



EMBRACE POSSIBILITIES, INVEST IN CERTAINTIES

Equity Investor Presentation

June 30, 2017

**ASSURED  
GUARANTY®**

# 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; (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 Assured Guaranty's Form 10-Q, as well as the risk factors included in AGL's 2016 Annual Report on Form 10-K. 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:
  - 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 are determined on the basis of methodologies other than in accordance with GAAP (“non-GAAP financial measures”), and are defined in the Appendix. Prior to fourth quarter 2016 the Company had previously excluded the effect of consolidating FG VIEs in its calculation of its non-GAAP financial measures of Operating Income, Operating ROE, 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, the Company no longer adjusts 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 quarterly prior periods have been updated to reflect the revised calculation consistently for all 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.

- **Second Quarter and First Half 2017 accomplishments**
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- **Portfolio overview**
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# Second Quarter 2017 Accomplishments



- **Earned \$141 million of operating income<sup>1</sup>(non-GAAP), or \$1.16 per share, which includes \$5 million, or \$0.05 per share, attributable to the effect of consolidating financial guaranty variable interest entities (FG VIEs)**
- **Increased shareholders' equity per share, non-GAAP operating shareholders' equity<sup>1</sup> per share and non-GAAP adjusted book value<sup>1</sup> per share, reaching new records of \$56.40, \$54.34 and \$73.48, respectively**
- **Generated \$70 million of new business production<sup>1</sup> in 2Q-17, a 71% increase over 2Q-16**
- **Repurchased an additional 3.5 million common shares (\$135 million) at an average price of \$39.05 per share during the second quarter**
- **Terminated \$219 million of insured net par outstanding, increasing excess capital and reducing potential future losses**
- **Purchased approximately \$6 million par of insured securities, at a cost of \$5 million, for loss mitigation purposes**

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

# First Half 2017 Accomplishments

- **Earned \$414 million of operating income<sup>1</sup>(non-GAAP), or \$3.32 per share, which includes \$10 million, or \$0.08 per share, attributable to the effect of consolidating financial guaranty variable interest entities (FG VIEs)**
- **Generated \$169 million of new business production<sup>1</sup>, a 113% increase over first half 2016**
- **Repurchased an additional 8.9 million common shares (\$351million) at an average price of \$39.53 per share in the first half of 2017. In 2017, through August 2, 2017, the Company has repurchased 9.6 million common shares (\$381 million) at an average price of \$39.84.**
- **Terminated \$570 million of insured net par outstanding, increasing excess capital and reducing potential future losses**
- **Purchased approximately \$91 million par of insured securities, at a cost of \$65 million, for loss mitigation purposes**

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

# Assured Guaranty Overview



## Assured Guaranty Ltd.

(\$ in billions)	June 30, 2017	September 30, 2009
Net par outstanding	<b>\$290.6</b>	\$646.6
U.S. public finance	<b>\$232.4</b>	\$424.9
U.S. structured finance	<b>\$15.7</b>	\$142.2
Non-U.S.	<b>\$42.5</b>	\$79.5
Total investment portfolio + cash	<b>\$11.5</b>	\$10.2
Net unearned premium reserve <sup>1</sup>	<b>\$3.6</b>	\$7.5
Claims-paying resources <sup>2</sup>	<b>\$12.2</b>	\$12.6
<b>Ratio of net par outstanding / claims-paying resources<sup>2</sup></b>	<b>24:1</b>	<b>51:1</b>

