0	AA
U.S. mortgage and real estate investment trusts	94	9.0	47.3	58.3	A-
<b>Total exposures</b>	<b>\$ 1,046</b>	<b>100.0%</b>	<b>41.7%</b>	<b>50.4%</b>	<b>AA-</b>

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

# Assured Guaranty Corp.

## U.S. RMBS Profile

As of March 31, 2019

(dollars in millions)

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

Ratings:	Prime First Lien	Alt-A First Lien	Option ARMs	Subprime First Lien	Second Lien	Total Net Par Outstanding
AAA	\$ 9	\$ 62	\$ 15	\$ 342	\$ 1	\$ 429
AA	14	90	3	16	—	123
A	—	—	—	14	2	16
BBB	19	29	—	16	2	66
BIG	30	103	16	357	187	693
<b>Total exposures</b>	<b>\$ 72</b>	<b>\$ 284</b>	<b>\$ 34</b>	<b>\$ 745</b>	<b>\$ 192</b>	<b>\$ 1,327</b>

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

Year insured:	Prime First Lien	Alt-A First Lien	Option ARMs	Subprime First Lien	Second Lien	Total Net Par Outstanding
2004 and prior	\$ 23	\$ 1	\$ 1	\$ 106	\$ 30	\$ 161
2005	40	84	12	94	38	268
2006	9	1	8	267	21	306
2007	—	198	13	278	103	592
<b>Total exposures</b>	<b>\$ 72</b>	<b>\$ 284</b>	<b>\$ 34</b>	<b>\$ 745</b>	<b>\$ 192</b>	<b>\$ 1,327</b>

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

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

**Assured Guaranty Corp.**  
**Credit Derivative Net Par Outstanding Profile**  
As of March 31, 2019  
(dollars in millions)

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

Rating	Net Par Outstanding	% of Total
AAA	\$ 1,016	24.6 %
AA	1,611	39.0
A	617	14.9
BBB	760	18.4
BIG	130	3.1
<b>Total credit derivative net par outstanding</b>	<b>\$ 4,134</b>	<b>100.0%</b>

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

	Net Par Outstanding	Average Internal Rating
<b>Public finance</b>		
U.S. public finance	\$ 1,087	AA
Non-U.S. public finance	1,763	A+
<b>Total public finance</b>	<b>2,850</b>	<b>AA-</b>
<b>U.S. structured finance:</b>		
Pooled corporate obligations	562	AA-
RMBS	478	A+
Consumer receivables	113	A+
<b>Total U.S. structured finance</b>	<b>1,153</b>	<b>A+</b>
<b>Non-U.S. structured finance:</b>		
RMBS	131	A
<b>Total non-U.S. structured finance</b>	<b>131</b>	<b>A</b>
<b>Total structured finance</b>	<b>1,284</b>	<b>A+</b>
<b>Total credit derivative net par outstanding</b>	<b>\$ 4,134</b>	<b>AA-</b>

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



**Assured Guaranty Corp.**  
Below Investment Grade Exposures (1 of 3)  
(dollars in millions)

**BIG Exposures by Asset Exposure Type**

	March 31, 2019	December 31, 2018
<b>U.S. public finance:</b>		
Tax backed	\$ 813	\$ 815
General obligation	522	524
Municipal utilities	375	375
Healthcare	55	55
Higher education	39	41
Housing revenue	18	18
Transportation	5	5
Investor-owned utilities	2	4
Infrastructure finance	2	2
Total U.S. public finance	<u>1,831</u>	<u>1,839</u>
<b>Non-U.S. public finance:</b>		
Infrastructure finance	96	99
Other public finance	37	38
Total non-U.S. public finance	<u>133</u>	<u>137</u>
<b>Total public finance</b>	<u><b>1,964</b></u>	<u><b>1,976</b></u>
<b>U.S. structured finance:</b>		
RMBS	693	724
Consumer receivables	4	4
Other structured finance	8	8
Total U.S. structured finance	<u>705</u>	<u>736</u>
<b>Non-U.S. structured finance:</b>		
Total non-U.S. structured finance	<u>—</u>	<u>—</u>
<b>Total structured finance</b>	<u><b>705</b></u>	<u><b>736</b></u>
<b>Total BIG net par outstanding</b>	<u><b>\$ 2,669</b></u>	<u><b>\$ 2,712</b></u>

