



EMBRACE POSSIBILITIES, INVEST IN CERTAINTIES

## Fixed Income Investor Presentation

December 31, 2016

**ASSURED  
GUARANTY<sup>®</sup>**  
MUNICIPAL

**MUNICIPAL  
ASSURANCE  
CORP.<sup>®</sup>**  
AN ASSURED GUARANTY COMPANY

**ASSURED  
GUARANTY<sup>®</sup>**  
CORP.

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1. Please see page 3 for a definition of this convention.

# Forward-Looking Statements and Safe Harbor Disclosure



- This presentation contains information that includes or is based upon forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward looking statements give the expectations or forecasts of future events of Assured Guaranty Ltd. (“AGL”) and its subsidiaries (collectively with AGL, “Assured Guaranty” or the “Company”). These statements can be identified by the fact that they do not relate strictly to historical or current facts and relate to future operating or financial performance. Any or all of Assured Guaranty’s forward looking statements herein are based on current expectations and the current economic environment and may turn out to be incorrect. Assured Guaranty’s actual results may vary materially. Among factors that could cause actual results to differ adversely are: (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 U.S. Securities and Exchange Commission (the SEC); (21) other risks and uncertainties that have not been identified at this time; and (22) management’s response to these factors.
- The foregoing review of important factors should not be construed as exhaustive, and should be read in conjunction with the other cautionary statements that are included in the Company’s Form 10-K filing. The Company 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. Investors are advised, however, to consult any further disclosures the Company makes on related subjects in the Company’s reports filed with the SEC.
- If one or more of these or other risks or uncertainties materialize, or if the Company’s underlying assumptions prove to be incorrect, actual results may vary materially from what the Company projected. Any forward looking statements in this presentation reflect the Company’s current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to its operations, results of operations, growth strategy and liquidity.
- For these statements, the Company claims the protection of the safe harbor for forward looking statements contained in Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

# Conventions and Non-GAAP Financial Measures



- Unless otherwise noted, the following conventions are used in this presentation:
  - “AGM Consolidated” means Assured Guaranty Municipal Corp. and its consolidated entities (consisting primarily of Assured Guaranty (Europe) Ltd., Municipal Assurance Holdings Inc. (MAC Holdings), Municipal Assurance Corp. (MAC), and variable interest entities Assured Guaranty Municipal Corp. is required to consolidate under accounting principles generally accepted in the United States).
    - “AGM” means AGM Consolidated excluding MAC Holdings and MAC.
    - “Assured Guaranty Municipal” means AGM Consolidated excluding MAC Holdings, MAC and Assured Guaranty (Europe) Ltd.
  - Ratings on Assured Guaranty’s insured portfolio and on bonds purchased pursuant to our loss mitigation or risk management strategies are our internal credit ratings. Internal credit ratings are expressed on a ratings scale similar to that used by the rating agencies and are generally reflective of an approach similar to that employed by the rating agencies, except that the Company’s credit ratings focus on future performance, rather than lifetime performance. Exposures rated below investment grade are designated “BIG”.
  - The Company reclassifies those portions of risks benefitting from collateralized reimbursement arrangements as the higher of AA or their current internal rating.
  - The Company excludes Company-insured securities that it has purchased for loss mitigation purposes from its disclosure of par and debt service outstanding (unless otherwise indicated) because it manages such securities as investments and not insurance exposure.
  - Ratings on the investment portfolios are the lower of the ratings from Moody’s Investors Service, Inc. (“Moody’s”) or S&P Global Ratings Services (“S&P”).
  - Percentages and totals in tables or graphs may not add due to rounding.
- This presentation references financial measures that are not in accordance with U.S. generally accepted accounting principles (“GAAP”), which management uses in order to assist analysts and investors in evaluating Assured Guaranty’s financial results. These financial measures determined on the basis of methodologies other than in accordance with GAAP (“non-GAAP financial measures”) are defined in the Appendix. Prior to fourth quarter 2016 the Company had excluded the effect of consolidating FG VIEs in its calculation of its non-GAAP financial measures of Operating Income (non-GAAP), Operating ROE (non-GAAP), Non-GAAP Operating Shareholders’ Equity and Non-GAAP Adjusted Book Value. Starting in fourth quarter 2016, based on the SEC’s May 2016 Compliance and Disclosure Interpretations (“C&DIs”) on Non-GAAP measures issued in 2016, the Company will no longer adjust for the effect of consolidating FG VIEs. However, wherever possible, the Company has separately disclosed the effect of consolidating FG VIEs (“FG VIE consolidation”) that is included in its non-GAAP financial measures. The relevant non-GAAP financial measures for prior periods have been updated to reflect the revised calculation consistently for the periods presented. See the Appendix for a more comprehensive description of non-GAAP financial measures.
- When a financial measure is described as “operating,” it is a non-GAAP measure.

## Corporate Overview



- **Assured Guaranty Ltd. (“AGL” and, together with its subsidiaries, “Assured Guaranty” or the “Company”) is the leading financial guaranty franchise**
  - We are the only long-standing financial guaranty company to continue to write new business throughout the financial crisis and recession
  - We maintain strong financial strength ratings from one or more of S&P, Moody’s, KBRA and A.M. Best
- **Assured Guaranty’s focus is financial guaranty**
  - Over three decades of experience in the financial guaranty market
  - Publicly traded holding company (NYSE: AGO) with extensive quarterly financial disclosures at holding company and subsidiaries, providing transparency to all investors
  - Three principal U.S. financial guaranty direct subsidiaries and one principal Bermuda financial guaranty reinsurance subsidiary
- **Strong capital base**
  - Consolidated investment portfolio and cash of \$11.1 billion as of December 31, 2016<sup>1</sup>
  - Consolidated claims-paying resources of \$11.7 billion as of December 31, 2016<sup>2</sup>
- **On January 10, 2017, AGC completed its acquisition of MBIA UK Insurance Limited (“MBIA UK”). AGC exchanged all its holdings of the Zohar II 2005-1 notes (which had an outstanding par of \$347 million and fair value of \$334 million as of the date of acquisition) in exchange for the outstanding shares of MBIA UK plus \$23 million in cash.**
  - The acquisition is expected to be accretive to Assured Guaranty’s operating income (non-GAAP) per share, non-GAAP operating shareholders’ equity<sup>3</sup> and non-GAAP adjusted book value<sup>3</sup>

(\$ in billions)	AGL Consolidated (12/31/16)
Net par outstanding	\$296.3
Total investment portfolio and cash <sup>1</sup>	\$11.1
Claims-paying resources <sup>2</sup>	\$11.7

1. See page 29 for a breakdown of the available-for-sale portfolio (\$11.1 billion), which includes \$162 million of other invested assets not available for sale.

2. Based on statutory measures. See page 9 for components of claims-paying resources.

3. For an explanation of non-GAAP financial measures, please refer to the Appendix.

# Operating Principles and Investor and Issuer Benefits

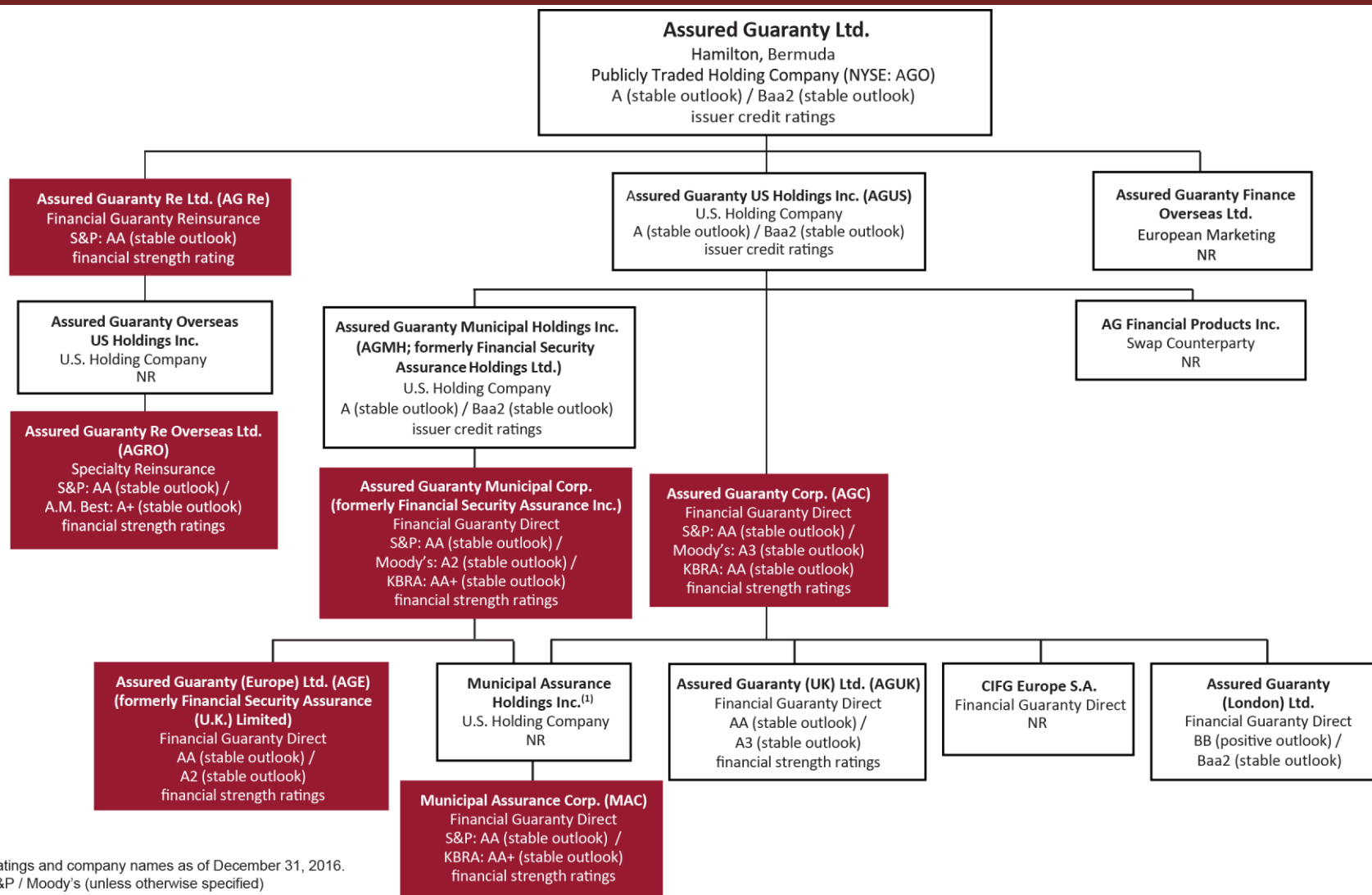


- **Underwriting principles and a strong risk management culture designed to protect our franchise**
- **Experienced and disciplined management**
- **Commitment to disclosure and transparency**
- **Our guaranty benefits investors and issuers because we provide credit selection, underwriting, surveillance and remediation, in addition to timely payment of scheduled principal and interest if an underlying transaction defaults**
  - Bond insurance helps homogenize the market's view of insured credits, which typically increases market liquidity; every day, the municipal market trades an average of approximately \$500 million in bonds insured by Assured Guaranty companies (\$2.5 billion per week)
  - Credit enhancement provides protection in an uncertain credit environment

- **Generate current and future revenue through new business production**
- **Manage capital efficiently**
- **Execute alternative strategies to create value, including through acquisitions, investments and commutations**
- **Mitigate losses**

# Assured Guaranty Ltd.

## Corporate Structure



Ratings and company names as of December 31, 2016.

S&P / Moody's (unless otherwise specified)

NR = Not rated

(1) 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.

# Four Discrete Operating Companies with Separate Capital Bases



## Consolidated Statutory-Basis Claims-Paying Resources and Exposures

(\$ in millions)	As of December 31, 2016					
	AGM	AGC	MAC	AG Re <sup>a</sup>	Eliminations <sup>3</sup>	Consolidated
<b>Claims-paying resources</b>						
Policyholders' surplus	\$2,321	\$1,896	\$487	\$1,066	\$(734)	\$5,036
Contingency reserve <sup>1</sup>	1,236	772	260	-	(260)	2,008
<b>Qualified statutory capital</b>	<b>3,557</b>	<b>2,668</b>	<b>747</b>	<b>1,066</b>	<b>(994)</b>	<b>7,044</b>
Unearned premium reserve <sup>1</sup>	1,328	491	333	690	(333)	2,509
Loss and loss adjustment expense reserves <sup>1</sup>	410	140	-	338	-	888
<b>Total policyholders' surplus and reserves</b>	<b>5,295</b>	<b>3,299</b>	<b>1,080</b>	<b>2,094</b>	<b>(1,327)</b>	<b>10,441</b>
Present value of installment premium <sup>1</sup>	200	156	2	144	(2)	500
Committed Capital Securities	200	200	-	-	-	400
Excess of loss reinsurance facility <sup>2</sup>	360	360	360	-	(720)	360
<b>Total claims-paying resources</b>						
<b>(including MAC adjustment for AGM and AGC)</b>	<b>\$6,055</b>	<b>\$4,015</b>	<b>\$1,442</b>	<b>\$2,238</b>	<b>\$(2,049)</b>	<b>\$11,701</b>
Adjustment for MAC <sup>4</sup>	657	425	-	-	(1,082)	-
<b>Total claims-paying resources</b>						
<b>(excluding MAC adjustment for AGM and AGC)</b>	<b>\$5,398</b>	<b>\$3,590</b>	<b>\$1,442</b>	<b>\$2,238</b>	<b>\$(967)</b>	<b>\$11,701</b>
Statutory net par outstanding <sup>5</sup>	\$113,955	\$34,479	\$41,951	\$73,132	\$(1,049)	\$262,468
Equity method adjustment <sup>4</sup>	25,465	16,486	-	-	(41,951)	-
Adjusted statutory net par outstanding <sup>1</sup>	\$139,420	\$50,965	\$41,951	\$73,132	\$(43,000)	\$262,468
Net debt service outstanding <sup>5</sup>	\$175,668	\$51,233	\$61,829	\$114,819	\$(2,545)	\$401,004
Equity method adjustment <sup>4</sup>	37,530	24,299	-	-	(61,829)	-
Adjusted net debt service outstanding <sup>1</sup>	\$213,198	\$75,532	\$61,829	\$114,819	\$(64,374)	\$401,004
<b>Ratios:</b>						
Adjusted net par outstanding to qualified statutory capital	39:1	19:1	56:1	69:1		37:1
Capital ratio <sup>6</sup>	60:1	28:1	83:1	108:1		57:1
Financial resources ratio <sup>7</sup>	35:1	19:1	43:1	51:1		34:1

- The numbers shown for Assured Guaranty Municipal Corp. (AGM) and Assured Guaranty Corp. (AGC) have been adjusted to include (i) their 100% share of their respective U.K. insurance subsidiaries and (ii) their indirect share of Municipal Assurance Corp. (MAC). AGM and AGC own 60.7% and 39.3%, respectively, of the outstanding stock of Municipal Assurance Holdings Inc., which owns 100% of the outstanding common stock of MAC. Amounts include financial guaranty insurance and credit derivatives.
- Represents an aggregate \$360 million excess-of-loss reinsurance facility for the benefit of AGC, AGM and MAC, which became effective January 1, 2016. The facility terminates on January 1, 2018, unless AGC, AGM and MAC choose to extend it.
- Eliminations are primarily for (i) intercompany surplus notes between AGM and AGC, and (ii) MAC amounts, whose proportionate share are included in AGM and AGC based on ownership percentages. Net par and net debt service outstanding eliminations relate to second-to-pay policies under which an Assured Guaranty insurance subsidiary guarantees an obligation already insured by another Assured Guaranty insurance subsidiary, and net par related to intercompany cessions from AGM and AGC to MAC.
- Represents adjustments for AGM's and AGC's interest and indirect ownership of MAC.
- Net par outstanding and net debt service outstanding are presented on a statutory basis.
- The capital ratio is calculated by dividing adjusted net debt service outstanding by qualified statutory capital.
- The financial resources ratio is calculated by dividing adjusted net debt service outstanding by total claims-paying resources (including MAC adjustment for AGM and AGC).
- Assured Guaranty Re Ltd. (AG Re) numbers represent the Company's estimate of U.S. statutory accounting practices prescribed or permitted by insurance regulatory authorities, except for contingency reserves.

- **Assured Guaranty Municipal<sup>1</sup>, MAC and AGC operate as three separate direct financial guaranty platforms, with AG Re operating as a reinsurer**
  - Assured Guaranty Municipal<sup>1</sup> focuses exclusively on public finance and global infrastructure transactions
  - MAC insures only U.S. municipal bonds, primarily small and medium-size issues in select categories, such as G.O. and tax-backed bonds and public electric, water, sewer and transportation revenue bonds – a subset of Assured Guaranty Municipal's<sup>1</sup> focus
  - AGC, as the most diversified platform, insures the same categories as Assured Guaranty Municipal<sup>1</sup>, as well as selected sectors within the U.S. and international structured finance market
  - AG Re, as a reinsurer, provides additional capital and flexibility to Assured Guaranty Municipal<sup>1</sup> and AGC; AGRO specializes in reinsurance of non-financial guaranty business lines that fit within Assured Guaranty's overall risk appetite
- **Assured Guaranty Municipal<sup>1</sup>, MAC and AGC share Assured Guaranty's experience, culture of prudent risk management and business infrastructure**
- **Assured Guaranty's financial position and market standing, along with the franchise value of Assured Guaranty Municipal<sup>1</sup>, MAC and AGC, are strengthened through this structure**
  - Greater capacity to write business
  - More flexibility in balancing portfolio exposures
  - Enhanced operating efficiencies through common infrastructure

1. Please see page 3 for a definition of this convention.

# Assured Guaranty

## Principal Operating Platforms (Continued)



- **Companies distinct for legal and regulatory purposes**
  - Separate insurance licenses
  - Separate regulators – Assured Guaranty Municipal<sup>1</sup> and MAC are domiciled in New York; AGC is domiciled in Maryland
  - Dividend restrictions – New York, Maryland and Bermuda insurance law restrictions apply
  - Separate insured credit exposures: net par as of December 31, 2016 – AGM<sup>1</sup> \$123 billion<sup>2,3</sup>, MAC \$57 billion, AGC \$38 billion
  - Separate capital bases – claims-paying resources<sup>4</sup> as of December 31, 2016 – AGM<sup>1</sup> \$5.4 billion, MAC \$1.4 billion, AGC \$3.6 billion
- **Under GAAP, Assured Guaranty Municipal Corp. is required to consolidate several entities, including MAC, when reporting financial data**
  - Because of the legal and regulatory distinction between Assured Guaranty Municipal Corp. and its consolidated entities, it can be useful to look at Assured Guaranty Municipal Corp. not only on a consolidated basis but also after excluding one or more of its consolidated entities
  - Please see page 3 for a list of conventions used to indicate which consolidated entities are included when we refer to “AGM Consolidated,” “AGM” or “Assured Guaranty Municipal”
- **On November 28, 2016, AGM announced that the New York State Department of Financial Services approved a \$300 million stock redemption plan, which AGM subsequently completed. We intend to use the proceeds to repurchase our common shares.**

1. Please see page 3 for a definition of this convention.

2. Please see the appendix for a reconciliation to the corresponding GAAP value.

3. Includes GICs (see the footnote on page 38).

4. Consolidated claims-paying resources of the Assured Guaranty group include those of AGM, MAC and AGC shown above, and \$2.2 billion at AG Re., less intercompany eliminations of \$1.0 billion. Please see page 9 for additional details about the components of claims-paying resources.

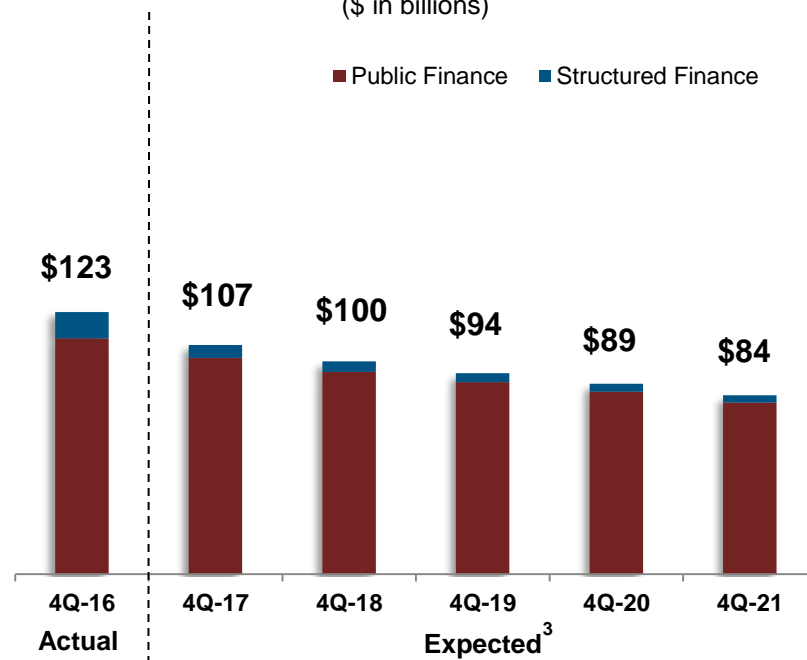
# Assured Guaranty Municipal's<sup>1</sup> Commitment to the Public Finance Market



- **Assured Guaranty Municipal<sup>1</sup> is committed to insuring only U.S. public finance and global infrastructure transactions now and in the future<sup>2</sup>**
- **AGM's<sup>1</sup> existing insured portfolio continues to rapidly evolve toward its public finance focus**
- **We project that AGM's<sup>1</sup> legacy global structured finance insured portfolio (\$12 billion as of December 31, 2016 vs. \$127 billion as of September 30, 2008) will amortize rapidly – 51% by year-end 2017 and 60% by year-end 2018<sup>3</sup>**

## AGM<sup>1</sup> Insured Portfolio Amortization

Current and Projected Year-End Net Par Outstanding  
As of December 31, 2016  
(\$ in billions)



1. Please see page 3 for a definition of this convention.

2. Assured Guaranty Municipal<sup>1</sup> stopped writing structured finance transactions in August 2008.

3. Represents the future expected amortization of current net par outstanding as of December 31, 2016. Actual amortization of the existing portfolio will differ from the expected shown here because, for example, (a) some obligors may call, prepay or defease guaranteed obligations (e.g., in the context of U.S. public finance refundings), and (b) the expected amortization of structured finance transactions is based in part on management's assumptions regarding the performance of the underlying assets while the actual performance of those assets may differ from management's assumptions. Actual amortization of the U.S. public and global infrastructure finance portfolio and the structured finance portfolio may be faster or slower than expected by management; both portfolios may differ from expectations in the same direction or one portfolio may amortize more quickly while the other may amortize more slowly.