1. Unearned premium reserve net of ceded unearned premium reserve.

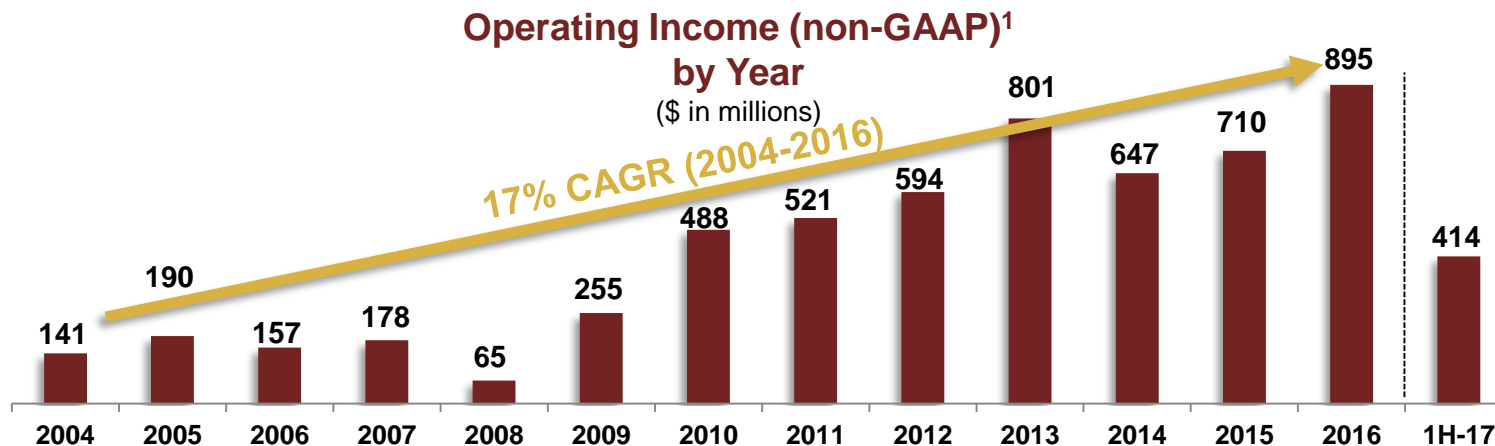
2. Based upon statutory accounting.

3. In January 2017, AGC requested that Moody's withdraw AGC's financial strength rating but Moody's denied that request. Moody's continues to rate AGC

- **We are the leading financial guaranty franchise, with over three decades of experience in the municipal and structured finance markets**
- **In the U.S., we serve the bond insurance market through three platforms:**
  - Assured Guaranty Municipal Corp. (AGM), rated AA+ (stable) by KBRA, AA (stable) by S&P and A2 (stable) by Moody's, focuses on public finance and infrastructure transactions
  - Municipal Assurance Corp. (MAC), rated AA+ (stable) by KBRA and AA (stable) by S&P, focuses on smaller public finance transactions
  - Assured Guaranty Corp. (AGC), rated AA (stable) by KBRA and AA (stable) by S&P, guarantees public finance, global infrastructure and structured finance transactions<sup>3</sup>
- **Our insured portfolio has an average internal rating of A-**



- Since our initial public offering in 2004, we have grown our annual operating income<sup>1</sup> from \$141 million in 2004 to \$895 million in 2016, a 17% compounded annual growth rate (CAGR).
- Operating income (non-GAAP)<sup>1</sup> has grown through acquisitions, new business production and other strategic activities
  - Recapture of previously ceded business
  - Acceleration of premium through termination of insured exposure
- Opportunistic repurchase of our shares improves operating income (non-GAAP) per share<sup>1</sup>



Gain (loss) related to FG VIE consolidation included in non-GAAP operating income:	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	1H-17
	N/A	N/A	N/A	N/A	N/A	N/A	\$(167)	\$(80)	59	\$192	\$156	\$11	\$12	\$10

1. For explanations and reconciliations of operating income and operating income per share, which are non-GAAP financial measures, please refer to 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."