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

**Assured Guaranty Corp.**  
Below Investment Grade Exposures (2 of 3)  
(dollars in millions)

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

	March 31, 2019	December 31, 2018
<b>Category 1</b>		
U.S. public finance	\$ 249	\$ 252
Non-U.S. public finance	133	89
U.S. structured finance	158	85
Non-U.S. structured finance	—	—
Total Category 1	<u>540</u>	<u>426</u>
<b>Category 2</b>		
U.S. public finance	300	305
Non-U.S. public finance	—	48
U.S. structured finance	60	171
Non-U.S. structured finance	—	—
Total Category 2	<u>360</u>	<u>524</u>
<b>Category 3</b>		
U.S. public finance	1,282	1,282
Non-U.S. public finance	—	—
U.S. structured finance	487	480
Non-U.S. structured finance	—	—
Total Category 3	<u>1,769</u>	<u>1,762</u>
<b>BIG Total</b>	<u><u>\$ 2,669</u></u>	<u><u>\$ 2,712</u></u>

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

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

**Assured Guaranty Corp.**  
Below Investment Grade Exposures (3 of 3)  
As of March 31, 2019  
(dollars in millions)

**BIG Exposures with Revenue Sources Greater Than \$50 Million**

<b>Name or description</b>	<b>Net Par Outstanding</b>	<b>Internal Rating(1)</b>
<b>U.S. public finance:</b>		
Puerto Rico Highways & Transportation Authority	\$ 579	CCC
Puerto Rico, General Obligation, Appropriations and Guarantees of the Commonwealth	458	CCC
Puerto Rico Aqueduct & Sewer Authority	284	CCC
Puerto Rico Convention Center District Authority	152	CCC
Puerto Rico Electric Power Authority	72	CCC
<b>Subtotal U.S. public finance</b>	<b>1,545</b>	
<b>Non-U.S. public finance:</b>	—	
<b>Subtotal non-U.S. public finance</b>	—	
<b>U.S. structured finance</b>		
<b>RMBS:</b>		
Option One Mortgage Loan Trust 2007-HL1	112	CCC
Argent Securities Inc., Asset Backed Pass Through Certificates 2005-W4	93	CCC
Countrywide Home Equity Loan Trust 2007-D	58	BB
<b>Subtotal RMBS</b>	<b>263</b>	
<b>Non-RMBS:</b>	—	
<b>Subtotal non-RMBS</b>	—	
<b>Subtotal U.S. structured finance</b>	<b>263</b>	
<b>Total</b>	<b>\$ 1,808</b>	

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

1) Transactions rated below B- are categorized as CCC.