## MUNICIPAL ASSURANCE CORP.

***MAC was launched in July of 2013 as a municipal-only bond insurer with the positive attributes it takes most start-up companies years to establish.***

**As of December 31, 2016, Municipal Assurance Corp. (MAC) has:**

- \$1.4 billion in claims-paying resources, consisting of \$747 million in statutory capital, \$333 million in unearned premium reserves<sup>1</sup> (UPR), and \$360 million in excess-of-loss reinsurance<sup>2</sup>;
- A \$57 billion insured U.S. municipal-only portfolio that is geographically diversified;
- A \$1.1 billion investment portfolio;
- Strong financial strength ratings: AA+ (stable outlook) from Kroll Bond Rating Agency (KBRA) and AA (stable outlook) from S&P;
- Conservative and well-defined underwriting standards; and
- A high level of transparency, including quarterly financial supplements and the publication of Credit Summaries for primary-market insured transactions.

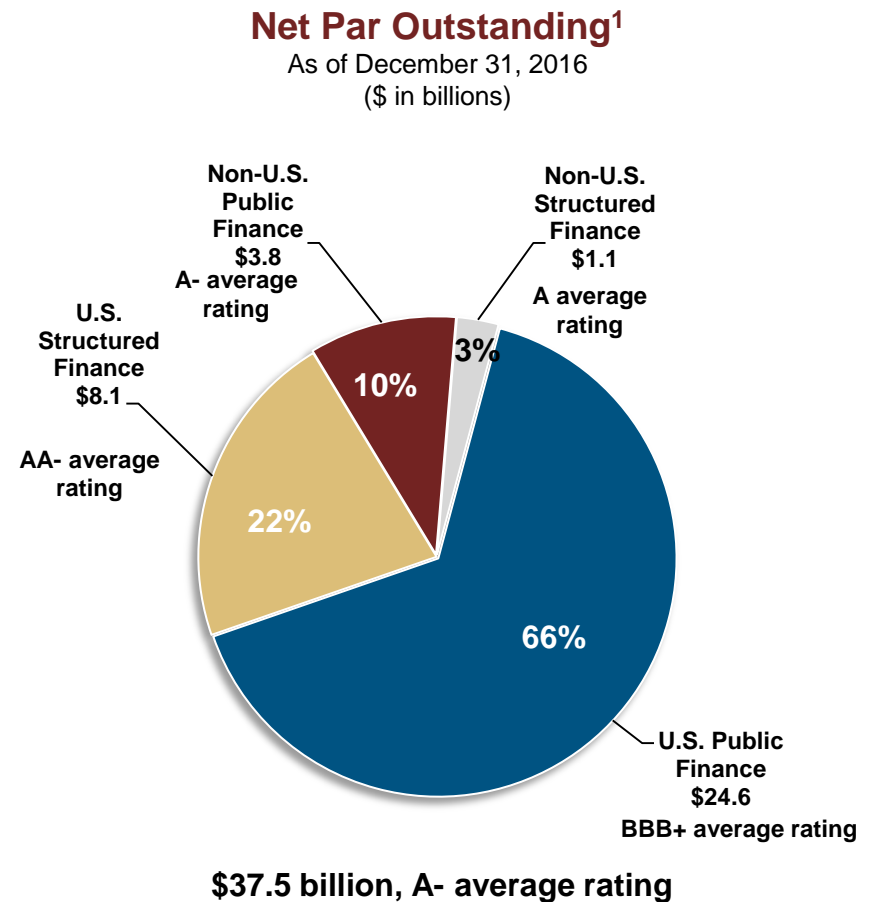
***MAC benefits from Assured Guaranty's human capital, experience and business infrastructure.***

1. Statutory basis.

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

# AGC is Our Most Diversified Platform

- **AGC, a diversified insurer, will write all classes of financial guaranty business, including: U.S. public finance, global infrastructure and structured finance**
- **Structured finance new business originations:**
  - Traditional ABS (e.g., auto loans and leases, credit card receivables, consumer loans, equipment loans and leases, trade receivables)
  - Capital management solutions for financial institutions
  - Actively managed risk tolerance
  - Investment grade underlying credit quality
- **On July 1, AGC acquired the parent of CIFG**
  - CIFG was merged with and into AGC, with AGC as the surviving company
- **On January 10, 2017, AGC completed its acquisition of MBIA UK, which has changed its name to Assured Guaranty (London) Ltd (“AGLN”).**

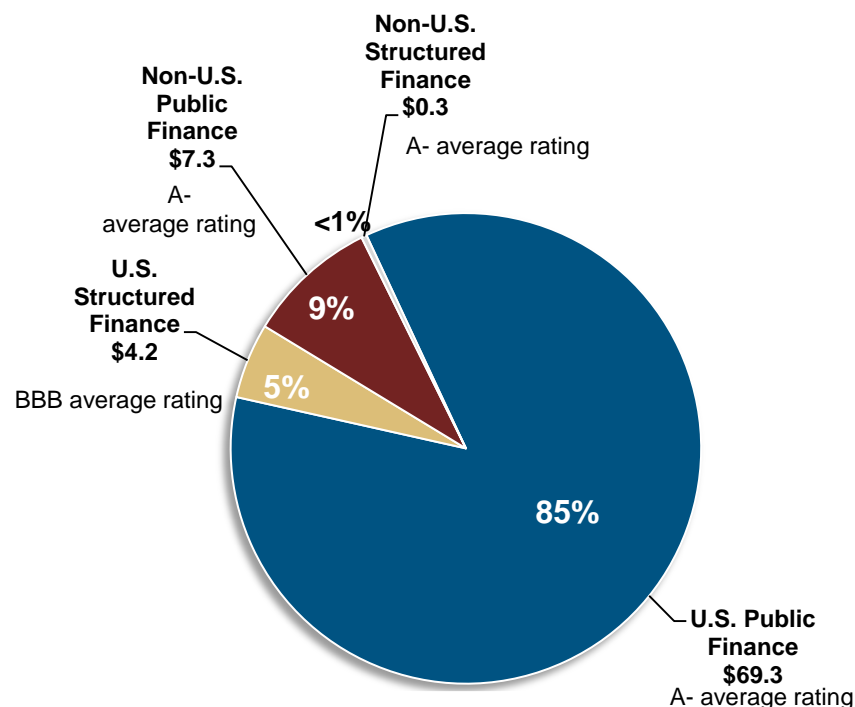


1. Excludes net par outstanding of Assured Guaranty (London) Ltd.

- **AG Re is an insurance company primarily engaged in providing reinsurance to financial guarantors**
  - AG Re is rated AA (stable outlook) by S&P
- **Provides reinsurance for Assured Guaranty Municipal<sup>1</sup> and AGC**
- **Portfolio opportunities with legacy monolines**
- **AGRO is a specialty reinsurance company**
  - AGRO is rated A+ (stable) by A.M. Best and AA (stable outlook) by S&P

## Net Par Outstanding

As of December 31, 2016  
(\$ in billions)



**\$81.1 billion, A- average rating**

1. Please see page 3 for a definition of this convention.

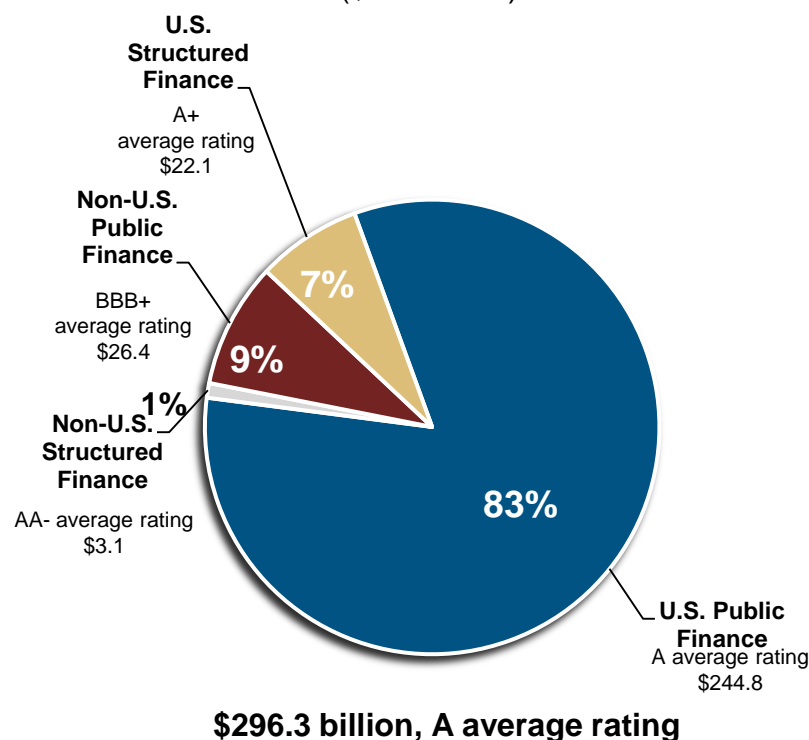
- **Our U.S. public finance portfolio, our largest exposure category, generally performed well during the recession and in subsequent years, despite persistent financial pressures on municipal obligors**
  - Our portfolio is well-diversified with approximately 8,800 direct U.S. public finance obligors. We expect future losses to be paid, net of recoveries, on less than a dozen exposures.
  - We have proactively managed those exposures that have experienced credit deterioration and payment default, like Detroit, Harrisburg and Stockton, with ultimately minimal losses.
  - Our Puerto Rico exposure represents our largest below investment grade U.S. public finance exposure<sup>2</sup>.
- **Neither AGM<sup>1</sup> nor AGC underwrote collateralized debt obligations (CDOs) backed by RMBS, which has protected us from losses on the scale experienced by our former competitors**

1. Please see page 3 for a definition of this convention.

2. See pages 34-36 for a more detailed analysis of the Company's Puerto Rico exposure.

## Consolidated Net Par Outstanding

As of December 31, 2016  
(\$ in billions)



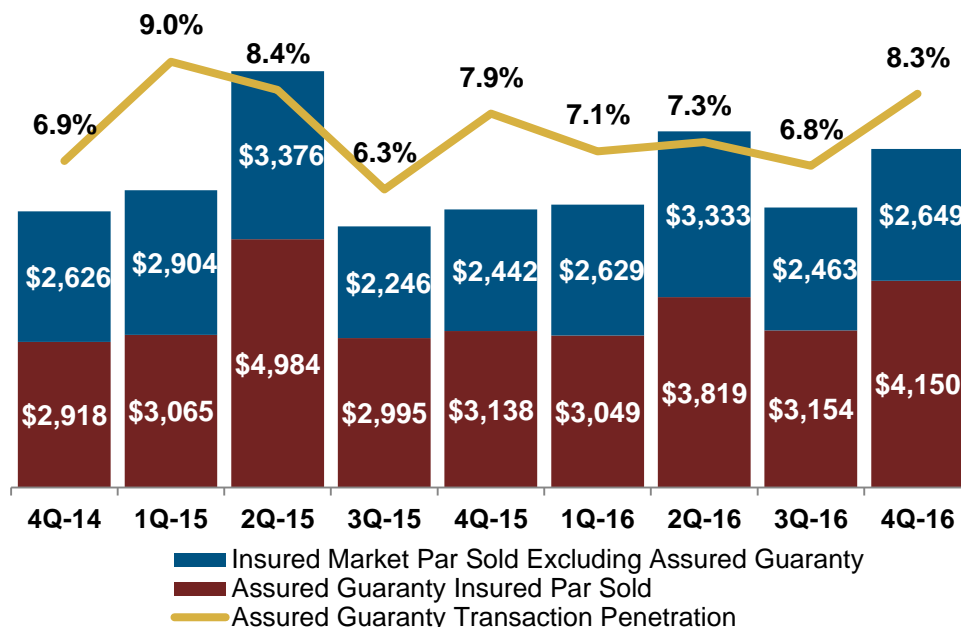
# Creating Value

## New Business Production (Par Insured) Penetration in the U.S. Public Finance Market



- **We are focused on building demand for our guaranties, both in the primary and the secondary markets for U.S. public finance**
  - Primary market policies sold in 2016 totaled 904 or \$14.2 billion
  - Secondary market policies sold in 2016 totaled 583 or \$1.8 billion
- **Total market issuance increased 12% from 2015 while insured volume increased by less than 1% from 2015**
  - Industry par penetration for all transactions with underlying A ratings increased to 23% in 2016, compared with 22% in 2015
  - Industry penetration based on the number of transactions with underlying A ratings also increased to 56% in 2016 compared with 54% in 2015
- **Industry penetration for smaller deals (transactions under \$25 million) based on the number of transactions remained constant at 18% in 2016 compared with 2015**

**New Issue U.S. Public Finance  
Insured Par Sold and Transaction Penetration<sup>1</sup>**  
(\$ in millions)



Total U.S. Public Finance New Issuance	3Q-14	4Q-14	1Q-15	2Q-15	3Q-15	4Q-15	1Q-16	2Q-16	3Q-16	4Q-16
Par Issued (\$ in billions)	\$72.3	\$99.3	\$104.0	\$111.0	\$86.0	\$76.4	\$96.5	\$119.4	\$108.4	\$100.2
Transactions Issued	2,376	2,871	3,059	3,783	2,665	2,558	2,787	3,635	3,048	2,775

1. Source: SDC database. As of December 31, 2016. Transaction penetration shown is Assured Guaranty's transaction count as a percentage of all transactions issued.

# Broadening Market Awareness Advertising Campaigns



## INSTITUTIONAL

### CONSISTENCY GUARANTEED

**THE PROVEN LEADER IN MUNICIPAL BOND INSURANCE.**

In municipal bond insurance, consistency is essential. And for three decades, no guarantor's been more consistent than Assured Guaranty. Year after year, in good economies and bad, we've helped issuers access the capital markets and reduce their cost of borrowing. And we've helped investors protect their investments. No investor has ever lost a penny of principal or interest.

- Consistent market presence helping issuers to
- Consistent protection for investors through our timely payment
- Consistent strength in our capital – currently \$12 billion
- Consistent market liquidity for our insured bonds
- Consistent positive investment returns, appropriate to the risk
- Consistent record of positive operating income

**AssuredGuaranty.com**

\*Figures shown are as of 12/31/2014. Please consult the latest Guaranty report for updates to this information.

**ASSURED GUARANTY**

ASSURED GUARANTY MUNICIPAL, MUNICIPAL ASSURANCE CORP. | ASSURED GUARANTY CORP.

## RETAIL

### PROTECT YOUR RETIREMENT WITH INSURED MUNICIPAL BONDS.

#### HOW TO GUARANTEE INCOME YOU'LL NEED FOR TOMORROW.

Only you and your financial advisor can decide where it's best for you to invest your retirement savings. But here's something to consider: Municipal bonds insured by Assured Guaranty are among the very safest investments you can make. That's because your principal and interest from these bonds are 100% guaranteed by the proven leader in municipal bond insurance. Assured Guaranty has group claim-paying resources of over \$12 billion. Whether your goal is to build your nest egg or to make sure you have the cash flow you need for retirement, the bonds we insure are guaranteed to make their scheduled payments in full and on time.

**BOND INSURANCE: THE BASICS**  
DOWNLOAD

## ISSUERS

### TEAMWORK GUARANTEED

**THE PROVEN LEADER IN BOND INSURANCE.**

Our guaranty of timely principal and interest payments reduces issuers' financing costs because investors value the Assured Guaranty group's \$12 billion in claims-paying resources, \$500 million of daily trading liquidity and decades of experience analyzing, negotiating and monitoring public and P3 infrastructure financings. For details, contact:

Lorne Potash: 212.261.5579 | [lpotash@agttd.com](mailto:lpotash@agttd.com)



ASSURED GUARANTY MUNICIPAL CORP. | NEW YORK, NY | [ASSUREDGUARANTY.COM](http://ASSUREDGUARANTY.COM) | A subsidiary of Assured Guaranty Ltd.

## MAC



### A HERITAGE OF SAFETY, STABILITY AND PREDICTABILITY

At MAC, our nearly \$2 billion in claims-paying resources back the unconditional guarantees in our well-diversified, 100% U.S. municipal bond insured portfolio. MAC is built on the same proven and trusted business model that made Assured Guaranty the leading bond insurer. And with a \$1.5 billion investment portfolio, including \$500 million from unearned premiums, MAC generates predictable future revenue.

What's more, MAC leverages Assured Guaranty's best-in-class underwriting and surveillance capabilities, honed over three decades, so we can offer highly efficient service for small and medium-size transactions, as well as larger ones.

Visit us online at [MACmunicipals.com](http://MACmunicipals.com)



### LOOKING FOR SECONDARY MARKET BOND INSURANCE PRICING? IT'S STARING YOU IN THE FACE.



If you use a Bloomberg® Terminal, your ability to get indicative pricing for AGM and MAC secondary market bond insurance couldn't be easier. Enter the bond's CUSIP, go to Multi ALLQ, and it's on your screen. If your bond is one of the 45,000 or so we've prequalified, you'll see our price per bond based on \$1 million of par, and you can opt to see how much availability we may be offering. Then just message us: Rich Casata ([rcm17@bloomberg.net](mailto:rcm17@bloomberg.net)), Len Lasek ([llasek@bloomberg.net](mailto:llasek@bloomberg.net)) or Dana Vitlanova ([dvitlanova@bloomberg.net](mailto:dvitlanova@bloomberg.net)) to buy from the proven leader in municipal bond insurance.



## SECONDARY MARKET

# Assured Guaranty

## Select Municipal Transactions in 2016



**In the Primary Market, \$14.2 Billion of Insured Par on Over 900 Transactions Sold With Our Insurance in 2016<sup>1</sup>, Including These Selected Issues**

<b>\$122,515,000</b> School Building and Site and Refunding Bonds, Series 2016 (General Obligation - Unlimited Tax) <b>Grand Rapids Public Schools, MI</b> March 2016	<b>\$133,595,000</b> Student Housing Refunding Revenue Bonds, Series 2016 <b>University of Maryland, College Park</b> February 2016	<b>\$105,140,000</b> Combined Fee Revenue Improvement Bonds, Series 2016 <b>El Paso County Community College District, Texas</b> October 2016	<b>\$114,505,000</b> First Tier General Resolution Revenue Bonds, Series 2016 <b>Chesapeake Bay Bridge &amp; Tunnel District, VA</b> November 2016	<b>\$172,020,000</b> General Obligation Bonds, First Series, First Refunding and Second Series of 2016 <b>Commonwealth of Pennsylvania</b> June 2016 August 2016
<b>\$144,355,000</b> Airport System Revenue Bonds, Series 2016A and 2016B <b>City of Cleveland, Ohio</b> February 2016	<b>\$150,586,031</b> General Obligation Bonds, Election of 2006, Series 2016 and 2016 GO Refunding Bonds, Series A & B <b>Twin Rivers Unified School District, California</b> October 2016	<b>\$180,000,000</b> Tax-Exempt Second Subordinate Lien Revenue Refunding Bonds, Series 2016B <b>Alameda Corridor Transportation Authority, CA</b> May 2016	<b>\$131,495,000</b> Brooklyn Arena Local Development Corp, NY PILOT Revenue Refunding Bonds, Series 2016A <b>Barclays Center</b> August 2016	<b>\$411,950,000</b> NY Transportation Development Special Facilities Bonds, Series 2016A <b>LaGuardia Airport Terminal B</b> May 2016
<b>\$138,120,000</b> General Obligation Refunding Bonds, Series October 2016 <b>State of Illinois</b> October 2016	<b>\$439,420,000</b> School Lease Revenue Refunding Bonds (The School District of Philadelphia Project) Series 2016A <b>State Public School Building Authority, Commonwealth of PA</b> October 2016	<b>\$184,530,000</b> Subordinate Tax Allocation Ref Bonds, 2016 Series A-C <b>Successor Agency to the Development Agency of the City of Pittsburgh, CA</b> January 2016	<b>\$106,205,000</b> Sewer Revenue Bonds, Refunding <b>Allegheny County Sanitary Authority, Pennsylvania</b> August 2016	<b>\$101,255,000</b> General Obligation Bonds, Issue of 2016, Series A <b>City of New Haven, CT</b> August 2016

1. Source: SDC database. Sales from January 1 through December 31, 2016. Amounts are on a sale-date basis and reflect only those series insured by AGM or MAC.