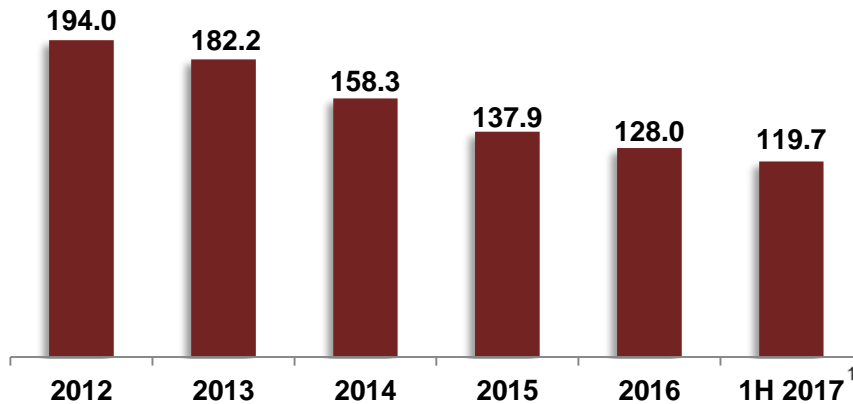
# Assured Guaranty Overview

## Track Record of Creating Shareholder Value

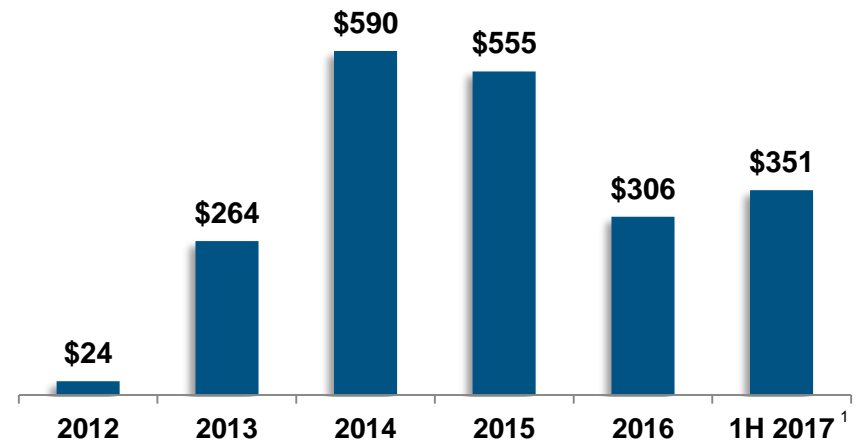


- **We have returned excess capital to shareholders by distributing dividends and repurchasing our common shares**
  - Since 2013, when we started our capital management strategy of repurchasing our common shares, through August 2, 2017, we have repurchased 78 million shares, or roughly 40% of our shares outstanding, for approximately \$2.1 billion.
  - For the year through August 2, we repurchased 9.6 million common shares for \$381 million at an average price per share of \$39.84. As of August 2, the Company's remaining share repurchase authorization was \$168 million.
  - Since our 2004 IPO, we have more than tripled our quarterly dividend per share. In February 2017, our Board of Directors authorized an increase in the quarterly dividend to \$0.1425 per share. We have raised our quarterly dividends for six consecutive years.

**Ending Share Count by Year and YTD**  
(in millions)



**Total Share Repurchase Amounts by Year and YTD**  
(\$ in millions)



1. From July 1, 2017 to August 2, 2017, the Company repurchased an additional 0.7 million common shares at a cost of \$30 million.

# Dividend Limitation Calculations

Assured Guaranty Municipal Corp. (Domiciled in New York)	Assured Guaranty Corp. (Domiciled in Maryland)	Assured Guaranty Re Ltd. (AG Re) (Domiciled in Bermuda)
<ul style="list-style-type: none"> <li>Based on most recently filed quarterly or annual statement</li> <li>Only out of “earned surplus”<sup>1</sup></li> <li>Cannot exceed the lesser of:                             <ul style="list-style-type: none"> <li>(i) 10% of policyholders’ surplus, and</li> <li>(ii) 100% of adjusted net investment income                                     <ul style="list-style-type: none"> <li>– Prior 12 months’ net investment income (excluding realized gains) increased by the excess, if any, of net investment income over dividends paid for the 24 months preceding the prior 12 months.</li> </ul> </li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Based on most recently filed annual statement</li> <li>Cannot exceed the lesser of:                             <ul style="list-style-type: none"> <li>(i) 10% of policyholders’ surplus, and</li> <li>(ii) 100% of adjusted net investment income                                     <ul style="list-style-type: none"> <li>– Prior year net investment income (excluding realized gains) increased by the excess, if any, of net investment income for the three years preceding the prior year over dividends paid for the three prior years.</li> </ul> </li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Cannot exceed 25% of prior year total statutory capital and surplus without certification to the regulator</li> <li>Cannot exceed current outstanding statutory surplus</li> <li>Must be paid from current unencumbered assets</li> <li>Additionally, AG Re can make capital distributions which cannot exceed 15% of its total prior year statutory capital (total stat capital of \$857 million, 15% of which is \$128 million)</li> </ul>