**Assured Guaranty Corp.**  
**Largest Exposures by Sector (1 of 3)**  
**As of March 31, 2019**  
(dollars in millions)

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

<b>Credit Name</b>	<b>Net Par Outstanding</b>	<b>Internal Rating(1)</b>
San Diego Family Housing, LLC Military Housing	\$ 956	AA
New Jersey (State of)	872	BBB
North Texas Tollway Authority	640	A
Puerto Rico Highways & Transportation Authority	579	CCC
Puerto Rico, General Obligation, Appropriations and Guarantees of the Commonwealth	458	CCC
LCOR Alexandria LLC	449	BBB+
Metro Washington Airports Authority (Dulles Toll Road)	330	BBB+
Puerto Rico Aqueduct & Sewer Authority	284	CCC
DOT Headquarters II Lease-Backed Mortgage Finance Trust	272	A
California (State of)	247	AA-
Yankee Stadium LLC New York City Industrial Development Authority	217	BBB-
Dallas (City of) Civic Center Convention Complex, Texas	216	A+
Miami-Dade County, Florida	210	A+
Dodger Tickets LLC	189	BBB
Clarksville Natural Gas Acquisition Corporation, Tennessee	184	A
San Joaquin Hills Transportation, California	180	BBB-
Philadelphia (City of), Pennsylvania	177	BBB+
Denver (City & County) Airport System, Colorado	154	A+
Puerto Rico Convention Center District Authority	152	CCC
Duke Energy - Florida	149	A
Nassau County, New York	145	A-
New Jersey Economic Development Authority (Motor Vehicle Surcharge)	140	BBB
New York (City of), New York	134	AA-
New York Metropolitan Transportation Authority	134	BBB
Georgia Board of Regents	132	A
Navy Midwest Family Housing LLC	127	A-
Virtua Health	121	AA-
San Francisco Airports Commission (San Francisco International Airport), California	120	A+
Massachusetts (Commonwealth of)	118	AA-
Southern California Logistic Airport, California	114	BBB-
Orange County Schools, Florida	110	A+
San Bernardino County, California	109	A+
Washington Water Power (Avista Project) First Mortgage Bonds	107	A-
Covenant Health	106	A
San Diego County, California	106	AA-
Chicago-O'Hare International Airport, Illinois	97	A-
St. Louis, Missouri	97	BBB+
Essentia Health	94	A-
Offutt Air Force Base, Nebraska	94	A-
Municipal Gas Authority of Georgia	91	A+
Ohana Military Communities, LLC	86	A-
Piedmont Municipal Power Authority, South Carolina	85	A-
Massachusetts State College Building Authority	85	AA-
UnityPoint Health System (f/k/a Iowa Health System)	79	AA-
Aurora Military Housing, LLC	78	AA
North Oaks Health System	74	BBB-
Paducah Kentucky Plant Board	73	BBB
Puerto Rico Electric Power Authority	72	CCC
Miami-Dade County Aviation, Florida	70	A
Long Beach Bond Financing Authority (Natural Gas Prepayment), California	70	A
<b>Total top 50 U.S. public finance exposures</b>	<b>\$ 9,983</b>	

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

1) Transactions rated below B- are categorized as CCC.

**Assured Guaranty Corp.**  
**Largest Exposures by Sector (2 of 3)**  
**As of March 31, 2019**  
(dollars in millions)

**25 Largest U.S. Structured Finance Exposures**

<b>Credit Name</b>	<b>Net Par Outstanding</b>	<b>Internal Rating(1)</b>
SLM Private Credit Student Trust 2007-A	\$ 418	A+
Private US Insurance Securitization	180	AA
SLM Private Credit Student Loan Trust 2006-C	180	AA-
Fortress Credit Opportunities VII CLO Limited	167	AA-
Brightwood Fund III Static 2018-1, LLC	165	A-
Private US Insurance Securitization	150	AA
Private US Insurance Securitization	150	AA
Option One Mortgage Loan Trust 2007-HL1	112	CCC
Argent Securities Inc., Asset Backed Pass Through Certificates 2005-W4	93	CCC
CWALT Alternative Loan Trust 2007-HY9	92	A
ALESCO Preferred Funding XIII, Ltd.	84	AA
New Century Home Equity Loan Trust 2006-1	83	AAA
Soundview Home Equity Loan Trust 2006-OPT1	83	AAA
OwnIt Mortgage Loan ABS Certificates 2006-3	82	AAA
Preferred Term Securities XXIV, Ltd.	81	AA-
Structured Asset Investment Loan Trust 2006-1	73	AAA
Private Commercial Receivable Transaction	61	BBB
Preferred Term Securities XXIII	60	AA
Private Balloon Note Guarantee	60	BBB
ALESCO Preferred Funding XII, Ltd.	59	AA
Countrywide Home Equity Loan Trust 2007-D	58	BB
IMPAC CMB Trust Series 2007-A	56	AAA
Trapeza CDO X, Ltd.	55	AAA
CAPCO - Excess SIPC Excess of Loss Reinsurance	54	BBB
ALESCO Preferred Funding XI	51	AA
<b>Total top 25 U.S. structured finance exposures</b>	<b>\$ 2,707</b>	

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

1) Transactions rated below B- are categorized as CCC.