# Creating Value

## New Business Production

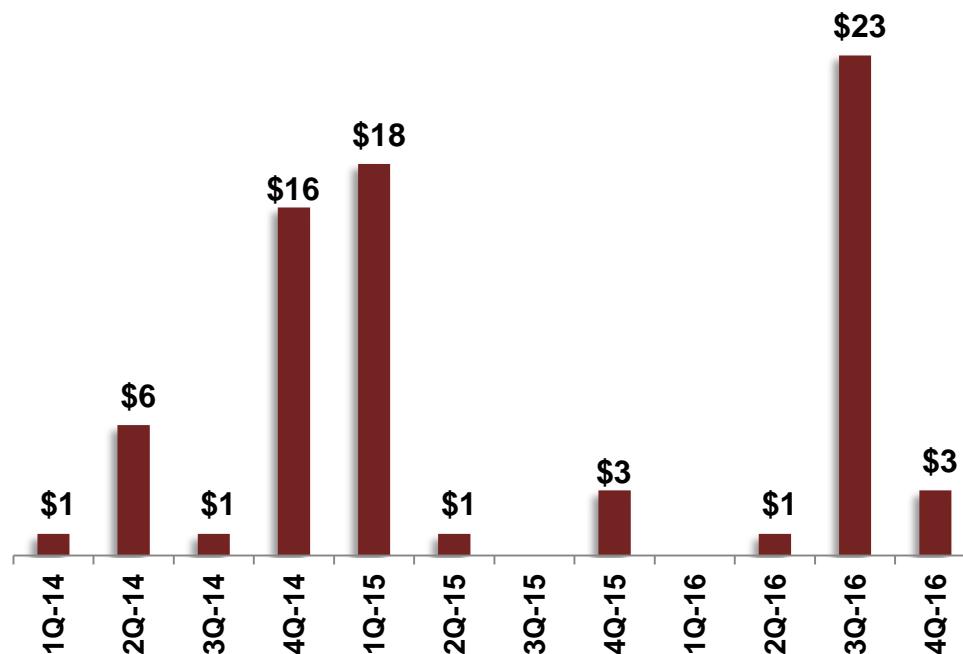
### U.S. Structured Finance Business Activity



- Focus has been on bilateral transactions to improve capital management efficiency
- In 2016, completed the following:
  - Provided reinsurance related to Triple-X excess of loss life transactions
  - Guaranteed an aircraft ABS issuer's obligations to repay advances under a bank liquidity facility
  - Provided a balloon note guaranty for a commercial tenant
- New structured finance business production tends to fluctuate, as large, complex transactions require a long time frame to close
- We expect that capital market structured finance opportunities will increase in the future as the global economy recovers, interest rates rise, more issuers return to the capital markets for financings and institutional investors again utilize financial guaranties

### U.S. Structured PVP<sup>1</sup>

(\$ in millions)



1. For an explanation of new business production, or "PVP", which is a non-GAAP financial measure, please refer to the Appendix.

# Creating Value

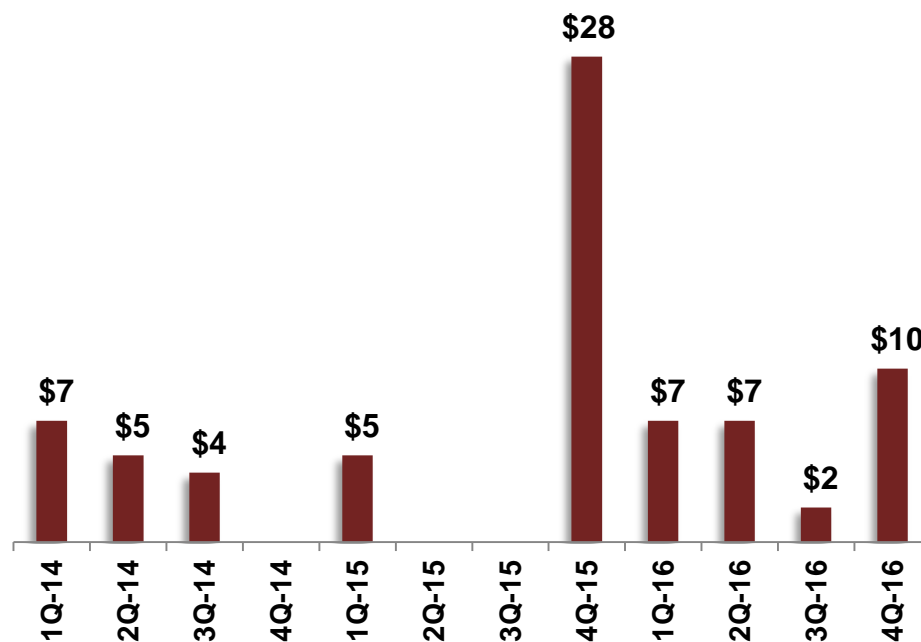
## New Business Production

### Non-U.S. Business Activity



- During 4Q-16, we guaranteed a U.K. student housing transaction
- During 3Q-16 and 2Q-16, we issued secondary market financial guarantees on utility bonds
- During 1Q-16, we guaranteed a restructuring of an existing transaction
- We are optimistic about the pipeline of infrastructure transactions. However, this international business typically comprises a small number of high-value transactions that have longer development periods and multiple counterparties, so the timing of closing transactions is often uncertain

**Non-U.S. PVP<sup>1</sup> by Quarter**  
(\$ in millions)



1. For an explanation of new business production, or "PVP," which is a non-GAAP financial measure, please refer to the Appendix.

- **On January 10, 2017, AGC completed its acquisition of MBIA UK Insurance Limited (“MBIA UK”). AGC exchanged all its holdings of the Zohar II 2005-1 notes (which had an outstanding par of \$347 million and fair value of \$334 million as of the date of acquisition) in exchange for the outstanding shares of MBIA UK plus \$23 million in cash.**
- **The acquisition is expected to be accretive to Assured Guaranty’s operating income (non-GAAP)<sup>1</sup> per share, non-GAAP operating shareholders’ equity<sup>1</sup> and non-GAAP adjusted book value<sup>1</sup>.**
- **This acquisition fits within the Company’s strategy of acquiring high-quality portfolios from inactive financial guaranty insurance companies:**
  - Radian Asset Assurance acquisition closed on April 1, 2015
  - CIFG acquisition closed on July 1, 2016
- **MBIA UK changed its name to Assured Guaranty (London) Ltd.**
- **Assured Guaranty currently maintains AGLN as a stand-alone entity, but is actively working to combine AGLN with its affiliated European insurance companies**
  - Any such combination will be subject to regulatory and court approvals; as a result, Assured Guaranty cannot predict when, or if, such a combination will be completed.

1. For explanations of non-GAAP financial measures, please refer to the Appendix.

# Creating Value

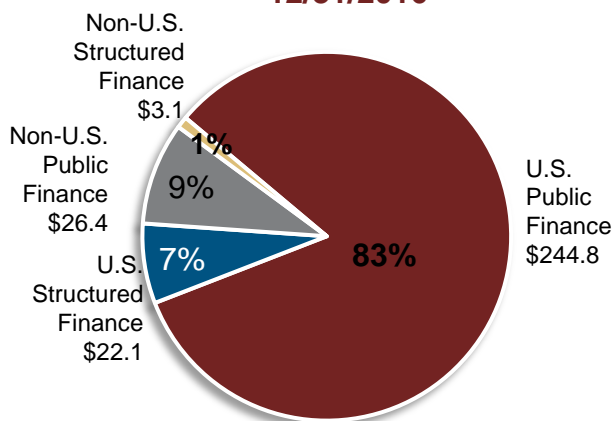
## MBIA UK Acquisition

### Net Par Exposure<sup>1</sup>

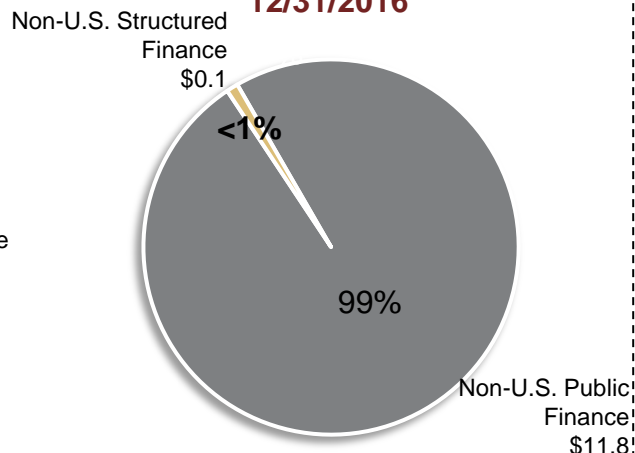
ASSURED  
GUARANTY®

(\$ in millions)

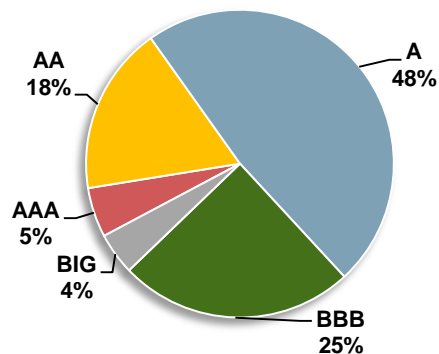
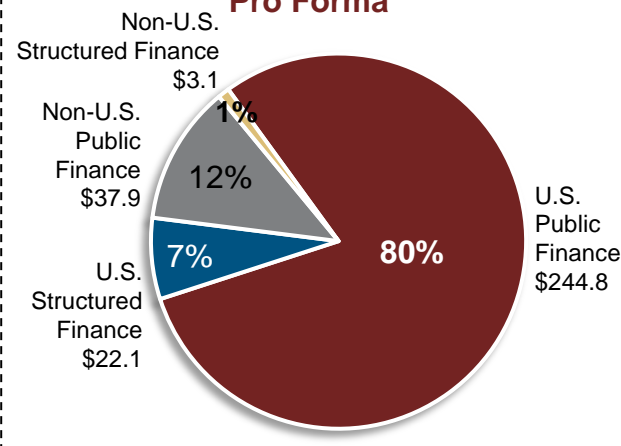
**Assured Guaranty Ltd.**  
**12/31/2016**



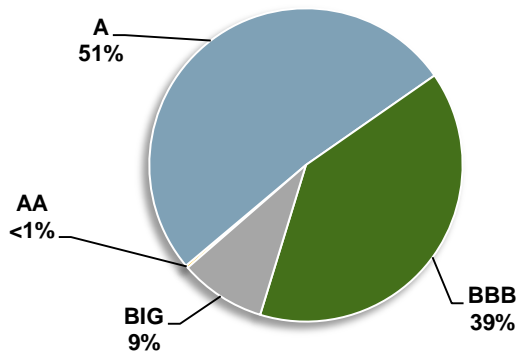
**MBIA UK**  
**12/31/2016**



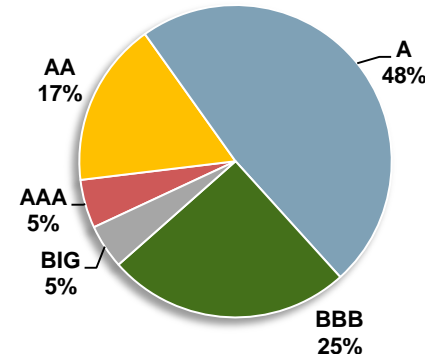
**Assured Guaranty Ltd.**  
**Pro Forma**



**\$296.3 billion, A average rating**



**\$11.9 billion, BBB+ average rating**



**\$307.9 billion, A average rating**

1. Percentages may not add due to rounding.

- Reassumption of previously ceded business has increased the unearned premium reserve and non-GAAP adjusted book value<sup>1</sup>

Year	Reassumed Par (\$ in billions)	Reassumed UPR (\$ in millions)	Commutation Gain / (Loss) (\$ in millions)
2009	\$2.9	\$65	\$(11)
2010	15.5	104	50
2011	0.3	2	24
2012	19.2	109	82
2013	0.2	11	2
2014	1.2	20	23
2015	0.9	23	28
2016	0.0	-	8
<b>Total</b>	<b>\$40.2</b>	<b>\$334</b>	<b>\$206</b>

### Ceded Par Outstanding by Reinsurer

As of December 31, 2016

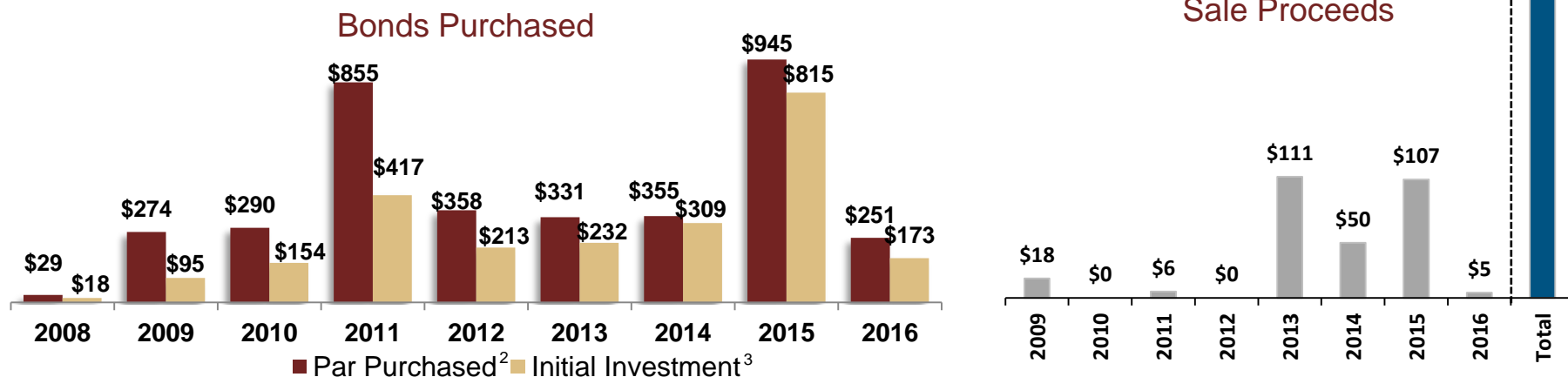
(\$ in millions)	Net Par Outstanding
<b>American Overseas Re</b>	\$3,573
<b>Tokio Marine</b>	\$3,436
<b>Syncora</b>	\$2,062
<b>Mitsui</b>	\$1,273
<b>Others</b>	\$812
<b>Total</b>	<b>\$11,156</b>

1. For an explanation of non-GAAP adjusted book value, which is a non-GAAP financial measure, please refer to the Appendix.

- Since 2008, for loss mitigation purposes, we have strategically purchased bonds we had previously insured. Besides reducing our losses, these purchases can potentially relieve rating agency capital charges, increase future investment income and increase non-GAAP adjusted book value<sup>1</sup>
  - The amount of reserves released and the ongoing principal and interest from the bonds are expected to be greater than the purchase price
  - We have purchased approximately \$3.7 billion of par on insured securities through December 31, 2016 with an initial purchase price of approximately \$2.4 billion
- Targeted purchases are BIG securities on which claims are expected to be paid
- We have removed our insurance subsequent to purchasing some of our insured bonds for loss mitigation purposes and sold the bonds uninsured. This typically creates rating agency capital and an economic benefit

## Loss Mitigation Bond Purchase and Sale Program

(\$ in millions)



1. For an explanation of non-GAAP adjusted book value, please refer to the Appendix.

2. Par at the time of purchase.

3. Cost of purchase.

# Financial Strength Ratings



## Financial Strength Ratings

As of December 31, 2016

	S&P	Moody's	KBRA
<b>AGM</b>	AA stable outlook	A2 stable outlook	AA+ stable outlook
<b>MAC</b>	AA stable outlook	Not Rated	AA+ stable outlook
<b>AGC</b>	AA stable outlook	A3 stable outlook	AA stable outlook

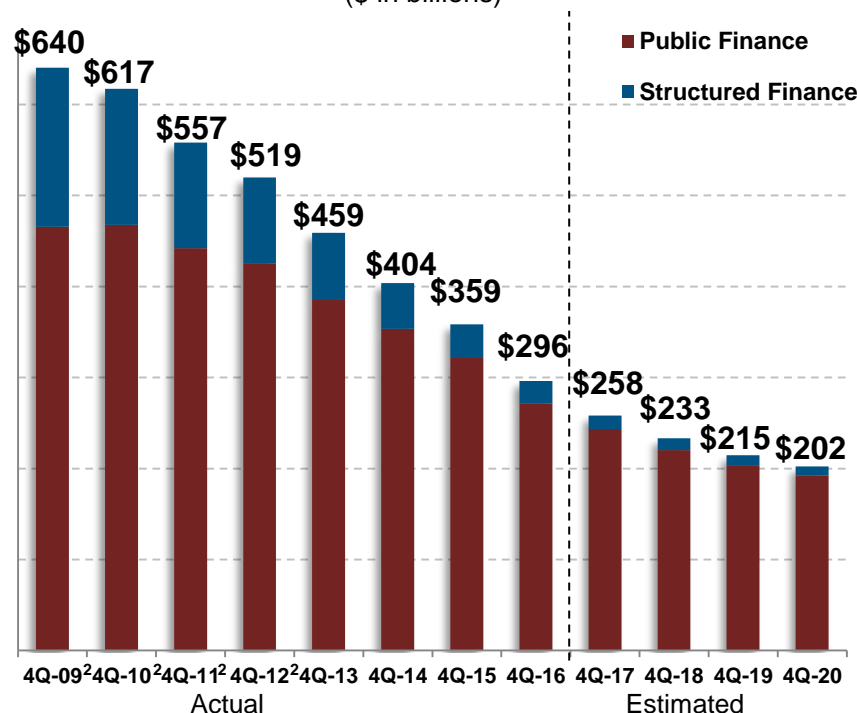
- On January 13, 2017, AGC requested that Moody's withdraw AGC's financial strength rating**
  - Since Moody's assigned AGC's current rating, the rating has failed to keep pace with the substantial strengthening of AGC, including improved leverage, reduced risk in its insured exposure, and strong financial results.
- On July 27, 2016, S&P affirmed the AA (stable outlook) financial strength ratings of AGM, MAC and AGC**
  - S&P found the Assured Guaranty group's capital adequacy to be above their AAA requirement; although S&P did not disclose the size of the group's capital adequacy cushion (the amount of capital remaining after S&P's simulated AAA depression test), we estimate it to be more than **\$2.6 billion** at year-end 2015, \$1.1 billion higher than S&P reported for year-end 2013
  - Importantly, one of S&P's scenario analyses assumed every one of Assured Guaranty's insured Puerto Rico obligations would default, and that Assured Guaranty would pay claims totaling 100% of that debt service over the next four years. S&P also looked at scenarios in which Assured Guaranty would pay claims totaling up to 45% of its total insured Puerto Rico debt service over the life of the transactions. Under any of these scenarios, the losses would not change Assured Guaranty's S&P capital adequacy score
- In the 3<sup>rd</sup> quarter and 4<sup>th</sup> quarter 2016, KBRA assigned a AA (stable outlook) financial strength ratings to AGC and affirmed the AA+ (stable outlook) for AGM and MAC**
  - KBRA noted each Company's ability to withstand their conservative stress case loss assumptions, a mature and high-functioning operating platform and a strong management team.

# Net Par Outstanding Amortization

- **Amortization of the existing portfolio reduces rating agency capital charges, but also embedded future earned premiums**
- **New direct or assumed business originations, reassumptions and acquisitions will increase future premiums**
- **Public finance existing exposure amortizes at a steady rate**
  - \$271 billion outstanding
  - 10% expected to amortize year end 2017; 19% by year end 2018; 25% by year end 2019
- **Structured finance existing exposure amortizes quickly**
  - \$25 billion outstanding
  - 40% expected to amortize by year end 2017; 49% by year end 2018; 56% by year end 2019

## Consolidated Net Par Outstanding Amortization<sup>1</sup>

As of December 31, 2016  
(\$ in billions)



1. Represents the future expected amortization of existing net par outstanding as of December 31, 2016. Actual amortization of the existing portfolio will differ from the expected shown here because, for example, (1) some obligors may call, prepay or defease guaranteed obligations (e.g., in the context of U.S. public finance refundings), and (2) the expected amortization of structured finance transactions is based in part on management's assumptions regarding the performance of the underlying assets while the actual performance of those assets may differ from management's assumptions. Actual amortization of the U.S. public and global infrastructure finance portfolio and the structured finance portfolio may be faster or slower than expected by management, both portfolios may differ in the same direction and one portfolio may amortize more quickly while the other may amortize more slowly.
2. Gross of wrapped bond purchases made primarily for loss mitigation.