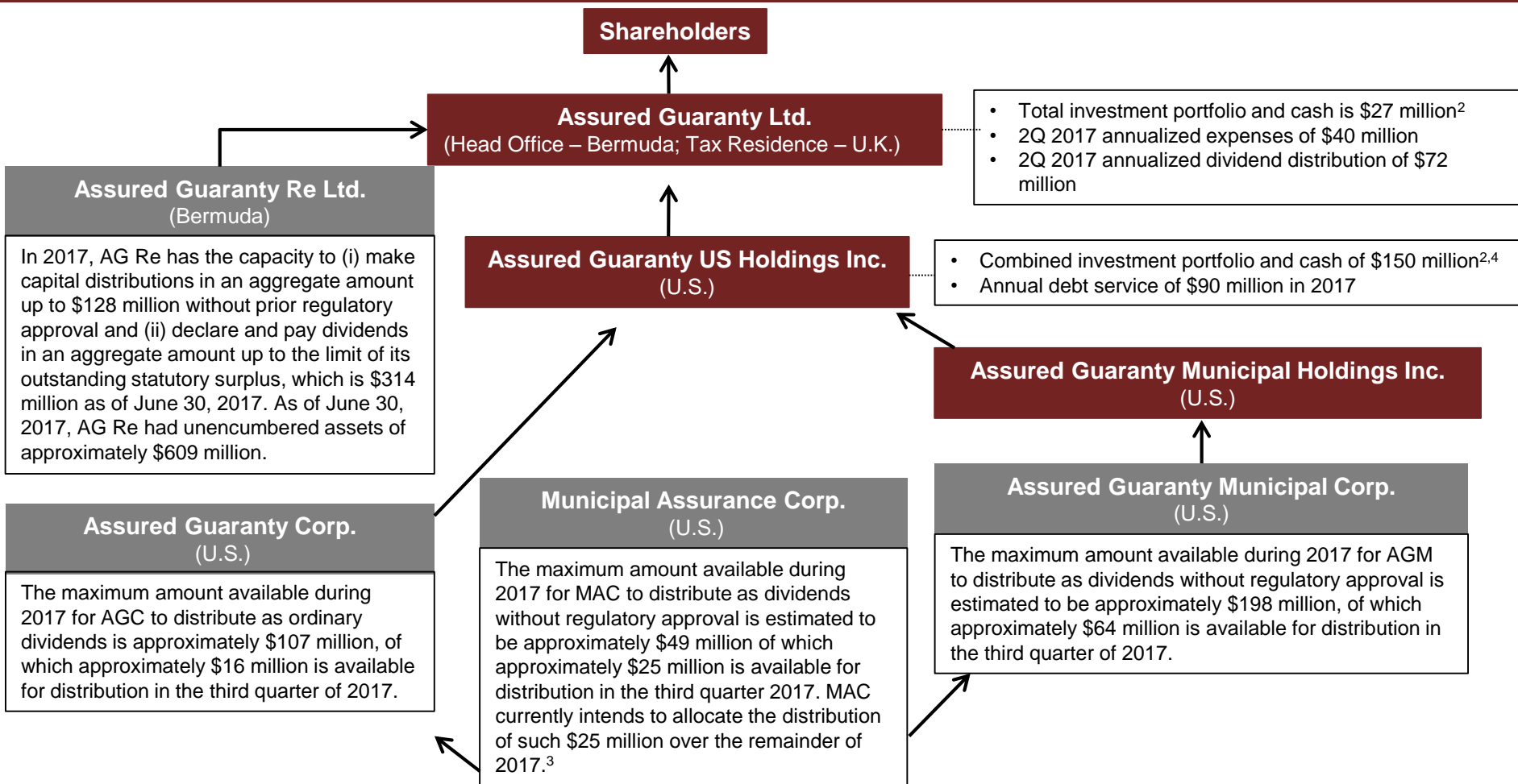
(\$ in millions)