**Assured Guaranty Corp.**  
**Largest Exposures by Sector (3 of 3)**  
**As of March 31, 2019**  
(dollars in millions)

**50 Largest Non-U.S. Exposures by Revenue Source**

<b>Credit Name</b>	<b>Country</b>	<b>Net Par Outstanding</b>	<b>Internal Rating</b>
Thames Water Utility Finance PLC	United Kingdom	\$ 480	A-
InspirED Education (South Lanarkshire) PLC	United Kingdom	343	BBB-
BBi (DBCT) Finance Property Limited	Australia	238	BBB
International Infrastructure Pool	United Kingdom	234	AAA
International Infrastructure Pool	United Kingdom	234	AAA
International Infrastructure Pool	United Kingdom	234	AAA
Comision Federal De Electricidad (CFE) El Cajon Project	Mexico	186	BBB-
National Grid Gas PLC	United Kingdom	177	BBB+
Mighty River Power, New Zealand	New Zealand	146	BBB+
Sydney Airport Finance Company	Australia	145	BBB+
Regione Lazio	Italy	137	BBB-
Dali Capital (Northumbrian Water) PLC	United Kingdom	132	BBB+
Private International Residential Mortgage Transaction	United Kingdom	130	A
Titularizadora Centroamericana De DPRs	Guatemala	128	BBB-
Wessex Water Services Finance PLC	United Kingdom	123	AA
M77 - Glasgow Southern Orbital PFI Road Project	United Kingdom	120	BBB-
Channel Link Enterprises Finance PLC	France, United Kingdom	109	BBB
Vespucio Sur Chilean Toll Road Sociedad Concesionaria Autopista Vespucio Sur, S.A.	Chile	102	BBB
Anglian Water Services Financing	United Kingdom	98	A-
Verbund - Lease and Sublease of Hydro-Electric equipment	Austria	92	AAA
Orange and Associated Health Services Ancora (OAHs) Pty Ltd.	Australia	91	BBB
National Grid Company PLC	United Kingdom	87	BBB+
Chillan-Collipulli Chilean Toll Road Sociedad Concesionaria Autopista del Bosque-Chillan- Collipulli	Chile	87	BBB-
Airspeed Limited Series 2007-1 Class G-1	Refer to Note 1	83	AA
Yorkshire Water Services Finance PLC	United Kingdom	82	A-
United Utilities Water PLC	United Kingdom	82	BBB+
Southern Gas Networks PLC	United Kingdom	81	BBB
Envestra Limited	Australia	76	A-
Vector Limited	New Zealand	75	BBB+
Capital Hospitals (Barts)	United Kingdom	73	BBB-
Hydro-Quebec, Province of Quebec	Canada	71	AA-
Southern Water Services Limited	United Kingdom	65	A-
Dwr Cymru Financing Limited	United Kingdom	62	A-
Societe des Autoroutes du Nord et de l'Est de France S.A.	France	54	BBB+
Electricity North West Ltd	United Kingdom	45	BBB+
Breeze Finance S.A.	Germany	45	B-
ALBA 2005-1 A3	United Kingdom	40	AAA
Valencia Fair	Spain	36	BB-
Newcastle Hospitals PFI Project	United Kingdom	34	BB+
Severn Trent Water Utilities Finance PLC	United Kingdom	33	BBB+
Southern Electric Power PLC	United Kingdom	26	BBB+
Derby Healthcare PLC	United Kingdom	24	BBB
Western Power Distribution (South Wales) PLC	United Kingdom	22	BBB+
Garanti DPR 2014-C	Turkey	22	BBB+
Private Commercial Receivable Transaction	Refer to Note 2	20	AAA
Western Power Distribution (SW) PLC	United Kingdom	20	BBB+
Verdun Participations 2 S.A.S.	France	19	BBB-
Autopista Del Maipo Sociedad SA	Chile	19	BBB
ALBA 2006-1 A3b	United Kingdom	19	AAA
Autolink Concessionaires (M6)	United Kingdom	18	A-
<b>Total top 50 non-U.S. exposures</b>		<b>\$ 5,099</b>	

1) Primarily China, Ireland, India, Turkey and Russia.