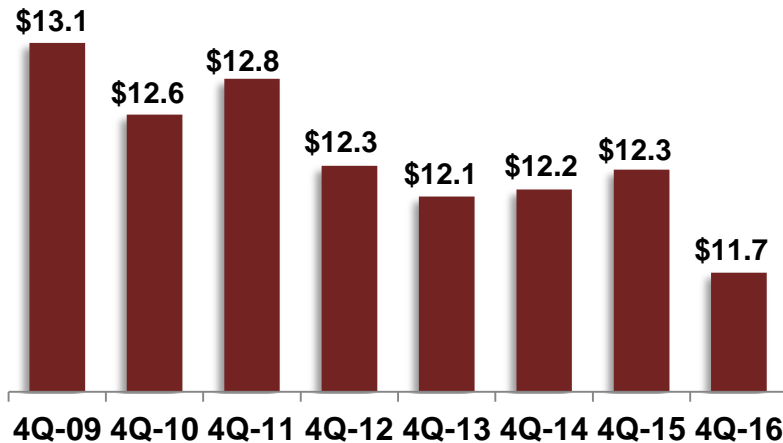
# Assured Guaranty Today

## Insured Portfolio and Capital Changes

### Since the Global Financial Crisis

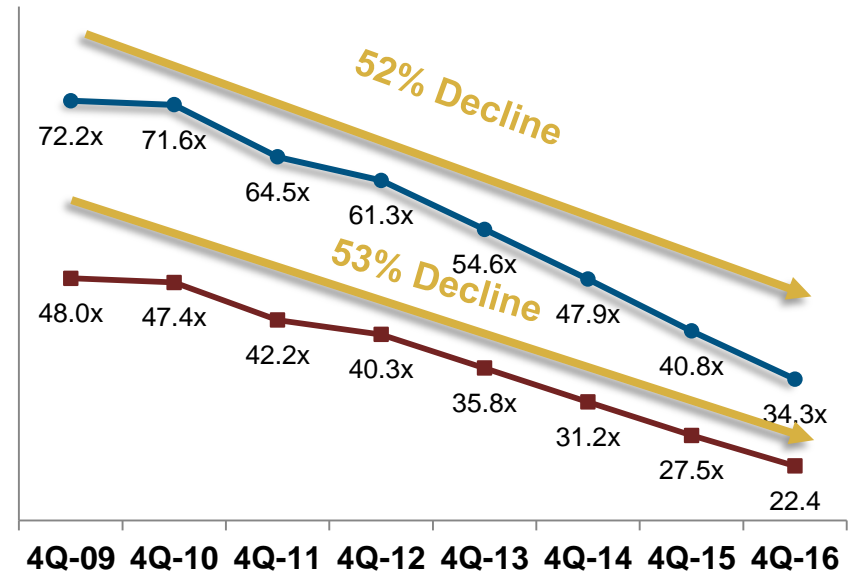


**Claims-Paying Resources**  
\$ in billions



- Assured Guaranty's robust business model and successful surveillance, loss mitigation and acquisition strategies, along with our access to capital in debt and equity markets, enabled us to maintain a strong financial position during and since the Great Recession
- Since our acquisition of AGM in July 2009, group claims-paying resources declined modestly relative to the \$8.8 billion paid out in gross policyholder claims.
- Of those claims, \$7.4 billion were for RMBS and \$1.1 billion were for public finance

**Insured Leverage**



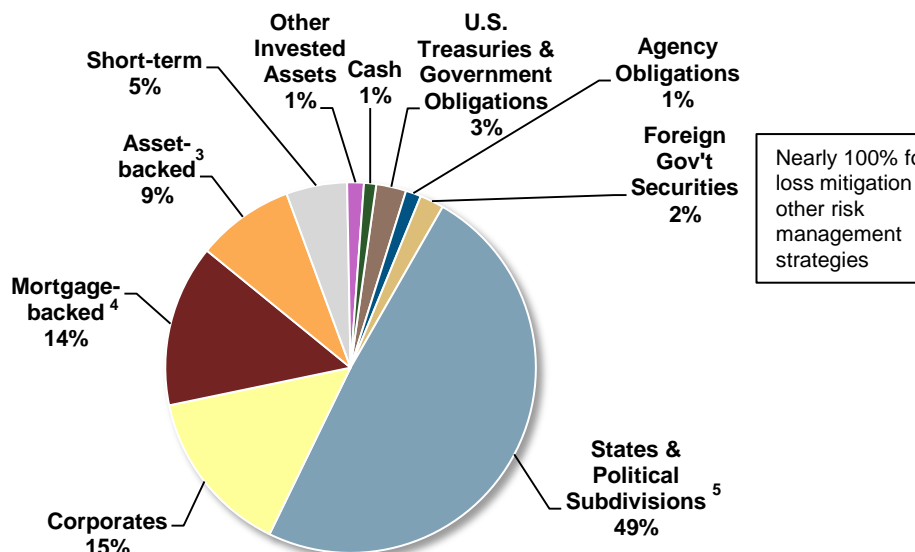
- Net debt service outstanding / claims-paying resources
- Net par outstanding / claims-paying resources
- Since our acquisition of AGM in July 2009, group insured leverage as a multiple of claims-paying resources has been cut in half

# AGL Consolidated Investment Portfolio

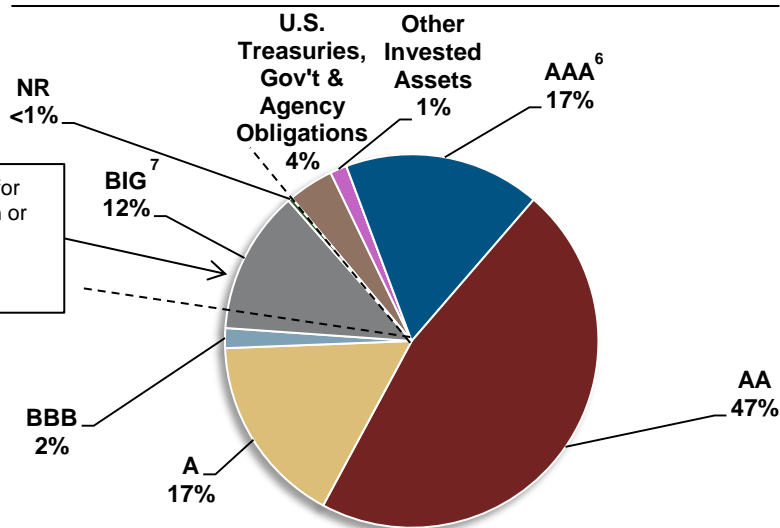
Fair Value as of December 31, 2016



## Total Invested Assets and Cash<sup>1</sup> By Category



## Total Invested Assets and Cash<sup>1,2</sup> By Rating



**Total = \$11.1 billion**

1. Includes fixed maturity securities, short-term investments, cash and Other Invested Assets.

2. Ratings are represented by the lower of the Moody's and S&P classifications except for securities purchased or obtained as part of loss mitigation or other risk management strategies, which use internal ratings classifications.

3. Included in the asset-backed category are securities purchased or obtained as part of loss mitigation or other risk management strategies with a fair value of \$787 million. The remaining securities have a fair value of \$157 million and an average rating of AAA.

4. Included in the mortgage-backed category are securities purchased or obtained as part of loss mitigation or other risk management strategies with a fair value of \$365 million and agency-backed securities with a fair value of \$656 million. The remaining securities have a fair value of \$549 million and an average rating of AAA.

5. Included in the states & political subdivisions category are securities purchased or obtained as part of loss mitigation or other risk management strategies with a fair value of \$79 million.

6. Included in the AAA category are short-term securities and cash.

7. Included in the BIG category are securities purchased or obtained as part of loss mitigation or other risk management strategies with a fair value of \$1,376 million.

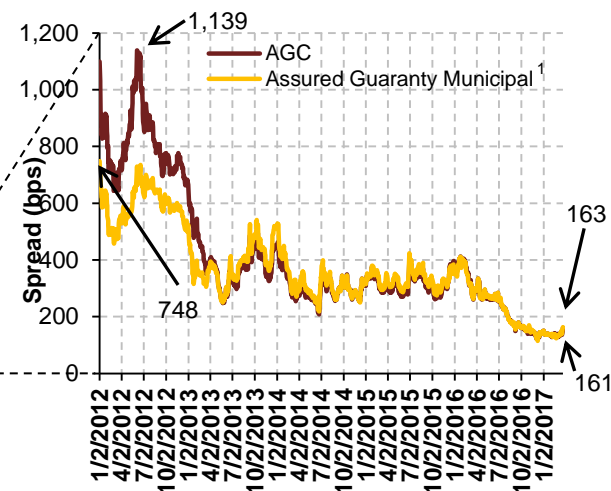
# Credit Default Swap Spreads

- Movements in credit default swap (CDS) levels for Assured Guaranty Municipal<sup>1</sup> and AGC continue to be significantly affected by technical factors such as supply/demand imbalance and light trading volume
- The deterioration in the asset-backed securities market's pricing through first quarter 2009 expanded demand for CDS protection on Assured Guaranty Municipal<sup>1</sup> and AGC by fixed income holders of Assured Guaranty Municipal<sup>1</sup> and AGC insured paper as they sought to hedge exposure, thereby exacerbating the supply/demand imbalance
- Assured Guaranty Municipal<sup>1</sup> and AGC's 5-year CDS bid prices peaked in mid-March 2009 at 3,120 bps and 4,961 bps, respectively
- 5-year CDS levels for Assured Guaranty Municipal<sup>1</sup> and AGC have rallied considerably since March 2009 as a result of the improvement in general market fundamentals, the market's positive reaction to the July 2009 AGMH acquisition, our successes in loss mitigation, the deleveraging of our insured portfolio, and our record of positive operating results
- In March 2016, the 5-year CDS levels for Assured Guaranty Municipal<sup>1</sup> and AGC were at 5 and 3 percent, respectively, of their mid-March 2009 levels
- Between January 2, 2012 and March 21, 2017, CDS levels for Assured Guaranty Municipal<sup>1</sup> and AGC came in by 78 and 86 percent, respectively, from their highs during this period. As of March 21, Assured Guaranty Municipal's CDS was at 163 and AGC's CDS was at 161 bps.

**CDS Spreads July 1, 2008 – March 21, 2017**



**CDS Spreads  
Jan 2, 2012 – Mar 21, 2017**



Source: CMA – Represents end-of-day bid price for 5-year protection, modified restructuring credit event spreads at New York close.

1. Please see page 3 for a definition of this convention.

## Assured Guaranty Ltd. Consolidated Insured Portfolio Overview



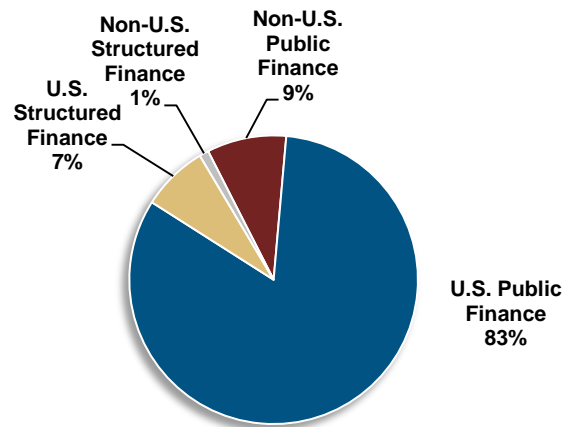
# AGL Consolidated

## Insured Portfolio

Net Par Outstanding as of December 31, 2016

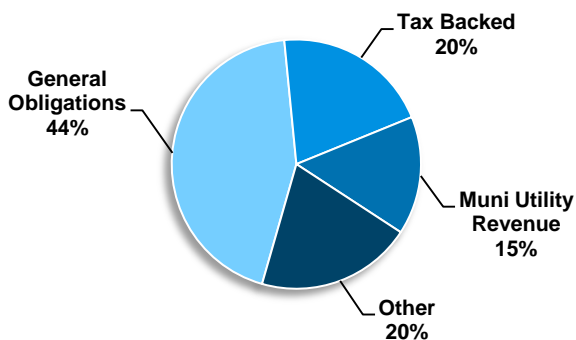
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### Portfolio Diversification by Sector



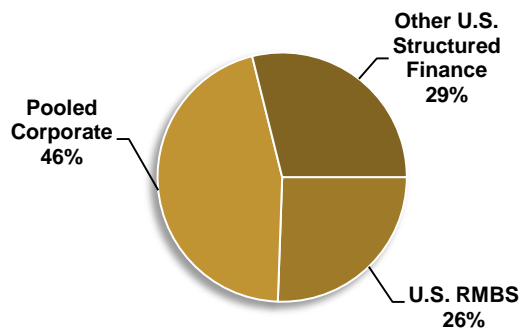
\$296.3 billion<sup>1,2</sup>

### U.S. Public Finance Portfolio



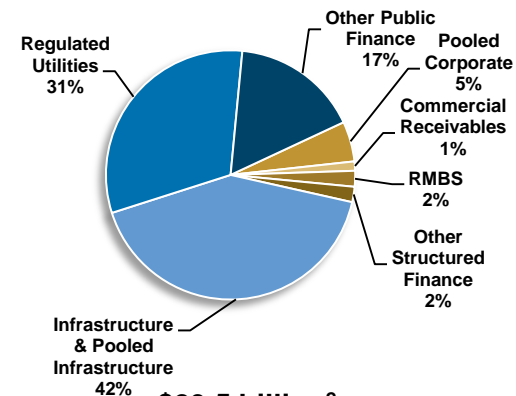
\$244.8 billion<sup>2</sup>

### U.S. Structured Finance Portfolio



\$22.1 billion<sup>1,2</sup>

### Non-U.S. Portfolios Public & Structured Finance



\$29.5 billion<sup>2</sup>

1. Includes GICs. Please see the footnote on page 38.

2. Consolidated amounts include those of AG Re.

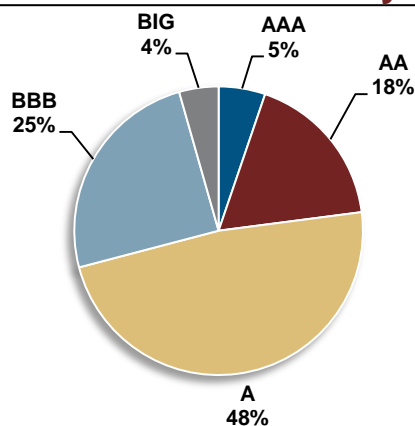
# AGL Consolidated

## Insured Portfolio Ratings

Net Par Outstanding as of December 31, 2016

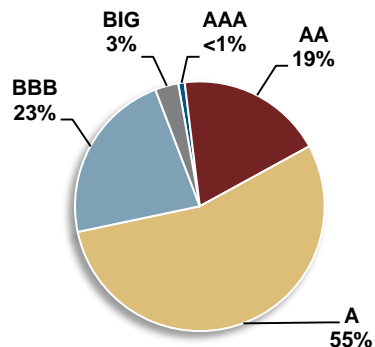


### Portfolio Diversification by Rating



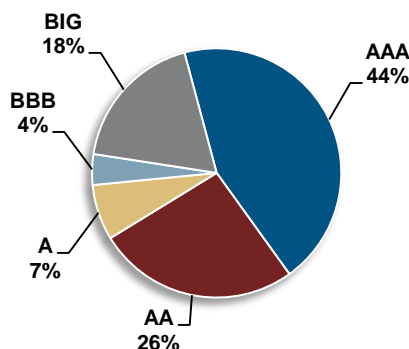
**\$296.3 billion<sup>1,2</sup>**

### U.S. Public Finance Portfolio



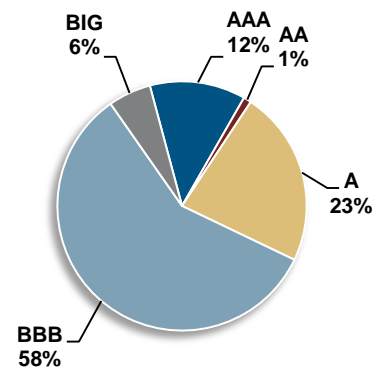
**\$244.8 billion<sup>2</sup>**

### U.S. Structured Finance Portfolio



**\$22.1 billion<sup>1,2</sup>**

### Non-U.S. Portfolios Public & Structured Finance



**\$29.5 billion<sup>2</sup>**

1. Includes GICs. Please see the footnote on page 38.

2. Consolidated amounts include those of AG Re.

# Public Finance

## Puerto Rico Exposure



### Par Exposure to the Commonwealth and its Agencies

As of December 31, 2016

(\$ in millions)		Net Par Outstanding <sup>2,5</sup>	Gross Par Outstanding
Commonwealth Constitutionally Guaranteed	Commonwealth of Puerto Rico - General Obligation Bonds <sup>4</sup>	\$1,476	\$1,577
	Puerto Rico Public Buildings Authority (PBA) <sup>4</sup>	169	174
	<b>Subtotal</b>	<b>\$1,645</b>	<b>\$1,751</b>
Public Corporations – Certain Revenues Potentially Subject to Clawback	Puerto Rico Highways and Transportation Authority (PRHTA) (Transportation Revenue Bonds) <sup>3,4</sup>	\$918	\$949
	Puerto Rico Highways and Transportation Authority (PRHTA) (Highways Revenue Bonds) <sup>3</sup>	350	556
	Puerto Rico Convention Center District Authority (PRCCDA) <sup>3</sup>	152	152
	Puerto Rico Infrastructure Financing Agency (PRIFA) <sup>3,4</sup>	18	18
	<b>Subtotal</b>	<b>\$1,438</b>	<b>\$1,675</b>
Other Public Corporations	Puerto Rico Electric Power Authority (PREPA)	724	876
	Puerto Rico Aqueduct and Sewer Authority (PRASA)	373	373
	Puerto Rico Municipal Finance Agency (MFA)	334	488
	Puerto Rico Sales Tax Finance Corp. (COFINA)	271	271
	University of Puerto Rico (U of PR)	1	1
	<b>Subtotal</b>	<b>\$1,703</b>	<b>\$2,009</b>
	<b>Total<sup>1</sup></b>	<b>\$4,786</b>	<b>\$5,435</b>

1. AGL's consolidated net par outstanding is divided between its subsidiaries as follows: \$2.0 billion at AGM, \$1.7 billion at AGC, \$1.1 billion at AG Re, and \$0 at MAC. A portion of the subsidiary level exposure is eliminated upon consolidation due to instances where one subsidiary's insured bonds were previously insured by another subsidiary.
2. Includes exposure to Capital Appreciation Bonds with a current aggregate net par outstanding of \$31 million and a fully accreted net par at maturity of \$63 million. Of these amounts, current net par of \$19 million and fully accreted net par at maturity of \$50 million relate to Puerto Rico Sales Tax Financing Corporation, current net par of \$7 million and fully accreted net par at maturity of \$7 million relate to the PRHTA, and current net par of \$5 million and fully accreted net par at maturity of \$5 million relate to the Commonwealth General Obligation Bonds.
3. The Governor of Puerto Rico issued executive orders on November 30, 2015, and December 8, 2015, directing the Puerto Rico Department of Treasury and the Puerto Rico Tourism Company to retain or transfer certain taxes and revenues pledged to secure the payment of bonds issued by PRHTA, PRIFA and PRCCDA. On January 7, 2016, the Company sued various Puerto Rico governmental officials in the United States District Court, District of Puerto Rico asserting that this attempt to "claw back" pledged tax revenues is not needed to pay General Obligation debt service and therefore unconstitutional, and demanding declaratory and injunctive relief. On October 14, 2016, the Commonwealth defendants filed a notice of automatic stay under the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA).
4. As of the date of the Company's 2016 Annual Report on 10-K filing, the Company has paid claims on these credits.
5. The general obligation bonds of Puerto Rico and various obligations of its related authorities and public corporations are rated triple-C or below.

### Scheduled Net Par Amortization of Exposure to the Commonwealth and its Agencies<sup>1</sup>

As of December 31, 2016

(\$ in millions)	1Q 2017	2Q 2017	3Q 2017	4Q 2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027- 2031	2032- 2036	2037- 2041	2042- 2047	Total
<b>Commonwealth Constitutionally Guaranteed</b>																		
Commonwealth – GO	\$0	\$0	\$93	\$0	\$75	\$82	\$136	\$16	\$36	\$15	\$73	\$68	\$34	\$254	\$489	\$105	\$-	\$1,476
PBA	-	-	28	-	-	3	5	13	0	6	0	7	11	42	54	-	-	169
<b>Subtotal</b>	<b>\$0</b>	<b>\$0</b>	<b>\$121</b>	<b>\$0</b>	<b>\$75</b>	<b>\$85</b>	<b>\$141</b>	<b>\$29</b>	<b>\$36</b>	<b>\$21</b>	<b>\$73</b>	<b>\$75</b>	<b>\$45</b>	<b>\$296</b>	<b>\$543</b>	<b>\$105</b>	<b>\$-</b>	<b>\$1,645</b>
<b>Public Corporations – Certain Revenues Potentially Subject to Clawback</b>																		
PRHTA (Transportation Revenue)	\$0	\$0	\$36	\$0	\$38	\$32	\$25	\$18	\$28	\$34	\$4	\$29	\$24	\$156	\$295	\$194	\$5	\$918
PRHTA (Highways Revenue)	-	-	10	-	10	21	22	26	6	8	8	8	0	62	169	-	-	350
PRCCDA	-	-	-	-	-	-	-	-	-	-	-	-	-	19	133	-	-	152
PRIFA	-	-	-	-	2	-	-	-	-	2	-	-	-	-	-	14	-	18
<b>Subtotal</b>	<b>\$0</b>	<b>\$0</b>	<b>\$46</b>	<b>\$0</b>	<b>\$50</b>	<b>\$53</b>	<b>\$47</b>	<b>\$44</b>	<b>\$34</b>	<b>\$44</b>	<b>\$12</b>	<b>\$37</b>	<b>\$24</b>	<b>\$237</b>	<b>\$597</b>	<b>\$208</b>	<b>\$5</b>	<b>\$1,438</b>
<b>Other Public Corporations</b>																		
PREPA	\$0	\$0	\$5	\$-	\$4	\$25	\$42	\$21	\$22	\$81	\$78	\$52	\$89	\$279	\$26	\$0	\$-	\$724
PRASA	-	-	-	-	-	-	-	-	-	-	2	25	26	57	-	2	261	373
MFA	-	-	48	-	47	44	37	33	33	16	12	12	25	27	-	-	-	334
COFINA	0	0	0	0	(1)	(1)	(1)	(2)	(2)	1	0	(2)	(2)	(7)	34	102	152	271
U of PR	-	-	0	-	0	0	0	0	0	0	0	0	0	0	1	-	-	1
<b>Subtotal</b>	<b>\$0</b>	<b>\$0</b>	<b>\$53</b>	<b>\$0</b>	<b>\$50</b>	<b>\$68</b>	<b>\$78</b>	<b>\$52</b>	<b>\$53</b>	<b>\$98</b>	<b>\$92</b>	<b>\$87</b>	<b>\$138</b>	<b>\$356</b>	<b>\$61</b>	<b>\$104</b>	<b>\$413</b>	<b>\$1,703</b>
<b>Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$220</b>	<b>\$0</b>	<b>\$175</b>	<b>\$206</b>	<b>\$266</b>	<b>\$125</b>	<b>\$123</b>	<b>\$163</b>	<b>\$177</b>	<b>\$199</b>	<b>\$207</b>	<b>\$889</b>	<b>\$1,201</b>	<b>\$417</b>	<b>\$418</b>	<b>\$4,786</b>

1. Includes exposure to Capital Appreciation Bonds with a current aggregate net par outstanding of \$31 million and a fully accreted net par at maturity of \$63 million. Of these amounts, current net par of \$19 million and fully accreted net par at maturity of \$50 million relate to Puerto Rico Sales Tax Financing Corporation, current net par of \$7 million and fully accreted net par at maturity of \$7 million relate to the PRHTA, and current net par of \$5 million and fully accreted net par at maturity of \$5 million relate to the Commonwealth General Obligation Bonds.