Policyholders’ surplus	\$2,168	Policyholders’ surplus	\$1,895	Total stat capital and surplus	\$1,256
10% of policyholders’ surplus	<b>\$217</b>	10% of policyholders’ surplus	<b>\$190</b>	25% of stat capital and surplus	<b>\$314</b>
3Q-16 through 2Q-17 investment income	<b>\$194</b>	2016 investment income	<b>\$107</b>	Outstanding statutory surplus	<b>\$495</b>
Net investment income		Net investment income		Unencumbered assets	<b>\$609</b>
3Q-14 through 2Q-15	204	2013	66		
3Q-15 through 2Q-16	257	2014	54		
Total	<b>\$461</b>	2015	79		
		Total	<b>\$198</b>		
Dividends paid		Dividends paid		<b>2017 Dividend Limitation</b>	<b>\$314</b>
3Q-14 through 2Q-15	(221)	2014	(69)	<b>2017 Remaining Capacity</b>	<b>\$234</b>
3Q-15 through 2Q-16	(236)	2015	(90)		
Total	<b>(\$457)</b>	2016	(78)		
		Total	<b>(\$237)</b>		
Excess of investment income over dividends	<b>\$4</b>	Excess of investment income over dividends	<b>\$0</b>		
Adjusted net investment income		Adjusted net investment income			
(\$194 + \$4 = \$198)	<b>\$198</b>	(\$107 + 0 = \$107)	<b>\$107</b>		
<b>2017 Dividend Limitation</b>	<b>\$198</b>	<b>2017 Dividend Limitation</b>	<b>\$107</b>		
<b>2017 Remaining Capacity</b>	<b>\$119</b>	<b>2017 Remaining Capacity</b>	<b>\$56</b>		

1. Earned surplus is currently approximately \$1.6 billion. Earned surplus is the portion of the company’s surplus that represents the net earnings, gains or profits (after deduction of all losses) that have not been distributed to shareholders as dividends or transferred to stated capital or capital surplus, or applied to other purposes permitted by law, but does not include unrealized appreciation of assets.

# Assured Guaranty Overview

## Simplified Corporate Structure<sup>1</sup>



1. Represents dividend capacity as of June 30, 2017. Please see our Form 10-Q for the quarter ended June 30, 2017 for a discussion of the dividend limitations to which we are subject under applicable U.S. and Bermuda law, including the New York Insurance Law and the Maryland Insurance Code.
2. As of June 30, 2017.
3. Dividends from MAC are distributed to AGM and AGC, which may affect AGM's and AGC's dividend capacity in future periods.
4. Excludes AGUS's investment in AGMH's debt.

A photograph showing three construction workers on a construction site. They are wearing white hard hats and safety glasses. One worker is wearing a white shirt and blue pants, another is wearing a yellow shirt and dark pants, and the third is wearing a white shirt and blue pants. They are standing on a grid of steel reinforcement bars (rebar) that is being prepared for a concrete pour. The background shows more of the construction site with wooden formwork and rebar structures.