2) Primarily United Kingdom, Mexico, Brazil, Aruba and Iceland.

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

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

**Rollforward of Net Expected Loss and LAE to be Paid<sup>(1)</sup> for the Three Months Ended March 31, 2019**

	Net Expected Loss to be Paid (Recovered) as of December 31, 2018	Economic Loss Development (Benefit) During 1Q-19	(Paid) Recovered Losses During 1Q-19	Net Expected Loss to be Paid (Recovered) as of March 31, 2019
Public Finance:				
U.S. public finance	\$ 314	\$ 39	\$ (34)	\$ 319
Non-U.S public finance	4	—	—	4
Public Finance	<u>318</u>	<u>39</u>	<u>(34)</u>	<u>323</u>
Structured Finance:				
U.S. RMBS <sup>(2)</sup>	123	(15)	2	110
Other structured finance	(87)	3	3	(81)
Structured Finance	<u>36</u>	<u>(12)</u>	<u>5</u>	<u>29</u>
Total	<u><u>\$ 354</u></u>	<u><u>\$ 27</u></u>	<u><u>\$ (29)</u></u>	<u><u>\$ 352</u></u>

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

2) Includes future net representations and warranties (R&W) receivable of \$21 million as of March 31, 2019 and \$25 million as of December 31, 2018.

# Assured Guaranty Corp.

## Loss Measures

As of March 31, 2019

(dollars in millions)

	<b>Total Net Par Outstanding for BIG Transactions</b>	<b>1Q-19 Loss and LAE</b>	<b>1Q-19 Loss and LAE included in Non- GAAP Operating Income (1)</b>	<b>1Q-19 Effect of FG VIE Consolidation (2)</b>
Public finance:				
U.S. public finance	\$ 1,831	\$ 40	\$ 40	\$ —
Non-U.S public finance	133	—	—	—
Public finance	1,964	40	40	—
Structured finance:				
U.S. RMBS	693	(4)	(5)	1
Other structured finance	12	5	5	—
Structured finance	705	1	—	1
<b>Total</b>	<b>\$ 2,669</b>	<b>\$ 41</b>	<b>\$ 40</b>	<b>\$ 1</b>

1) Non-GAAP operating income includes financial guaranty insurance and credit derivatives.

2) The "Effect of FG VIE Consolidation" column represents amounts included in the condensed consolidated statements of operations and non-GAAP operating income that the Company removes to arrive at the core financial measures that management uses in certain of its compensation calculations and its decision making process. 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 the presentation of net par outstanding and of the various sectors.