### Scheduled Net Debt Service Amortization of Exposure to the Commonwealth and its Agencies<sup>1</sup>

As of December 31, 2016

(\$ in millions)	1Q 2017	2Q 2017	3Q 2017	4Q 2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027- 2031	2032- 2036	2037- 2041	2042- 2047	Total
<b>Commonwealth Constitutionally Guaranteed</b>																		
Commonwealth – GO	\$38	\$0	\$131	\$0	\$146	\$150	\$200	\$73	\$93	\$69	\$127	\$118	\$81	\$445	\$595	\$112	\$-	\$2,378
PBA	4	-	32	-	7	10	13	20	6	13	6	12	17	58	62	-	-	260
<b>Subtotal</b>	<b>\$42</b>	<b>\$0</b>	<b>\$163</b>	<b>\$0</b>	<b>\$153</b>	<b>\$160</b>	<b>\$213</b>	<b>\$93</b>	<b>\$99</b>	<b>\$82</b>	<b>\$133</b>	<b>\$131</b>	<b>\$98</b>	<b>\$503</b>	<b>\$657</b>	<b>\$112</b>	<b>\$-</b>	<b>\$2,638</b>
<b>Public Corporations – Certain Revenues Potentially Subject to Clawback</b>																		
PRHTA (Transportation Revenue)	\$24	\$0	\$60	\$0	\$84	\$76	\$67	\$59	\$68	\$72	\$41	\$65	\$59	\$308	\$404	\$229	\$5	\$1,621
PRHTA (Highways Revenue)	10	-	19	-	29	39	39	42	20	21	21	21	13	120	196	-	-	590
PRCCDA	3	-	4	-	7	7	7	7	7	7	7	7	7	50	151	-	-	271
PRIFA	0	-	0	-	3	1	1	1	1	3	1	1	1	4	3	15	-	35
<b>Subtotal</b>	<b>\$37</b>	<b>\$0</b>	<b>\$83</b>	<b>\$0</b>	<b>\$123</b>	<b>\$123</b>	<b>\$114</b>	<b>\$109</b>	<b>\$96</b>	<b>\$103</b>	<b>\$70</b>	<b>\$94</b>	<b>\$80</b>	<b>\$482</b>	<b>\$754</b>	<b>\$244</b>	<b>\$5</b>	<b>\$2,517</b>
<b>Other Public Corporations</b>																		
PREPA	\$15	\$2	\$20	\$2	\$37	\$58	\$74	52	50	109	102	72	107	322	29	0	-	1,051
PRASA	10	-	10	-	20	19	19	19	19	19	21	44	44	129	68	70	327	838
MFA	8	-	57	-	62	56	47	40	39	21	16	15	27	30	-	-	-	418
COFINA	6	0	6	0	13	13	13	13	13	15	15	13	13	68	103	162	160	626
U of PR	0	-	0	-	0	0	0	0	0	0	0	0	0	0	1	-	-	1
<b>Subtotal</b>	<b>\$39</b>	<b>\$2</b>	<b>\$93</b>	<b>\$2</b>	<b>\$132</b>	<b>\$146</b>	<b>\$153</b>	<b>\$124</b>	<b>\$121</b>	<b>\$164</b>	<b>\$154</b>	<b>\$144</b>	<b>\$191</b>	<b>\$549</b>	<b>\$201</b>	<b>\$232</b>	<b>\$487</b>	<b>\$2,934</b>
<b>Total</b>	<b>\$118</b>	<b>\$2</b>	<b>\$339</b>	<b>\$2</b>	<b>\$408</b>	<b>\$429</b>	<b>\$480</b>	<b>\$326</b>	<b>\$316</b>	<b>\$349</b>	<b>\$357</b>	<b>\$368</b>	<b>\$369</b>	<b>\$1,534</b>	<b>\$1,612</b>	<b>\$588</b>	<b>\$492</b>	<b>\$8,089</b>

1. Includes exposure to Capital Appreciation Bonds with a current aggregate net par outstanding of \$31 million and a fully accreted net par at maturity of \$63 million. Of these amounts, current net par of \$19 million and fully accreted net par at maturity of \$50 million relate to Puerto Rico Sales Tax Financing Corporation, current net par of \$7 million and fully accreted net par at maturity of \$7 million relate to the PRHTA, and current net par of \$5 million and fully accreted net par at maturity of \$5 million relate to the Commonwealth General Obligation Bonds.

### Details of Assured Guaranty's Exposure to Detroit

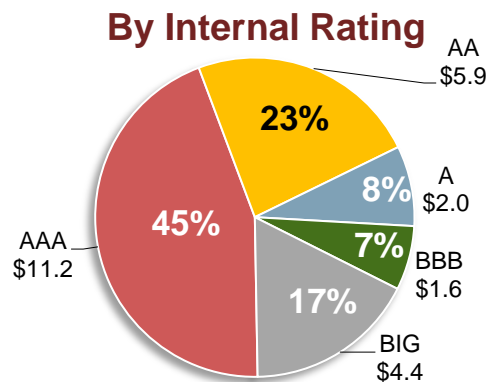
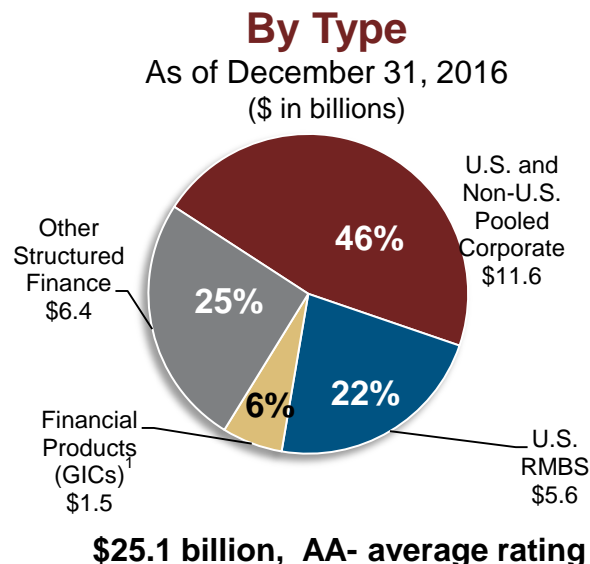
- **Municipal utilities exposure is \$446 million of water revenue bonds and \$1,054 million of sewer revenue bonds. Both the water and sewer systems provide services to areas that extend significantly beyond the City of Detroit boundaries.**
- **General obligation unlimited tax exposure has been resolved**
  - In 3Q-14, the settlement between the Company and City of Detroit regarding unlimited tax general obligation bonds was finalized. In December 2014, the City's plan of adjustment, which includes the terms of such settlement, became effective. At that time, investors exchanged 84.5% of the original general obligation bonds for newly issued bonds that are basically identical to the original bonds except that they have the benefit of additional pledged security and are issued by the Michigan Finance Authority. The remaining 15.5% of the general obligation bonds will be repaid solely by Assured Guaranty. After giving effect to post-petition payments made by Assured Guaranty on the general obligation bonds, the settlement results in an ultimate recovery to Assured Guaranty of approximately 74%.

### Details of Assured Guaranty's Exposure to Stockton

- **Net par exposure to Stockton is \$113 million of pension obligation bonds**
- **The City of Stockton's plan of adjustment, which became effective on February 25, 2015, includes the terms of the Company's settlement with Stockton, under which the Company receives net revenues from an office building and has the irrevocable option to take title to that building, and is entitled to certain fixed payments and certain variable payments contingent on Stockton's revenue growth.**

# Structured Finance Exposures

## Net Par Outstanding



- **We expect Assured Guaranty's global structured finance insured portfolio (\$25.1 billion as of December 31, 2016) to amortize rapidly — 40% expected to amortize by the end of 2017 and 49% by the end of 2018**
  - \$11.6 billion in global pooled corporate obligations expected to be reduced by 75% by year-end 2017 and by 82% by year-end 2018
  - \$5.6 billion in U.S. RMBS expected to be reduced by 16% by year-end 2017 and by 30% by year-end 2018
- **Assured Guaranty's total structured finance exposure of \$240.9 billion at December 31, 2007 has declined by \$215.8 billion to \$25.1 billion through December 31, 2016, a 90% reduction**

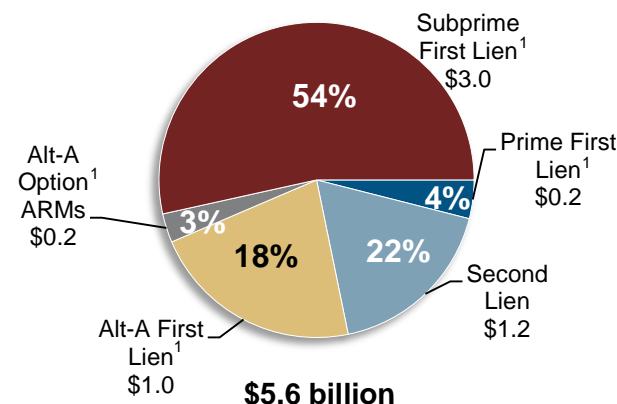
1. Assured Guaranty did not acquire Financial Security Assurance Holdings Ltd.'s financial products segment. Assured Guaranty and its subsidiaries are indemnified against exposure to such segment by Dexia. As of December 31, 2016, the aggregate accreted balance of the guaranteed investment contracts (GICs) was approximately \$1.5 billion. As of the same date, with respect to the assets supporting the GIC business, the aggregate accreted principal balance was approximately \$2.3 billion, the aggregate market value was approximately \$2.1 billion and the aggregate market value after agreed reductions was approximately \$1.5 billion. Cash and positive derivative value roughly offset the negative derivative values and other projected costs.

# Consolidated U.S. RMBS

- **Our \$5.6 billion U.S. RMBS portfolio is amortizing both on a dollar basis and as a percentage of the portfolio**
  - Total U.S. RMBS has declined from \$29.2 billion at December 31, 2009 to \$5.6 billion at December 31, 2016, a \$23.6 billion or 81% reduction
  - As of December 31, 2016, U.S. RMBS exposure excludes \$1.2 billion of net par as a result of loss mitigation strategies, including loss mitigation securities held in the investment portfolio
- **Our loss reserving methodology is driven by our assumptions on several factors:**
  - Liquidation rates
  - Conditional default rates
  - Conditional prepayment rates
  - Loss severity
- **We have significantly mitigated ultimate losses**
  - R&W putbacks, litigation and agreements
  - Wrapped bond purchases
  - Termination of insurance on BIG credits

## U.S. RMBS by Exposure Type

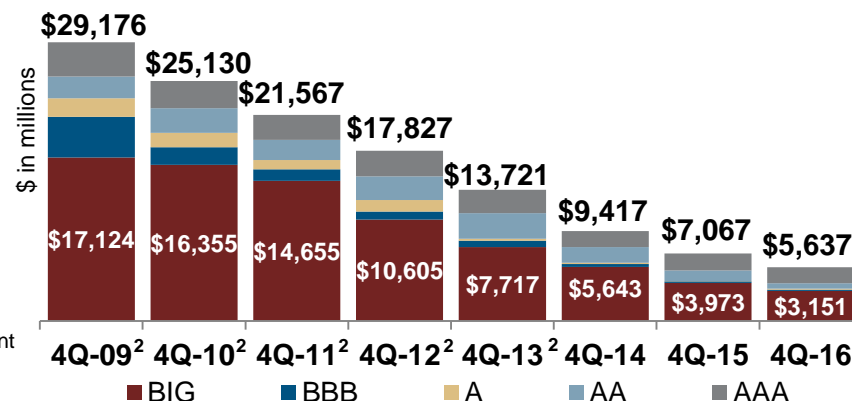
As of December 31, 2016  
(\$ in billions)



**\$5.6 billion**  
(1.9% of total net par outstanding)

## U.S. RMBS by Rating

Net Par Outstanding from December 31, 2009 to December 31, 2016



1. The Company has reclassified certain net par outstanding from below investment grade to investment grade due to collateralized reinsurance arrangements.

2. Gross of wrapped bond purchases made primarily for loss mitigation until 4Q-13

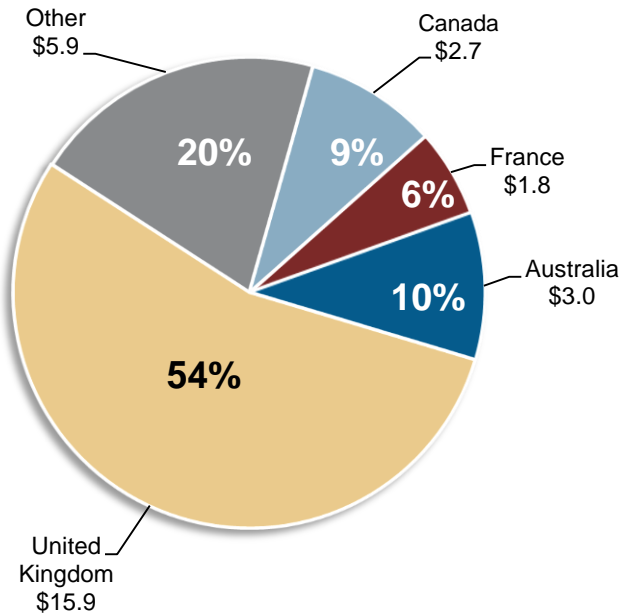
# Consolidated Non-U.S. Exposure

## Non-U.S. Public and Structured Finance



### Non-U.S. Exposure

As of December 31, 2016  
(\$ in billions)



**\$29.5 billion, A- average rating**

- **90% of non-U.S. exposure is Public Finance**
  - Direct sovereign debt is limited to Poland (\$208 million outstanding)
- **10% of non-U.S. exposure is Structured Finance**
  - Approximately 50% of that is to Pooled Corporates
  - 87% of non-U.S. Pooled Corporates are rated A or higher

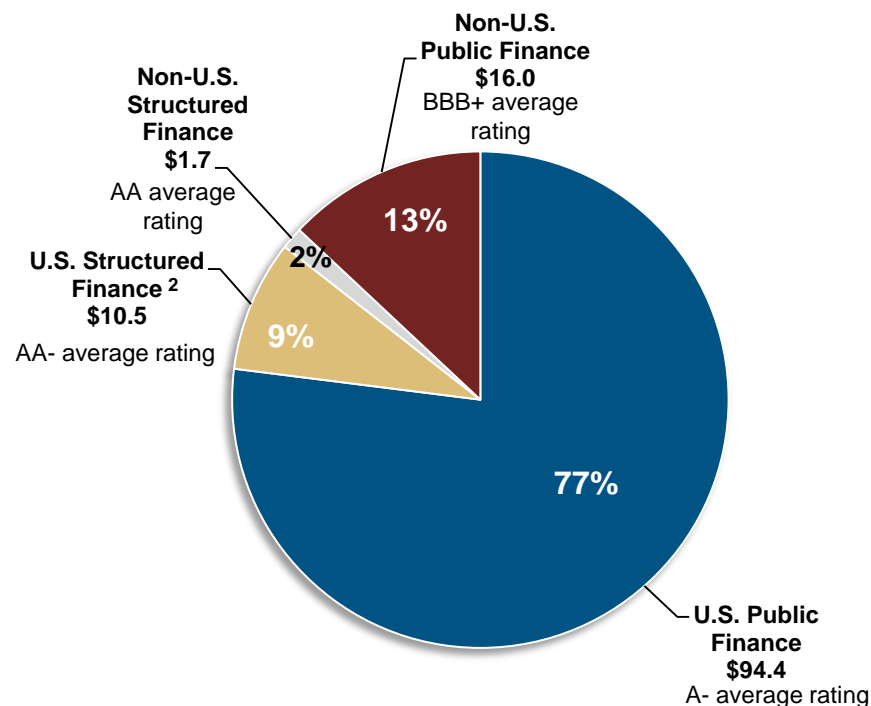
# AGM Portfolio Review

Eiffage CEVM / Foster + Partners / Jean-Pierre Lescourret

- **AGM's<sup>1</sup> portfolio is diversified by asset class**
  - 77% U.S. public finance
  - 9% U.S. structured finance
  - 13% Non-U.S. public finance
  - 2% Non-U.S. structured finance
- **The portfolio maintains a high overall credit rating despite downgrades in our U.S. RMBS portfolio as well as our Puerto Rico exposures**
  - A- average internal rating

### Net Par Outstanding<sup>1,2</sup>

As of December 31, 2016  
(\$ in billions)

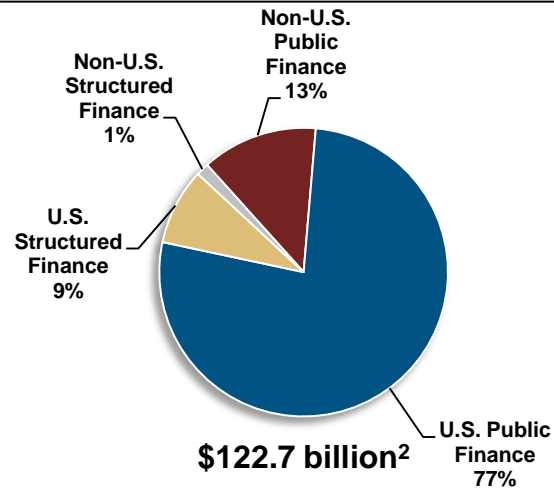


**\$122.7 billion, A- average rating**

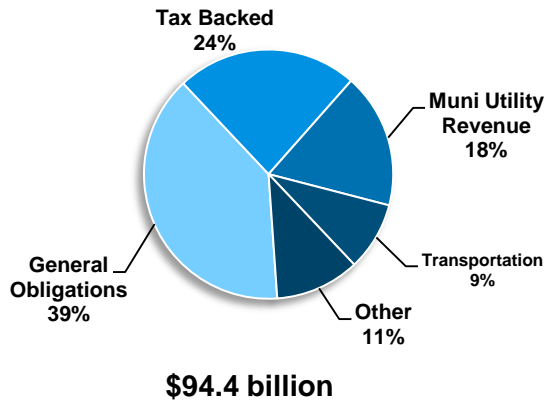
1. Please see page 3 for a definition of this convention.

2. Includes GICs. Please see the footnote on page 38.

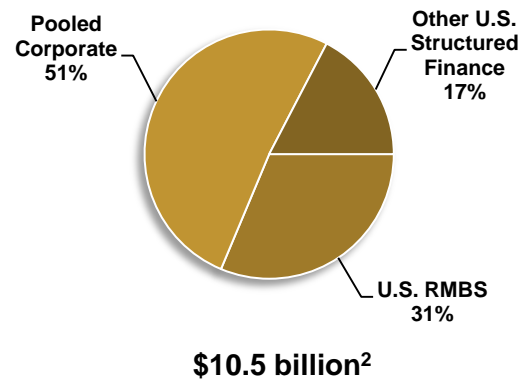
#### Portfolio Diversification by Sector



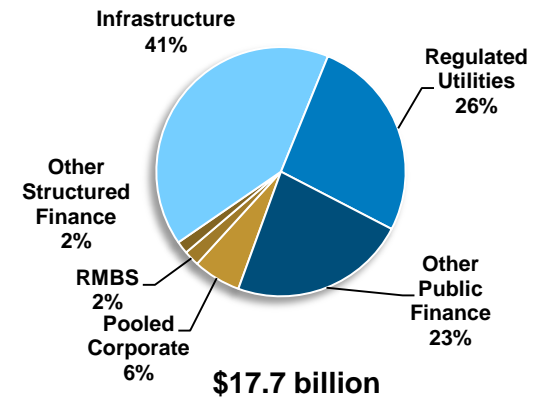
#### U.S. Public Finance Portfolio



#### U.S. Structured Finance Portfolio



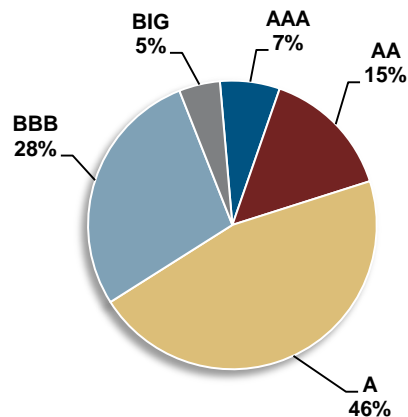
#### Non-U.S. Portfolios Public & Structured Finance



1. Please see page 3 for a definition of this convention.

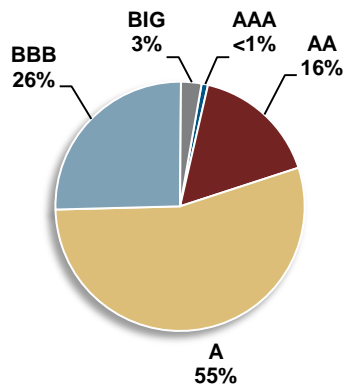
2. Includes GICs. Please see the footnote on page 38.