Underlying Value

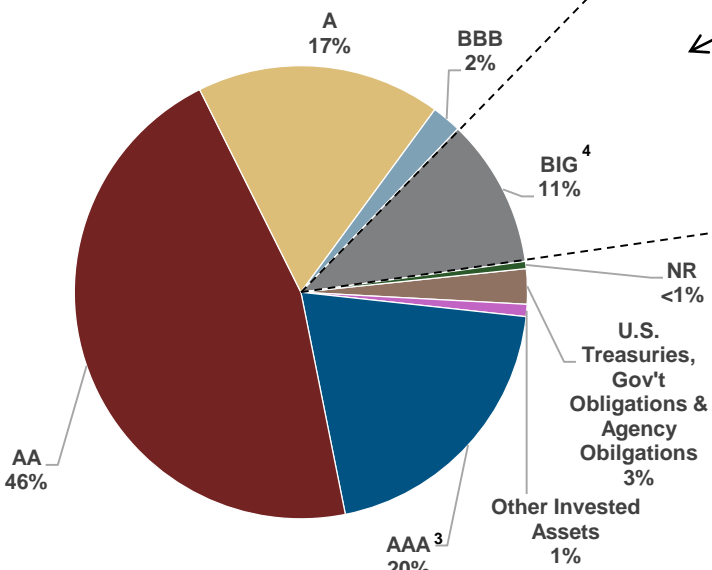
# Underlying Value

## High-Quality Investment Portfolio

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

As of June 30, 2017

Nearly 100% of BIG is held for loss mitigation or other risk management strategies



- Highly rated fixed maturity and short-term investments, 69% rated AA or higher, and cash
- Approximately \$878 million invested in liquid, short-term investments and cash
- Overall duration of portfolio is 5.4 years

**\$11.5 billion, A+ average rating**

1. Includes securities purchased or obtained as part of loss mitigation or other risk management strategies.
2. Ratings are represented by the lower of the Moody's and S&P classifications except for bonds purchased for loss mitigation or other risk management strategies, which use internal ratings classifications.
3. Included in the AAA category are short-term securities and cash.
4. Includes long-term BIG securities that were purchased or obtained as part of loss mitigation or other risk management strategies of \$1,785 million in par with carrying value of \$1,217 million.

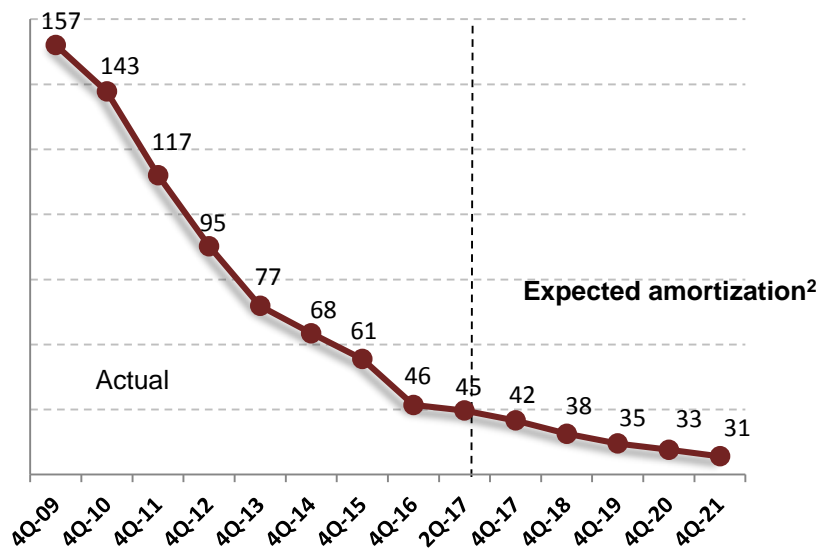
# Underlying Value

## Deleveraging While Maintaining Total Invested Assets

- **Our insured net par outstanding to non-GAAP operating shareholders' equity<sup>1</sup> has declined from 157:1 in 4Q-09 to 45:1 as of 2Q-17**
  - Deleveraging should continue in the near term as new business is not expected to fully replace the amortization of the portfolio
- **Meanwhile, total invested assets and cash remains comparable to prior amounts**