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

	As of and for Three Months Ended March 31,	Year Ended December 31,			
	2019	2018	2017	2016	2015
<b>Claims-Paying Resources<sup>(1)</sup></b>					
Policyholders' surplus	\$ 1,770	\$ 1,793	\$ 2,073	\$ 1,896	\$ 1,365
Contingency reserve	631	629	642	772	906
<b>Qualified statutory capital</b>	<b>2,401</b>	<b>2,422</b>	<b>2,715</b>	<b>2,668</b>	<b>2,271</b>
Unearned premium reserve and net deferred ceding commission income	466	484	354	498	663
Loss and LAE reserves	237	236	135	140	224
<b>Total policyholders' surplus and reserves</b>	<b>3,104</b>	<b>3,142</b>	<b>3,204</b>	<b>3,306</b>	<b>3,158</b>
Present value of installment premium	132	137	126	156	215
CCS	200	200	200	200	200
Excess of loss reinsurance facility	180	180	180	360	360
<b>Total claims-paying resources (including proportionate MAC ownership for AGC)</b>	<b>3,616</b>	<b>3,659</b>	<b>3,710</b>	<b>4,022</b>	<b>3,933</b>
Adjustment for MAC	278	281	292	425	544
<b>Total claims-paying resources (excluding proportionate MAC ownership for AGC)</b>	<b>\$ 3,338</b>	<b>\$ 3,378</b>	<b>\$ 3,418</b>	<b>\$ 3,597</b>	<b>\$ 3,389</b>
Ratios:					
Net par outstanding to qualified statutory capital	14:1	15:1	13:1	19:1	31:1
Capital ratio	21:1	22:1	20:1	28:1	46:1
Financial resources ratio	14:1	15:1	14:1	19:1	26:1
<b>Other Financial Information (Statutory Basis)<sup>(2)</sup></b>					
Net debt service outstanding (end of period)	\$ 50,912	\$ 53,213	\$ 53,437	\$ 75,532	\$ 103,862
Gross debt service outstanding (end of period)	67,403	70,087	67,865	97,249	137,292
Net par outstanding (end of period)	33,945	35,546	35,743	50,965	69,766
Gross par outstanding (end of period)	45,398	47,202	45,664	65,503	92,273
Ceded to Assured Guaranty affiliates	11,353	11,556	9,846	13,905	21,448
Gross debt service written:					
Public finance - U.S.	\$ —	\$ 10,932	\$ 15	\$ 1	38
Public finance - non-U.S.	—	6,370	—	—	—
Structured finance - U.S.	555	1,191	56	105	349
Structured finance - non-U.S.	—	230	—	30	63
<b>Total gross debt service written</b>	<b>\$ 555</b>	<b>\$ 18,723</b>	<b>\$ 71</b>	<b>\$ 136</b>	<b>\$ 450</b>

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

2) The National Association of Insurance Commissioners Annual Statements for U.S. Domiciled Insurance Companies are prepared on a stand-alone basis.

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

## Glossary

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

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

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

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

### ***Performance Indicators***

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

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

### ***Sectors***

Below are brief descriptions of selected types of public and structured finance obligations that the Company insures and reinsures. For a more complete description, please refer to Assured Guaranty Ltd.'s Annual Report on Form 10-K for the year ended December 31, 2018.

#### *Public Finance:*

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

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

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

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

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

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

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

## Glossary (continued)

### **Sectors (continued)**

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

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

Regulated Utility 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 include excess of loss reinsurance on portfolios of municipal credits.

### *Structured Finance:*

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

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

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

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.

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

Other Structured Finance Obligations are obligations backed by assets not generally described in any of the other described categories.

## 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, along with the effect of FG VIE consolidation, 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 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.

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. Wherever possible, the Company has separately disclosed the effect of FG VIE consolidation.

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. Non-GAAP 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) non-GAAP 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. To the extent there is a directly comparable GAAP financial measure, a reconciliation of the non-GAAP financial measure and the most directly comparable GAAP financial measure is presented within this financial supplement.

**Non-GAAP Operating Income:** Management believes that non-GAAP 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 non-GAAP operating income further by removing FG VIE consolidation to arrive at its core operating income measure. Non-GAAP 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 that are recognized in net income, 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 that are recognized in net income. 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.

## Non-GAAP Financial Measures (continued)

4) Elimination of foreign exchange gains (losses) on remeasurement of net premium receivables and loss and LAE reserves that are recognized in net income. 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 effects 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 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. 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 effects 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.

**Non-GAAP Operating Return on Equity (Non-GAAP Operating ROE):** Non-GAAP operating ROE represents non-GAAP operating income for a specified period divided by the average of non-GAAP operating shareholders' equity at the beginning and the end of that period. Management believes that non-GAAP 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 non-GAAP 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 non-GAAP operating ROE are calculated on an annualized basis. Non-GAAP 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 for contracts other than financial guaranty insurance contracts (such as non-financial guaranty insurance contracts and credit derivatives). There is no corresponding GAAP financial measure. This amount represents the present value of estimated future revenue from these 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 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.



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