#### Portfolio Diversification by Rating



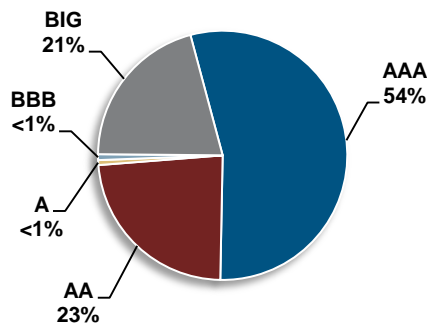
\$122.7 billion<sup>2</sup>

#### U.S. Public Finance Portfolio



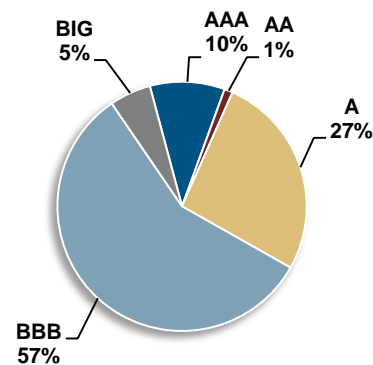
\$94.4 billion

#### U.S. Structured Finance Portfolio



\$10.5 billion<sup>2</sup>

#### Non-U.S. Portfolios Public & Structured Finance



\$17.7 billion

1. Please see page 3 for a definition of this convention.

2. Includes GICs. Please see the footnote on page 38.

## Net Par Outstanding By Asset Type

(\$ in millions)

	Net Par Outstanding	Avg. Internal Rating		Net Par Outstanding	Avg. Internal Rating
<b>U.S. public finance:</b>			<b>U.S. structured finance:</b>		
General obligation	\$ 36,920	A-	Pooled corporate obligations	\$ 5,395	AAA
Tax backed	22,226	A-	RMBS	3,293	BB
Municipal utilities	16,539	A-	Financial products <sup>4</sup>	1,540	AA-
Transportation	8,397	A-	Consumer receivables	113	B+
Healthcare	5,059	A	Commercial receivables	24	BBB-
Higher education	2,963	A	Other structured finance <sup>3</sup>	149	AA-
Housing	860	A-	Total U.S. structured finance	10,514	AA-
Infrastructure finance	575	BBB			
Other public finance <sup>2</sup>	890	A+	<b>Non-U.S. structured finance:</b>		
Total U.S. public finance	94,429	A-	Pooled corporate obligations	1,099	AA+
<b>Non-U.S. public finance:</b>			RMBS	357	BBB+
Infrastructure finance	7,216	BBB	Other structured finance	287	AAA
Regulated utilities	4,685	BBB+	Total non-U.S. structured finance	1,743	AA
Other public finance	4,063	A	<b>Total structured finance</b>	<b>\$ 12,257</b>	<b>AA-</b>
Total non-U.S. public finance	15,964	BBB+			
<b>Total public finance</b>	<b>\$ 110,392</b>	<b>A-</b>	<b>Total net par outstanding</b>	<b>\$ 122,650</b>	<b>A-</b>

1. Please see page 3 for a definition of this convention.

2. Includes investor-owned utilities.

3. Includes structured credit.

4. Includes GICs. Please see the footnote on page 38.

# Reinsurance

AGM<sup>1</sup> Has Ceded 6% of Its Gross Insured Portfolio to a Diversified Group of Non-Affiliated Reinsurers and Other Monolines



## AGM's<sup>1</sup> Total Gross Par Outstanding:

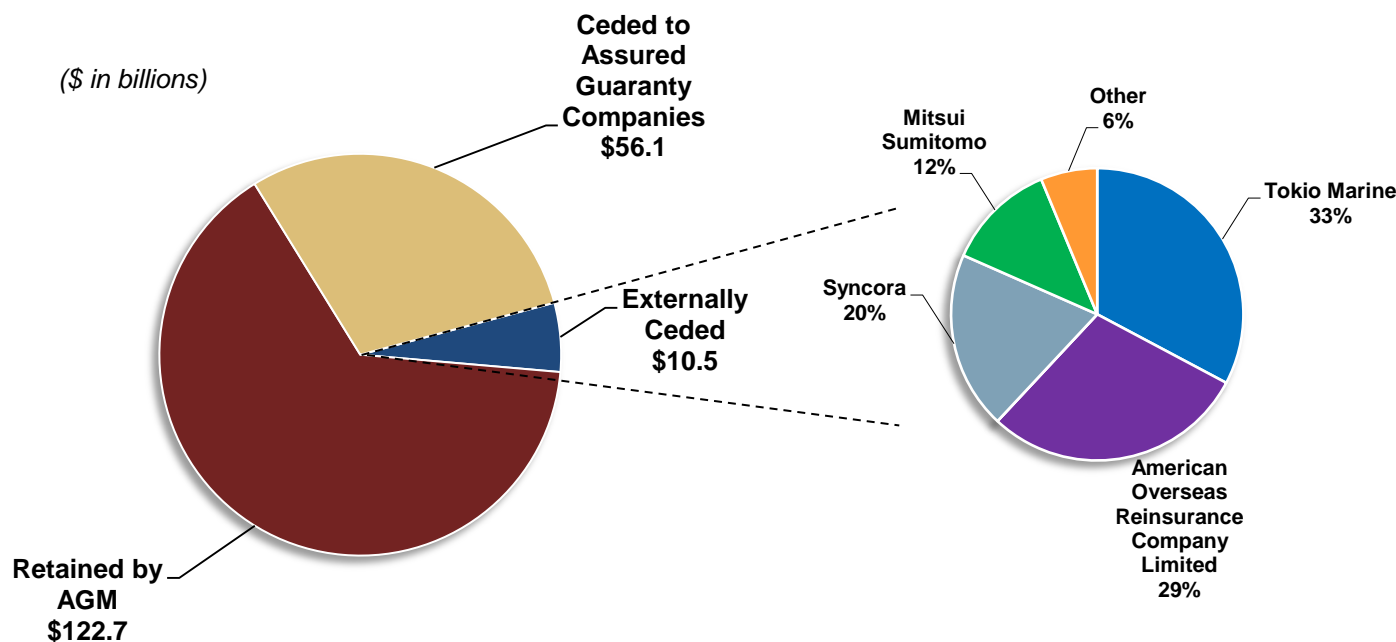
**\$189.3 billion**

As of December 31, 2016

## Externally Ceded Par Outstanding:

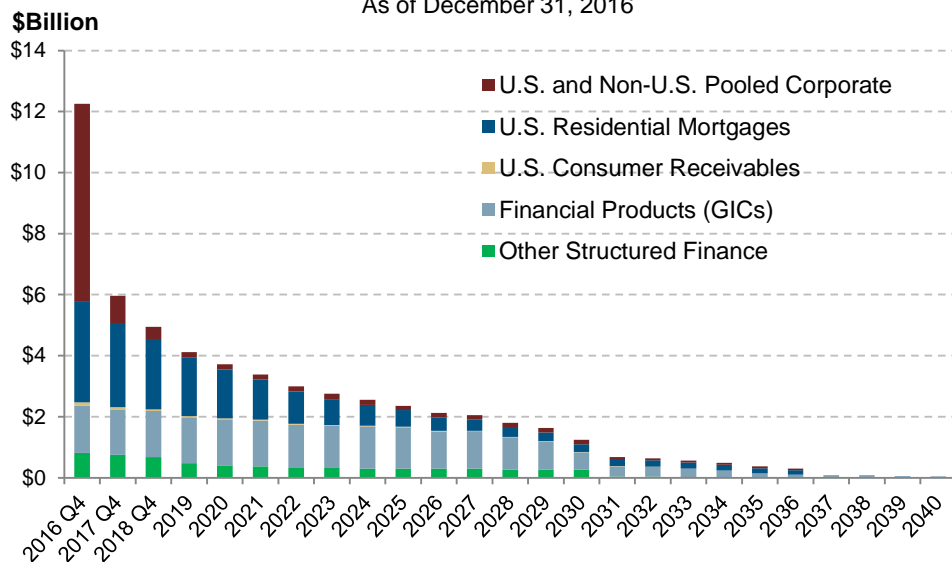
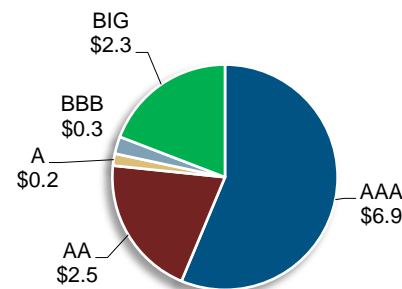
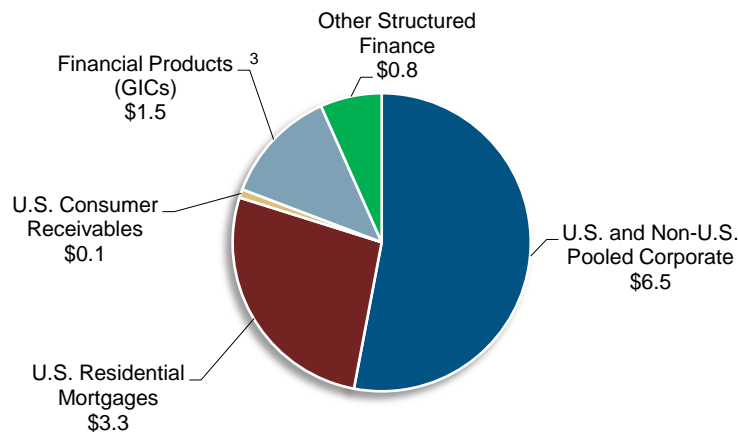
**\$10.5 billion (6%)**

As of December 31, 2016



1. Please see page 3 for a definition of this convention and the appendix for a reconciliation to the corresponding GAAP value.

# AGM<sup>1</sup> Amortization of Global Insured Structured Finance Portfolio



- We expect AGM's legacy global structured finance insured portfolio (\$12.3 billion as of December 31, 2016 versus \$127.3 billion as of September 30, 2008) to run off rapidly — 51% by year-end 2017 and 66% by year-end 2019.<sup>1</sup>
  - \$6.5 billion in global pooled corporate obligations expected to be reduced by 86% by year-end 2017 and by 97% by year-end 2019
  - \$3.3 billion in U.S. RMBS expected to be reduced by 16% by year-end 2017 and by 42% by year-end 2019
  - \$0.1 billion in U.S. consumer receivable obligations expected to be reduced by 35% by year-end 2017 and by 58% by year-end 2019
  - \$0.8 billion in other structured finance (excluding FP) expected to be reduced by 8% by year-end 2017 and by 42% by year-end 2019
- Former FP business not part of Assured Guaranty's purchase; we are indemnified against exposure to the FP business by Dexia. In addition, Assured Guaranty also has been protected by guaranties issued by the French and Belgian governments with respect to the GIC portion of the FP business.
  - \$1.5 billion in GICs expected to be reduced by 3% by year-end 2017 and by 2% by year-end 2019

1. Please see page 3 for a definition of this convention.

2. Please see footnote 3 on page 12.

3. Please see the footnote on page 38.

- **AGM's<sup>1</sup> U.S. RMBS portfolio is amortizing on an absolute basis and has declined as a percentage of the portfolio**

- \$3.3 billion net par outstanding versus \$17.1 billion at year-end 2008, a decrease of 81%
- 2.7% of total net par outstanding versus 4.0% at year-end 2008
- No U.S. RMBS underwritten since January 2008

- **We have significantly mitigated ultimate losses**

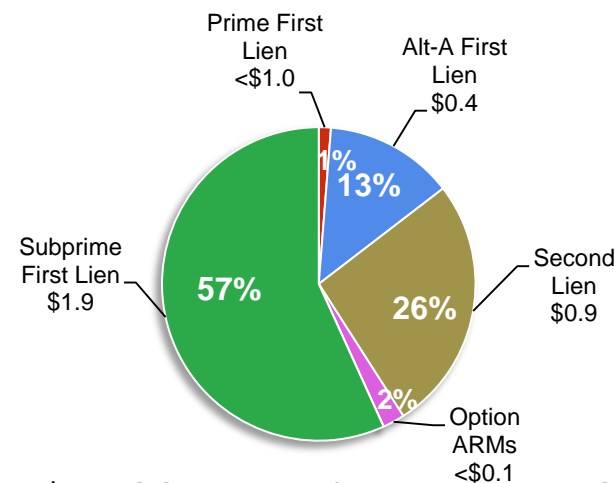
- R&W putbacks, litigation and agreements
- Wrapped bond purchases
- Terminations of below investment grade credits

1. Please see page 3 for a definition of this convention.

2. Please see footnote 2 on page 39.

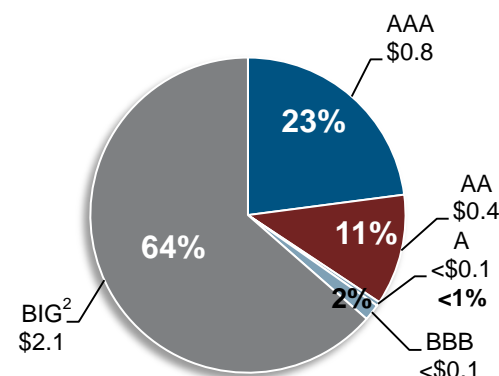
## By Type

As of December 31, 2016  
(\$ in billions)



**\$3.3 billion, 2.7% of net par outstanding**

## By Rating



# AGM<sup>1</sup> Non-RMBS Exposure

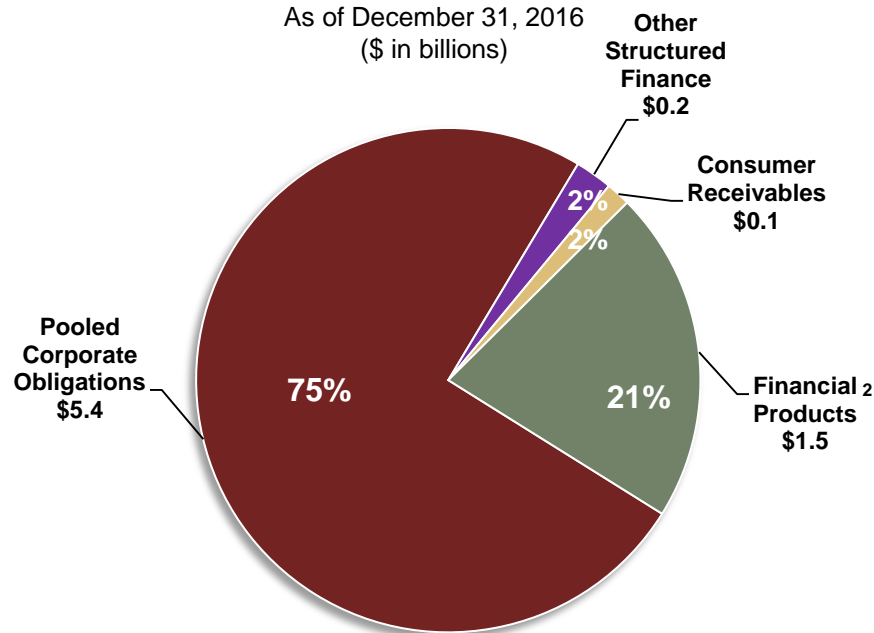
## U.S. Structured Finance



- **75% of AGM's<sup>1</sup> non-RMBS U.S. structured finance portfolio consists of pooled corporate obligations**
  - 100% of U.S. pooled corporate exposure is of at least AA quality
- **Non-RMBS U.S. structured finance credit experience has been generally strong given the economic stress caused by the financial crisis**

### U.S. Non-RMBS Structured Finance

As of December 31, 2016  
(\$ in billions)



**\$7.2 billion net par outstanding**

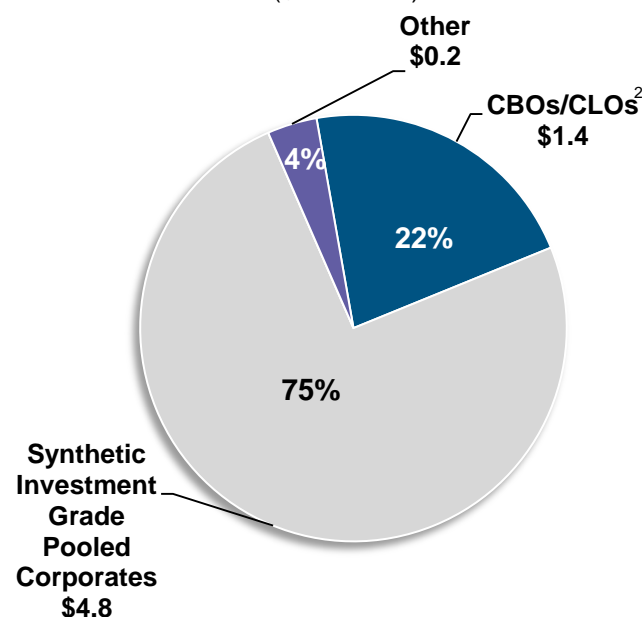
1. Please see page 3 for a definition of this convention.

2. Please see the footnote on page 38.

- **AGM's<sup>1</sup> pooled corporate exposure is generally highly rated and well protected**
  - Average current credit enhancement of 23.4%
  - 90% rated AAA
  - AAA average rating
  - 2% rated BIG

## Pooled Corporate Obligations By Asset Class

December 31, 2016  
(\$ in billions)

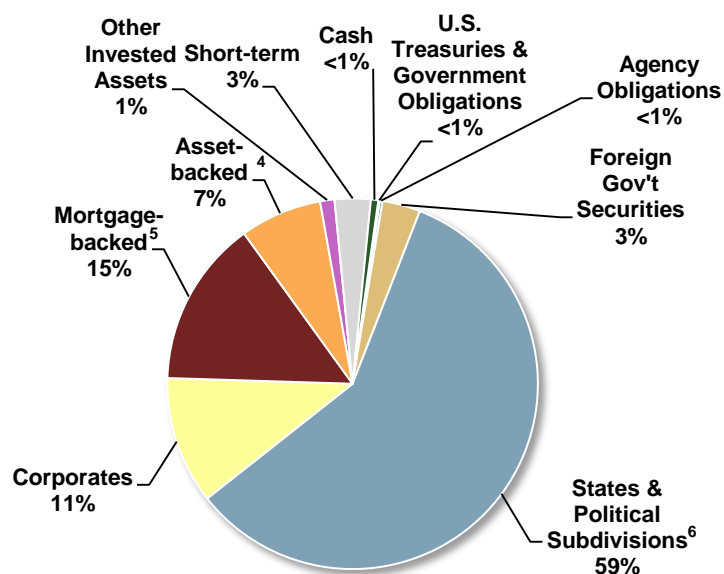


**\$6.5 billion net par outstanding**

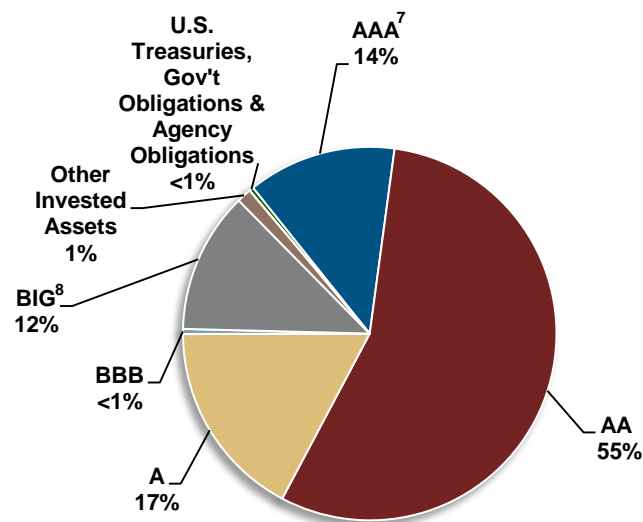
1. Please see page 3 for a definition of this convention and the appendix for a reconciliation to the corresponding GAAP value.

2. CBOs are collateralized bond obligations. CLOs are collateralized loan obligations.

#### Total Invested Assets and Cash<sup>2</sup> By Category



#### Total Invested Assets and Cash<sup>2,3</sup> By Rating



**Total = \$4.5 billion**

1. Please see page 3 for a definition of this convention and the appendix for a reconciliation to the corresponding GAAP value.

2. Includes fixed maturity securities, short-term investments, cash and Other Invested Assets.

3. Ratings are represented by the lower of the Moody's and S&P classifications except for securities purchased or obtained as part of loss mitigation or other risk management strategies, which use internal ratings classifications.

4. Included in the asset-backed category are securities purchased or obtained as part of loss mitigation or other risk management strategies with a fair value of \$294 million. The remaining securities have a fair value of \$31 million and an average rating of AAA.

5. Included in the mortgage-backed category are securities purchased or obtained as part of loss mitigation or other risk management strategies with a fair value of \$327 million and agency-backed securities with a fair value of \$105 million. The remaining securities have a fair value of approximately \$230 million and an average rating of AAA.

6. Included in the states & political subdivisions category are securities purchased or obtained as part of loss mitigation or other risk management strategies with a fair value of \$36 million.

7. Included in the AAA category are short-term securities and cash.

8. Included in the BIG category are securities purchased or obtained as part of loss mitigation or other risk management strategies with a fair value of \$550 million.

# AGM Consolidated<sup>1</sup> Expected Loss and Loss Adjustment Expense (LAE) to Be Paid As of December 31, 2016



(\$ in millions)

Rollforward of Net Expected Loss and LAE to be Paid for the Three Months Ended December 31, 2016

	Net Expected Loss to be Paid (Recovered) as of September 30, 2016	Economic Loss Development During 4Q-16	(Paid) Recovered Losses During 4Q-16	Net Expected Loss to be Paid (Recovered) as of December 31, 2016
Public Finance:				
U.S. public finance	\$264	\$60	\$(1)	\$323
Non-U.S. public finance	24	(3)	—	21
Public Finance:	<u>288</u>	<u>57</u>	<u>(1)</u>	<u>344</u>
Structured Finance:				
U.S. RMBS <sup>2</sup>	105	38	4	147
Other structured finance	17	(1)	0	16
Structured Finance	<u>122</u>	<u>37</u>	<u>4</u>	<u>163</u>
<b>Total</b>	<b><u>\$410</u></b>	<b><u>\$94</u></b>	<b><u>\$3</u></b>	<b><u>\$507</u></b>

Expected loss to be paid in the table above represents the PV of expected net claims payments and reimbursements. A reserve and corresponding loss expense is generally recognized in the period and for the amount that expected losses exceed unearned premium reserve. See Notes to the financial statements in the 2016 AGL Form 10-K for a complete discussion of the accounting policy for financial guaranty insurance and credit derivative contracts.

1. Please see page 3 for a definition of this convention.

2. Includes future net R&W recoverable (payable) of \$(41) million as of December 31, 2016 and \$(72) million as of September 30, 2016.