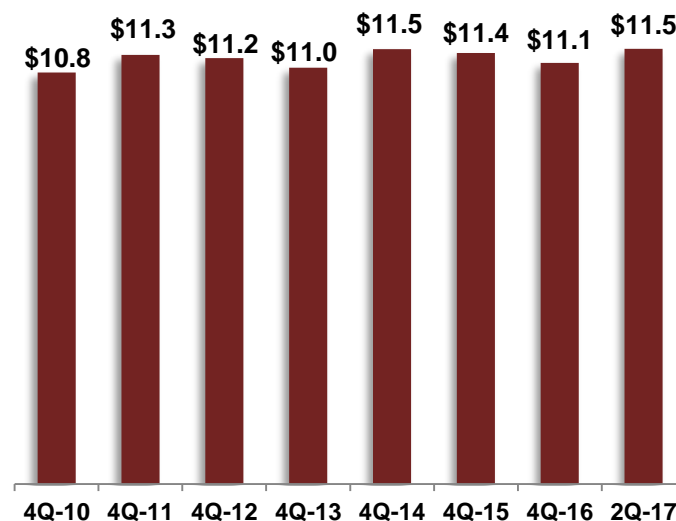
### Non-GAAP Operating Portfolio Leverage

Insured Net Par Outstanding / non-GAAP Operating Shareholders' Equity<sup>1</sup>



### Total Invested Assets and Cash

(\$ in billions)



1. For an explanation of non-GAAP operating shareholders' equity, please refer to the Appendix.

2. Assumes no new business production and calculates estimated amortization divided by current non-GAAP operating shareholders' equity. The prior-year non-GAAP financial measures have been updated to reflect the revised calculation as discussed in "Explanation of Non-GAAP Financial Measures."

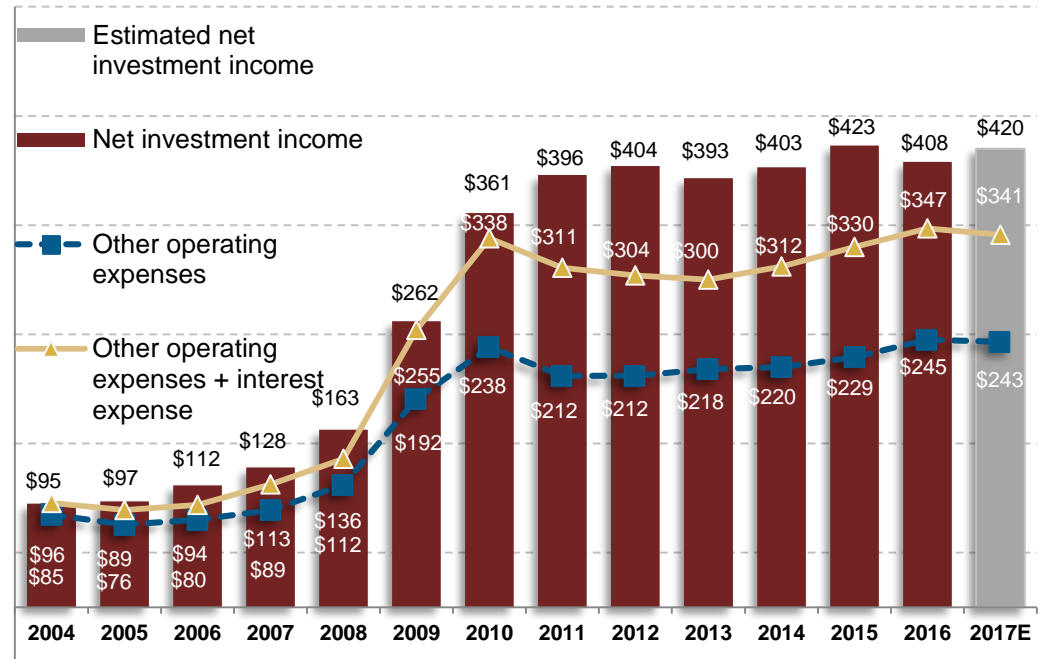
# Underlying Value

## Net Investment Income Generates Capital



- Net investment income is higher than the combination of operating and interest expenses, a spread that fosters capital growth