# AGM Consolidated<sup>1</sup> Expected Loss and Loss Adjustment Expense (LAE) to Be Paid As of December 31, 2016



(\$ in millions)

## Rollforward of Net Expected Loss and LAE to be Paid for the Year Ended December 31, 2016

	Net Expected Loss to be Paid (Recovered) as of December 31, 2015	Economic Loss Development During 2016	(Paid) Recovered Losses During 2016	Net Expected Loss to be Paid (Recovered) as of December 31, 2016
Public Finance:				
U.S. public finance	\$214	\$184	\$(75)	\$323
Non-U.S. public finance	26	(5)	—	21
Public Finance:	<u>240</u>	<u>179</u>	<u>(75)</u>	<u>344</u>
Structured Finance:				
U.S. RMBS <sup>2</sup>	302	(72)	(83)	147
Other structured finance	<u>23</u>	<u>(6)</u>	<u>(1)</u>	<u>16</u>
Structured Finance	<u>325</u>	<u>(78)</u>	<u>(84)</u>	<u>163</u>
<b>Total</b>	<b><u>\$565</u></b>	<b><u>\$101</u></b>	<b><u>\$(159)</u></b>	<b><u>\$507</u></b>

Expected loss to be paid in the table above represents the PV of expected net claims payments and reimbursements. A reserve and corresponding loss expense is generally recognized in the period and for the amount that expected losses exceed unearned premium reserve. See Notes to the financial statements in the 2016 AGL Form 10-K for a complete discussion of the accounting policy for financial guaranty insurance and credit derivative contracts.

1. Please see page 3 for a definition of this convention.

2. Includes future net R&W recoverable (payable) of \$(41) million as of December 31, 2016 and \$62 million as of December 31, 2015.



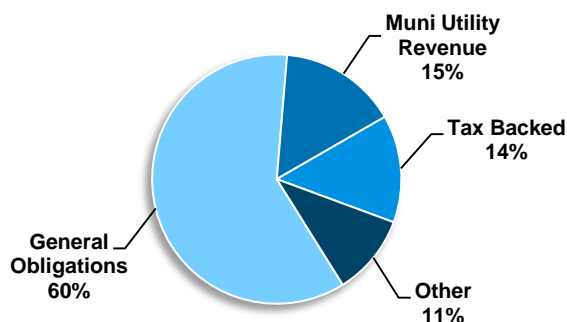
# Municipal Assurance Corp. Portfolio Review

# MAC

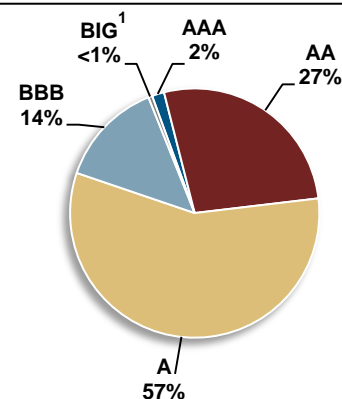
Insured Portfolio (100% U.S. Public Finance)  
Net Par Outstanding as of December 31, 2016

ASSURED  
GUARANTY®

## Portfolio Diversification by Sector



## Portfolio Diversification by Rating



**\$56.6 billion**

## Net Par Outstanding By Asset Type (\$ in millions)

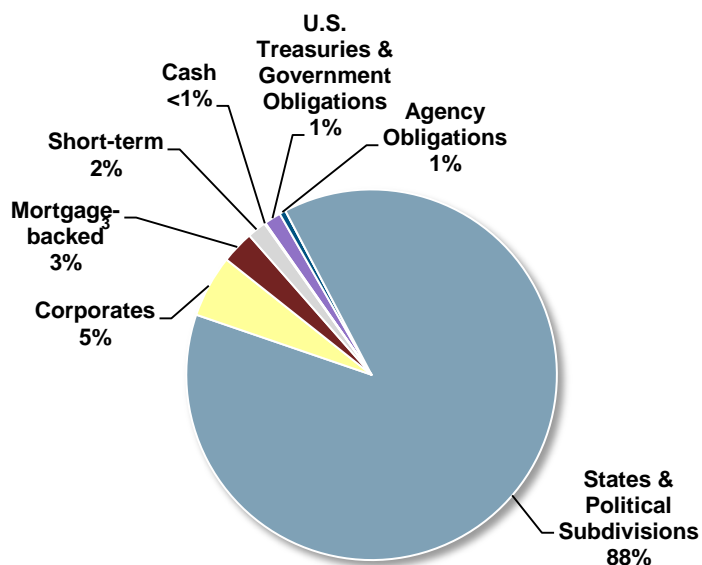
	Net Par Outstanding	Avg. Internal Rating
<b>U.S. public finance:</b>		
General obligation	\$ 34,106	A
Municipal utilities	8,698	A
Tax backed	7,900	A+
Higher Education	2,516	A
Transportation	2,493	A-
Housing	256	A+
Other public finance	671	A
<b>Total U.S. public finance</b>	<b>\$ 56,640</b>	<b>A</b>

## Net Par Outstanding By State (\$ in millions)

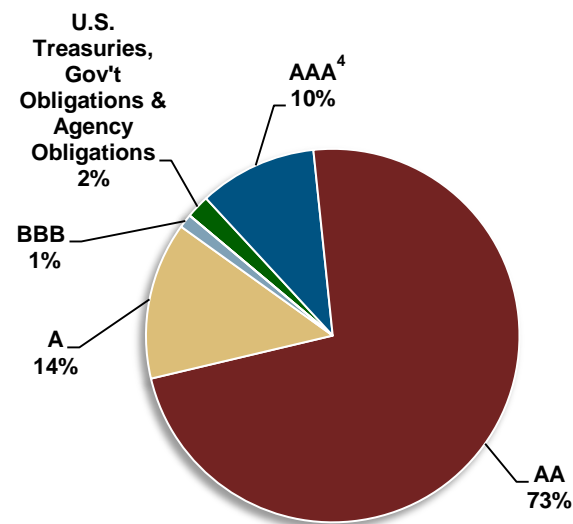
	Net Par Outstanding	% of Total
California	\$ 9,728	17.2%
Texas	6,323	11.2
Pennsylvania	4,232	7.5
Illinois	3,837	6.8
New York	3,559	6.3
Michigan	2,195	3.9
New Jersey	2,162	3.8
Florida	2,155	3.8
Ohio	1,793	3.2
Alabama	1,402	2.4
Other states	19,254	33.9
<b>Total U.S. public finance</b>	<b>\$ 56,640</b>	<b>100.0%</b>

1. A total of \$279 million net par outstanding; consists of 16 revenue sources rated in the BB and B categories.

**Total Invested Assets and Cash<sup>1</sup>  
By Category**



**Total Invested Assets and Cash<sup>1,2</sup>  
By Rating**



**Total = \$1.1 billion**

1. Includes fixed maturity securities, short-term investments and cash.

2. Ratings are represented by the lower of the Moody's and S&P classifications.

3. Included in the mortgage-backed category are agency-backed securities with a fair value of \$11 million. The remaining securities have a fair value of \$20 million and an average rating of AAA.

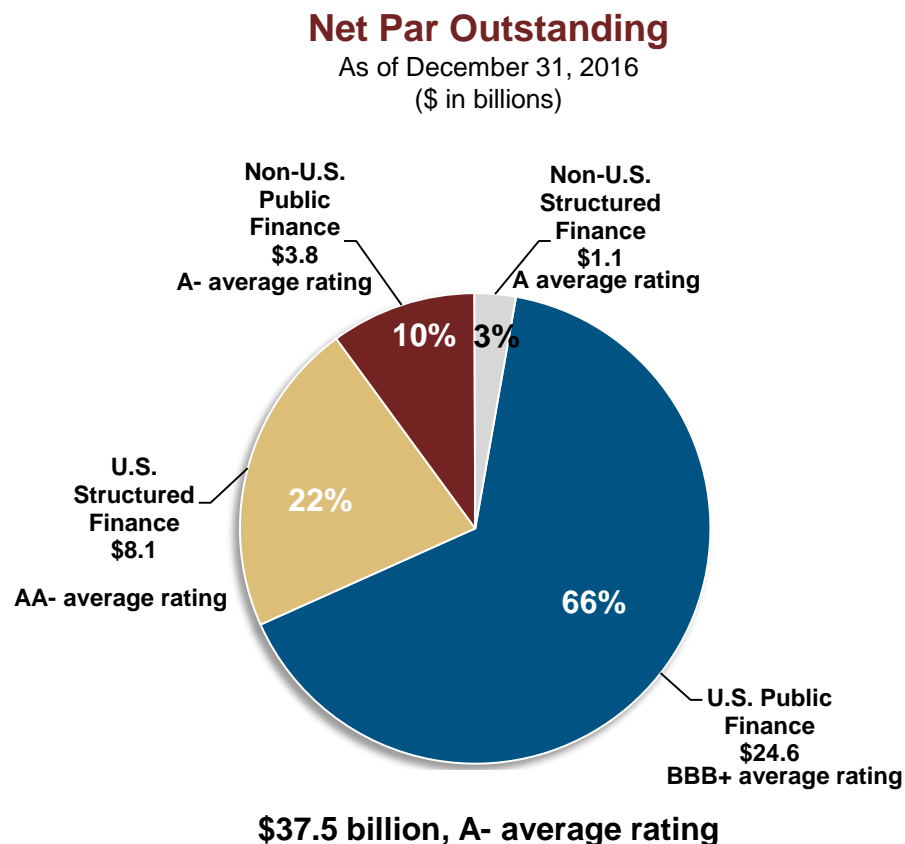
4. Included in the AAA category are short-term securities and cash.

The background of the slide is a photograph of a modern cable-stayed bridge. The bridge has a white deck and numerous white cables fanning out from a central pylon. The bridge is set against a clear blue sky and a body of water. The image is partially obscured by a white rectangular box containing the title text.

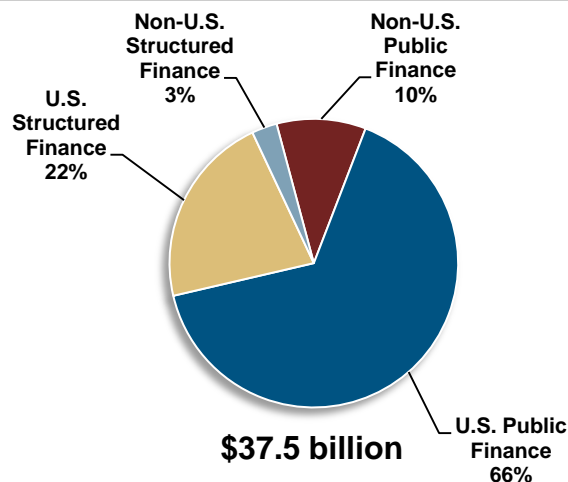
# Assured Guaranty Corp. Portfolio Review

Eiffage CEVM / Foster + Partners / Jean-Pierre Lescourret

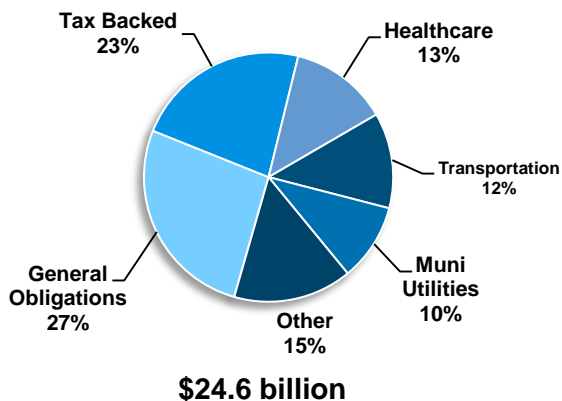
- **AGC's portfolio is diversified by asset class**
  - 66% U.S. public finance
  - 22% U.S. structured finance
  - 10% Non-U.S. public finance
  - 3% Non-U.S. structured finance
- **The portfolio maintains a high overall credit rating despite our Puerto Rico exposures**
  - Average internal rating of A-
- **The AGC portfolio information presented here includes the impact of the acquisition and subsequent merger of CIFG into AGC, which occurred on July 1, 2016, but does not include the impact of AGC's acquisition of MBIA UK, now called Assured Guaranty (London) Ltd., which was completed on January 10, 2017**



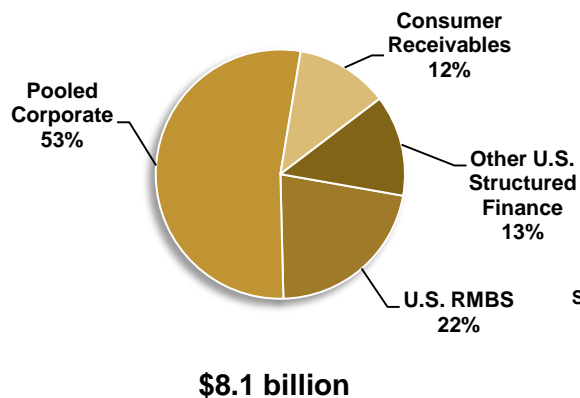
#### Portfolio Diversification by Sector



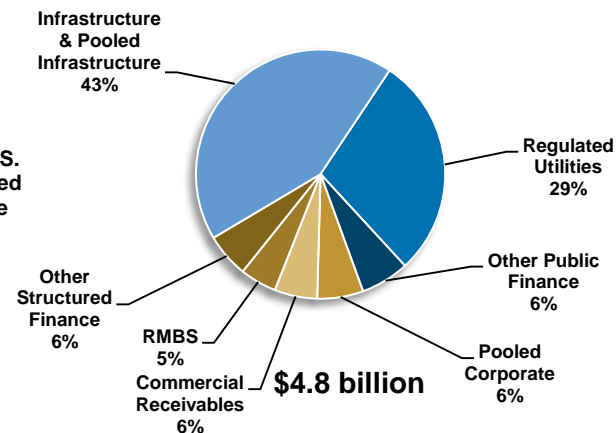
#### U.S. Public Finance Portfolio



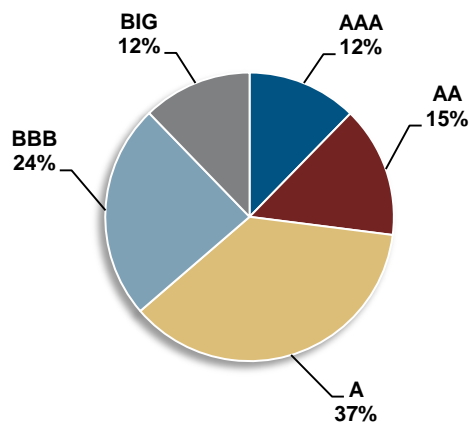
#### U.S. Structured Finance Portfolio



#### Non-U.S. Portfolios Public & Structured Finance

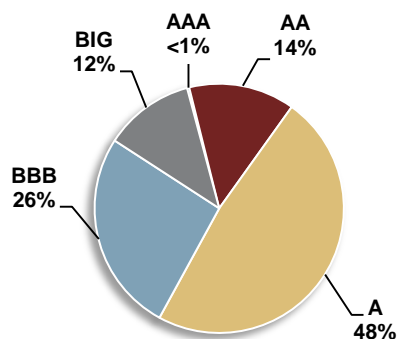


#### Portfolio Diversification by Rating



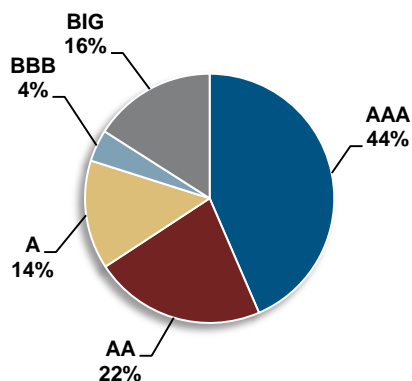
**\$37.5 billion**

#### U.S. Public Finance Portfolio



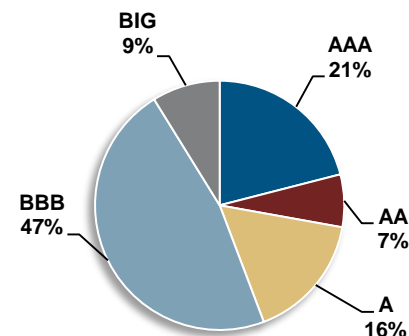
**\$24.6 billion**

#### U.S. Structured Finance Portfolio



**\$8.1 billion**

#### Non-U.S. Portfolios Public & Structured Finance



**\$4.8 billion**

## Net Par Outstanding By Asset Type

(\$ in millions)

	Net Par Outstanding	Avg. Internal Rating		Net Par Outstanding	Avg. Internal Rating
<b>U.S. public finance:</b>			<b>U.S. structured finance:</b>		
General obligation	\$ 6,546	BBB+	Pooled corporate obligations	\$ 4,305	AA+
Tax backed	5,599	BBB	RMBS	1,774	BBB+
Healthcare	3,147	A-	Consumer receivables	979	A
Transportation	3,048	A-	Insurance securitization	736	A
Municipal utilities	2,466	BBB+	Commercial receivables	111	BBB
Higher education	1,404	BBB+	CMBS and other commercial real estate related exposures	37	A
Infrastructure finance	1,330	BBB+	Other structured finance	181	A
Investor-owned utilities	307	A-	Total U.S. structured finance	8,123	AA-
Housing	152	BBB			
Other public finance	592	A-	<b>Non-U.S. structured finance:</b>		
Total U.S. public finance	24,591	BBB+	Pooled corporate obligations	289	A+
<b>Non-U.S. public finance:</b>			Commercial receivables	267	A-
Regulated utilities	1,388	A-	RMBS	229	AA-
Infrastructure finance	1,365	BBB	Other structured finance	276	BBB+
Pooled infrastructure	702	AAA	Total non-U.S. structured finance	1,061	A
Other public finance	303	A	<b>Total structured finance</b>	<b>\$ 9,184</b>	<b>AA-</b>
Total non-U.S. public finance	3,758	A-			
<b>Total public finance</b>	<b>\$ 28,349</b>	<b>BBB+</b>	<b>Total net par outstanding</b>	<b>\$ 37,533</b>	<b>A-</b>

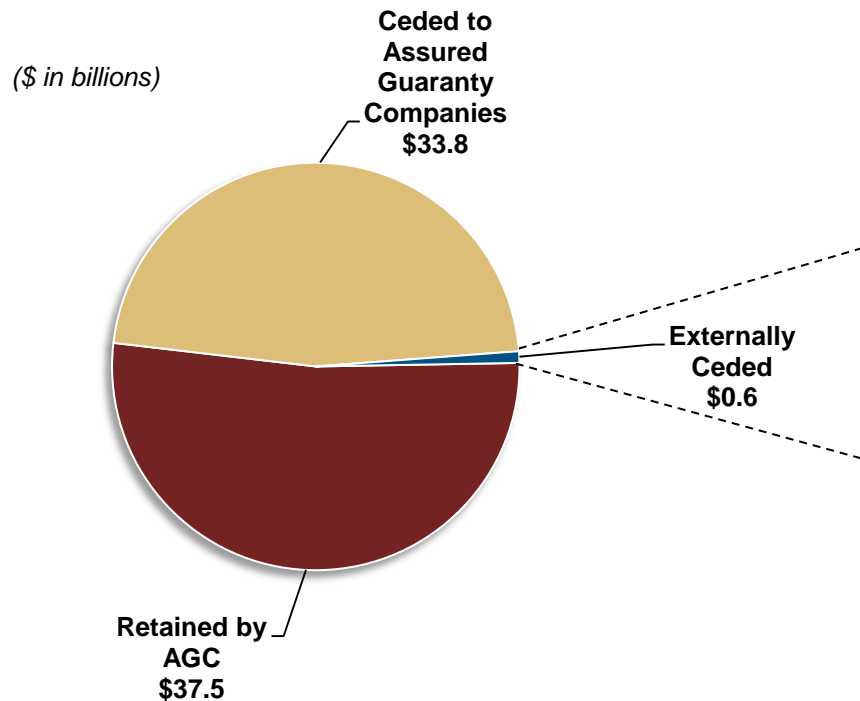
# Reinsurance

AGC Has Ceded 1.0% of Its Gross Insured Portfolio to Several Non-Affiliated Reinsurers and Other Monolines



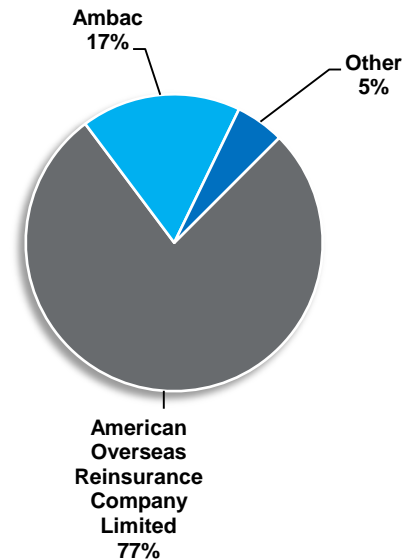
## AGC's Total Gross Par Outstanding: \$72.0 billion

As of December 31, 2016



## Externally Ceded Par Outstanding: \$0.6 billion (1.0%)

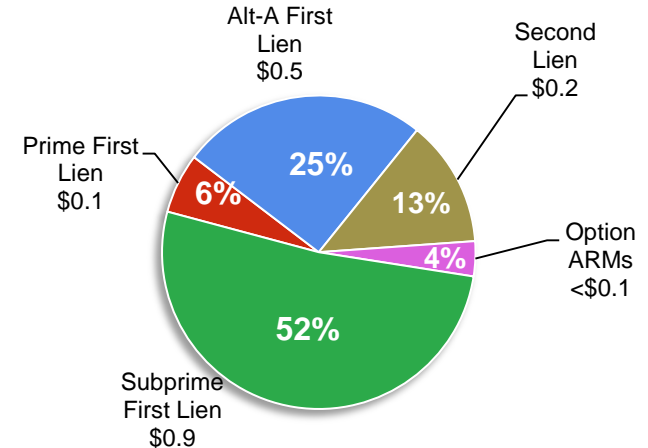
As of December 31, 2016



- **AGC's U.S. RMBS portfolio is amortizing on an absolute basis and has declined as a percentage of the portfolio**
  - \$1.8 billion versus \$13.4 billion at year-end 2007, a decrease of 87%
  - 4.7% of total net par outstanding versus 14.3% at year-end 2007
- **We have significantly mitigated ultimate losses**
  - R&W putbacks, litigation and agreements
  - Wrapped bond purchases
  - Terminations

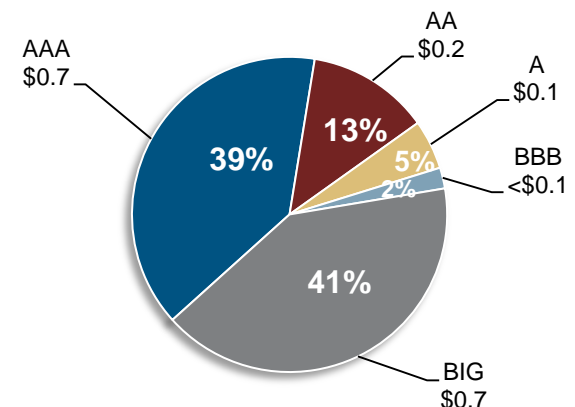
## By Type

As of December 31, 2016  
(\$ in billions)



**\$1.8 billion, 4.7% of net par outstanding**

## By Rating



# AGC Non-RMBS Exposure

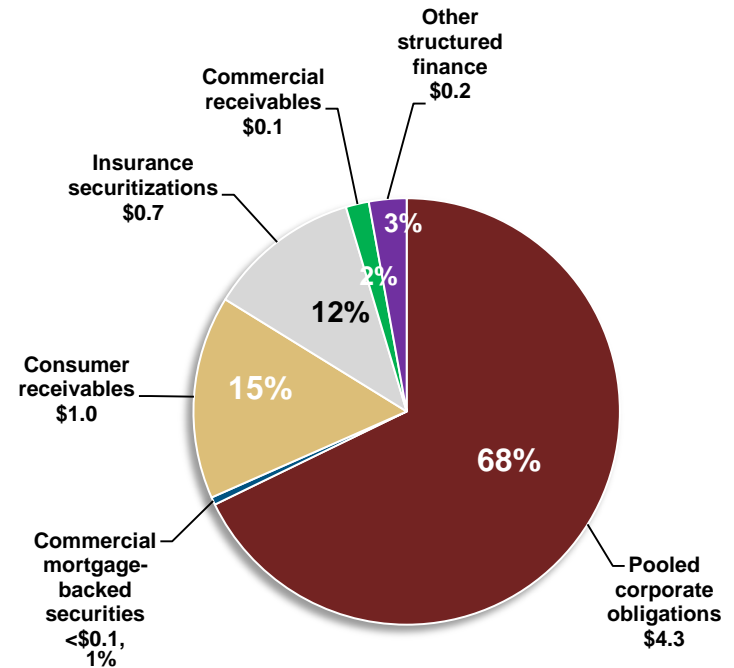
## U.S. Structured Finance



- **AGC's non-RMBS U.S. structured finance exposures consist principally of:**
  - Pooled corporate obligations
  - Consumer receivables
  - Insurance securitizations
- **Non-RMBS U.S. structured finance credit experience has been generally strong despite the economic stress caused by the financial crisis**
  - 45% rated AAA
  - 9% rated BIG

### U.S. Non-RMBS Structured Finance

As of December 31, 2016  
(\$ in billions)

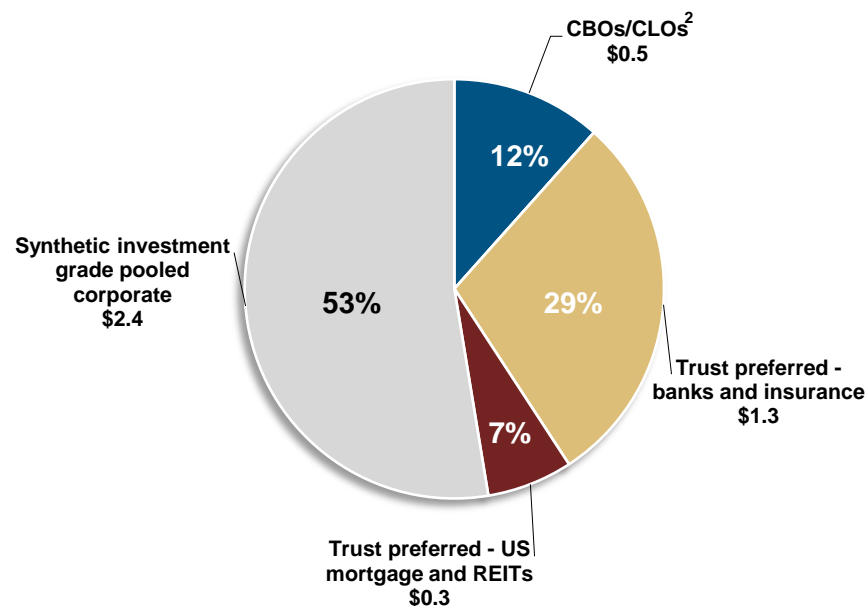


**\$6.3 billion net par outstanding**

- **Our pooled corporate exposure is highly rated and protected by overcollateralization. In AGC's direct portfolio:**
  - Average current credit enhancement of 33.2%
  - 63% rated AAA, average rating AA+
- **AGC's \$1.6 billion Trust Preferred Securities (TruPS) CDO portfolio is diversified by region (U.S. and European) as well as by collateral type (bank, thrift, insurance company, real estate investment trust (REIT) and CMBS)**
  - Includes more than 1,000 underlying issuers
  - All our exposure at the CDO level is to the most senior debt tranche
  - All U.S. bank and insurance TruPS CDOs, European TruPS CDOs and U.S. mortgage and REIT TruPS CDOs were originated at AAA attachment points
- **The \$0.3 billion of TruPS CDOs backed by U.S. mortgage and REITs is the lowest average rated pooled corporate subsectors**
  - BBB average rating

## Direct Pooled Corporate Obligations<sup>1</sup> By Asset Class

As of December 31, 2016  
(\$ in billions)

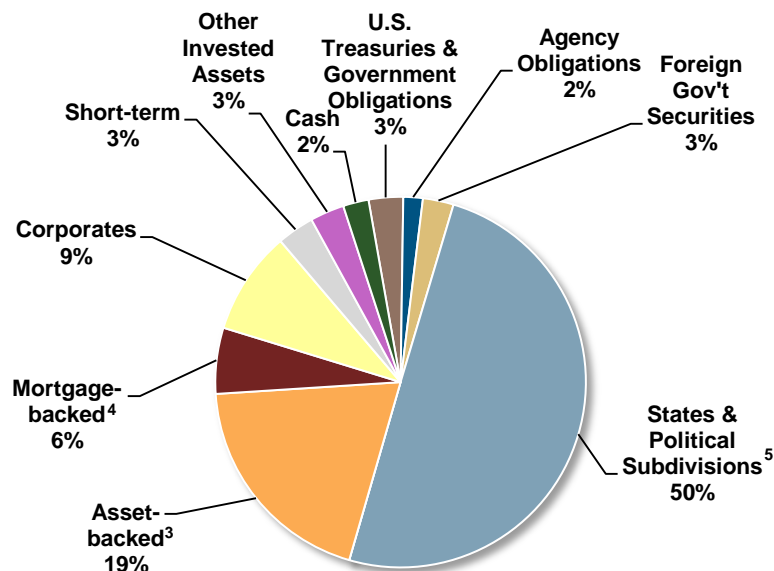


**\$4.5 billion net par outstanding**

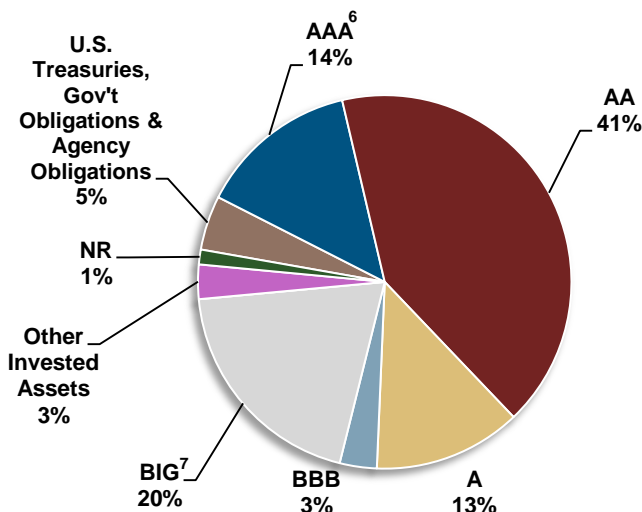
1. AGC also assumed \$105 million of pooled corporate exposure.

2. See footnote 2 on page 50.

### Total Invested Assets and Cash<sup>1</sup> By Category



### Total Invested Assets and Cash<sup>1,2</sup> By Rating



**Total = \$3.1 billion**

1. Includes fixed maturity securities, short-term investments, cash and Other Invested Assets.

2. Ratings are represented by the lower of the Moody's and S&P classifications except for securities purchased or obtained as part of loss mitigation or other risk management strategies, which use internal ratings classifications.

3. Included in the asset-backed category are securities purchased or obtained as part of loss mitigation or other risk management strategies with a fair value of \$562 million.

4. Included in the mortgage-backed category are securities purchased or obtained as part of loss mitigation or other risk management strategies with a fair value of \$32 million and agency-backed securities with a fair value of \$60 million. The remaining securities have a fair value of \$83 million and an average rating of AAA.

5. Included in the states & political subdivisions category are securities purchased or obtained as part of loss mitigation or other risk management strategies with a fair value of \$43 million.

6. Included in the AAA category are short-term securities and cash.

7. Included in the BIG category are securities purchased or obtained as part of loss mitigation or other risk management strategies with a fair value of \$597 million.

# AGC Expected Loss and LAE to Be Paid

## As of December 31, 2016



(\$ in millions)

Rollforward of Net Expected Loss and LAE to be Paid for the Three Months Ended December 31, 2016

	Net Expected Loss to be Paid (Recovered) as of September 30, 2016	Economic Loss Development During 4Q-16	(Paid) Recovered Losses During 3Q-16	Net Expected Loss to be Paid (Recovered) as of December 31, 2016
Public Finance:				
U.S. public finance	\$389	\$(13)	\$(2)	\$374
Non-U.S. public finance	7	(1)	—	6
Public Finance:	396	(14)	(2)	380
Structure Finance				
U.S. RMBS <sup>1</sup>	\$13	\$12	\$4	\$29
Triple-X life insurance	(56)	—	(1)	(57)
Other structured finance	(12)	(2)	(1)	(15)
Structured finance:	(55)	10	2	(43)
<b>Total</b>	<b>\$341</b>	<b>\$4</b>	<b>\$0</b>	<b>\$337</b>

Expected loss to be paid in the table above represents the PV of expected net claims payments and reimbursements. A reserve and corresponding loss expense is generally recognized in the period and for the amount that expected losses exceed unearned premium reserve. See Notes to the financial statements in the 2016 AGL Form 10-K for a complete discussion of the accounting policy for financial guaranty insurance and credit derivative contracts.

1. Includes future net R&W receivable (payable) of \$32 million as of December 31, 2016 and \$32 million as of September 30, 2016.

# AGC Expected Loss and LAE to Be Paid

## As of December 31, 2016



(\$ in millions)

Rollforward of Net Expected Loss and LAE to be Paid for the Year Ended December 31, 2016

	Net Expected Loss to be Paid (Recovered) as of Dec 31, 2015	Net Expected Loss to be Paid (Recovered) on CIFG as of July 1, 2016	Economic Loss Development During 2016	(Paid) Recovered Losses During 2016	Net Expected Loss to be Paid (Recovered) as of Dec 31, 2016
Public Finance:					
U.S. public finance	\$353	\$40	\$74	\$(93)	\$374
Non-U.S. public finance	6	2	(2)	—	6
Public Finance:	359	42	72	(93)	380
U.S. RMBS					
U.S. RMBS <sup>1</sup>	76	(22)	(11)	(14)	29
Triple-X life insurance	(14)	—	(21)	(22)	(57)
Other structure finance	(2)	2	1	(16)	(15)
Structured Finance:	60	(20)	(31)	(52)	(43)
<b>Total</b>	<b>\$419</b>	<b>\$22</b>	<b>41</b>	<b>(\$145)</b>	<b>\$337</b>

Expected loss to be paid in the table above represents the PV of expected net claims payments and reimbursements. A reserve and corresponding loss expense is generally recognized in the period and for the amount that expected losses exceed unearned premium reserve. See Notes to the financial statements in the 2016 AGL Form 10-K for a complete discussion of the accounting policy for financial guaranty insurance and credit derivative contracts.

1. Includes future net R&W receivable (payable) of \$32 million as of December 31, 2016 and \$13 million as of December 31, 2015.

## Appendix



# Appendix

## Explanation of 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. Beginning in fourth quarter 2016, the Company's publicly disclosed non-GAAP financial measures are different from the financial measures used by management in its decision making process and in its calculation of certain components of management compensation (core financial measures). The Company had previously excluded the effect of consolidating FG VIEs (FG VIE consolidation) in its calculation of its non-GAAP financial measures of operating income (non-GAAP), non-GAAP operating shareholders' equity and non-GAAP adjusted book value. Starting in fourth quarter 2016, based on the May 2016 C&DIs, the Company will no longer adjust for FG VIE consolidation. However, wherever possible, the Company has separately disclosed the effect of FG VIE consolidation that is included in its non-GAAP financial measures. The prior-year non-GAAP financial measures have been updated to reflect the revised calculation.

Management and the Board use core financial measures, which are based on non-GAAP financial measures adjusted to remove FG VIE consolidation, 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 removes FG VIE consolidation in its core financial measures because, although GAAP requires the Company to consolidate certain VIEs that have issued debt obligations insured by the Company, the Company does not own such VIEs and its exposure is limited to its obligation under its financial guaranty insurance contract. By disclosing non-GAAP financial measures, along with FG VIE consolidation, the Company gives investors, analysts and financial news reporters access to information that management and the Board review internally. Assured Guaranty believes its presentation of non-GAAP financial measures and 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.

Many investors, analysts and financial news reporters use non-GAAP operating shareholders' equity, adjusted for 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 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. Operating income adjusted for the effect of FG VIE consolidation enables investors and analysts to evaluate the Company's financial results as compared with the consensus analyst estimates distributed publicly by financial databases.

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

The following paragraphs and tables 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 below.

# Appendix

## Explanation of Non-GAAP Financial Measures



**Operating Income:** Management believes that operating income is a useful measure because it clarifies the understanding of the underwriting results and financial conditions 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:** 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.

# Appendix

## Explanation of Non-GAAP Financial Measures (Cont'd)



**Non-GAAP Adjusted Book Value:** 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 this 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 credit derivative revenue. See below.
- 3) Addition of the deferred premium revenue on financial guaranty contracts in excess of expected loss to be expensed, net of reinsurance. This amount represents the expected future net earned premiums, net of expected losses to be expensed, which are not reflected in GAAP equity.
- 4) Elimination of the tax asset or liability related to the above adjustments, which are determined by applying the statutory tax rate in each of the jurisdictions that generate these adjustments.

The premiums and revenues included in 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.

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

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

# Appendix

## Reconciliation of Gross Written Premiums (GWP) to PVP<sup>1</sup>



### Reconciliation of GWP to PVP

(dollars in millions)

	Year Ended December 31,				
	2016	2015	2014	2013	2012
Total GWP	\$154	\$181	\$104	\$123	\$253
Less: Installment GWP and other GAAP adjustments <sup>1</sup>	(10)	55	(22)	8	88
Plus: Financial guaranty installment premium PVP	27	46	42	26	45
Plus: PVP of non-financial guaranty insurance	23	7	0	-	-
Total PVP	<u>\$214</u>	<u>\$179</u>	<u>\$168</u>	<u>\$141</u>	<u>\$210</u>

### PVP:

	2016	2015	2014	2013	2012
Public Finance - U.S.	\$161	\$124	\$128	\$116	\$166
Public Finance - non-U.S.	25	27	7	18	1
Structured Finance - U.S.	27	22	24	7	43
Structured Finance - non-U.S.	1	6	9	-	-
Total PVP	<u>\$214</u>	<u>\$179</u>	<u>\$168</u>	<u>\$141</u>	<u>\$210</u>

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

# Appendix

## Reconciliation of Net Income (Loss) to Operating Income<sup>1</sup>



### Non-GAAP Operating Income Reconciliation

(dollars in millions, except per share amounts)

	Three Month Ended December 31,				Year Ended December 31,			
	2016		2015		2016		2015	
	Total	Per Diluted Share	Total	Per Diluted Share	Total	Per Diluted Share	Total	Per Diluted Share
<b>Net income (loss)</b>	<b>\$197</b>	<b>\$1.49</b>	<b>\$429</b>	<b>\$3.03</b>	<b>\$881</b>	<b>\$6.56</b>	<b>\$1,056</b>	<b>\$7.08</b>
Less pre-tax adjustments:								
Realized gains (losses) on investments	(24)	(0.18)	(5)	(0.04)	(30)	(0.23)	(27)	(0.19)
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	68	0.52	400	2.83	36	0.27	505	3.39
Fair value gains (losses) on CCS	50	0.38	17	0.12	0	0.00	27	0.18
Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves	(12)	(0.09)	(5)	(0.04)	(33)	(0.25)	(15)	(0.10)
Total pre-tax adjustments	82	0.63	407	2.87	(27)	(0.21)	490	3.28
Less tax effect on pre-tax adjustments	(24)	(0.19)	(108)	(0.76)	13	0.09	(144)	(0.96)
Operating income (non-GAAP)	<u>\$139</u>	<u>\$1.05</u>	<u>\$130</u>	<u>\$0.92</u>	<u>\$895</u>	<u>\$6.68</u>	<u>\$710</u>	<u>\$4.76</u>
Gain (loss) related to FG VIEs consolidation included in operating income	<u>\$16</u>	<u>\$0.12</u>	<u>\$13</u>	<u>\$0.09</u>	<u>\$12</u>	<u>\$0.10</u>	<u>\$11</u>	<u>\$0.07</u>

1. For an explanation of operating income, a non-GAAP financial measure, please refer to the preceding pages of the Appendix. The prior-year non-GAAP financial measures have been updated to reflect the revised calculation as discussed in "Explanation of Non-GAAP Financial Measures."

# Appendix

## Reconciliation of Shareholders' Equity to non-GAAP Adjusted Book Value<sup>1</sup>



### Non-GAAP Adjusted book value reconciliation

(dollars in millions, except per share amounts)

#### Reconciliation of shareholders' equity to adjusted book value:

##### Shareholders' equity

Less pre-tax adjustments:

Non-credit impairment unrealized fair value gains (losses) on credit derivatives

Fair value gains (losses) on CCS

Unrealized gain (loss) on investment portfolio excluding foreign exchange effect

Less Taxes

Non-GAAP operating shareholders' equity

Pre-tax adjustments:

Less: Deferred acquisition costs

Plus: Net present value of estimated net future credit derivative revenue

Plus: Net unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed

Plus Taxes

Non-GAAP Adjusted book value

As of December 31,			
2016		2015	
Total	Per Share	Total	Per Share
\$6,504	\$50.82	\$6,063	\$43.96
(189)	(1.48)	(241)	(1.75)
62	0.48	62	0.45
316	2.47	373	2.71
(71)	(0.54)	(56)	(0.41)
6,386	49.89	5,925	42.96
106	0.83	114	0.83
136	1.07	169	1.23
2,922	22.83	3,384	24.53
(832)	(6.50)	(968)	(7.02)
\$8,506	\$66.46	\$8,396	\$60.87

Gain (loss) related to FG VIE consolidation included in Non-GAAP operating shareholders' equity per share:

(\$7)	(\$0.06)	(\$21)	(\$0.15)
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Gain (loss) related to FG VIE consolidation included in Non-GAAP adjusted book value per share:

(\$24)	(\$0.18)	(\$43)	(\$0.31)
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1. For an explanation of adjusted book value, a non-GAAP financial measure, please refer to the preceding pages of the Appendix. The prior-year non-GAAP financial measures have been updated to reflect the revised calculation as discussed in "Explanation of Non-GAAP Financial Measures."

# Appendix

## Reconciliation of GAAP ROE to Non-GAAP Operating ROE



### ROE Reconciliation

(dollars in millions)

	Three Months Ended December 31,		Year Ended December 31,	
	2016	2015	2016	2015
<b>Net income (loss)</b>	<b>\$197</b>	<b>\$429</b>	<b>\$881</b>	<b>\$1,056</b>
Operating income	139	130	895	710
Gain (loss) related to FG VIE consolidation included in operating income:	16	13	12	11
<b>Average shareholders' equity</b>	<b>\$6,572</b>	<b>\$5,941</b>	<b>\$6,284</b>	<b>\$5,911</b>
Average Non-GAAP operating shareholders' equity	6,409	5,938	6,156	5,911
Effect of Consolidating FG VIEs included in average Non-GAAP operating shareholders' equity	(16)	(28)	(14)	(29)
<b>GAAP ROE<sup>1</sup></b>	<b>12.0%</b>	<b>28.9%</b>	<b>14.0%</b>	<b>17.9%</b>
Operating ROE <sup>1</sup>	8.7%	8.8%	14.5%	12.0%
Effect of FG VIE Consolidation included in Non-GAAP Operating ROE	1.1%	1.0%	0.2%	0.2%

1. Quarterly ROE calculations represent annualized returns.

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# Fixed Income Investor Presentation

## December 31, 2016