**Net Investment Income**  
(\$ in millions)





# Underlying Value Historical Growth



## Non-GAAP Adjusted Book Value<sup>1</sup> per Share

Adj. Book Value: 200% increase (9% CAGR)



Shareholders' Equity per share (GAAP):	\$18.73	\$20.19	\$22.22	\$24.44	\$20.33	\$20.62	\$18.76	\$19.97	\$25.52	\$25.74	\$28.07	\$36.37	\$43.96	\$50.82	\$56.40
Gain (loss) related to FG VIE consolidation included in non-GAAP operating shareholders' equity per share <sup>1</sup> :								\$(2.02)	\$(2.44)	\$(1.97)	\$(1.04)	\$(0.24)	\$(0.15)	\$(0.06)	\$0.03
Gain (loss) related to FG VIE consolidation included in non-GAAP adjusted book value per share <sup>1</sup> :								\$(2.38)	\$(3.10)	\$(2.33)	\$(1.36)	\$(0.39)	\$(0.31)	\$(0.18)	\$(0.10)

- Net unearned premium reserve on financial guaranty contracts in excess of net expected loss to be expensed less deferred acquisition costs, after tax
- Net present value of estimated net future revenue in force and net unearned revenue, after tax
- Non-GAAP operating shareholders' equity<sup>1</sup>

1. For explanations of non-GAAP adjusted book value and net present value of estimated net future revenue and non-GAAP operating shareholders' equity, please refer to the Appendix

# Creating Value



# Creating Value

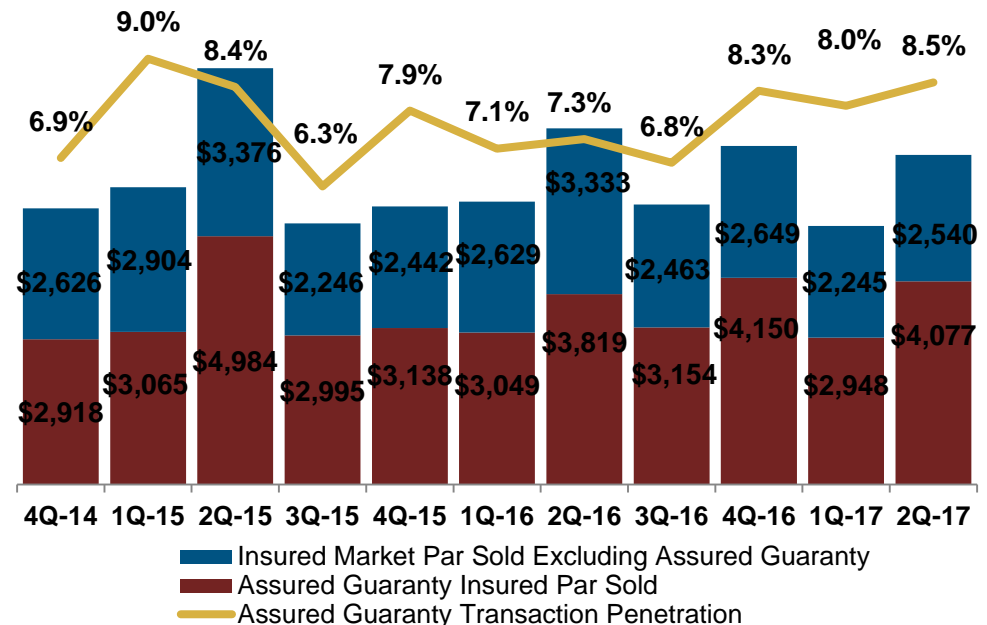
## New Business Production (Par Insured) Penetration in the U.S. Public Finance Market



- **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 1H 2017 totaled 438 or \$7.0 billion
  - Secondary market policies sold in 1H 2017 totaled 241 or \$1.2 billion
- **Total market issuance decreased 13% in 1H 2017 compared with 1H 2016, while insured volume decreased by 8% in that same period**
  - Industry par penetration for all transactions with underlying A ratings was 28% in 1H 2017 compared to 26% 1H 2016
  - Industry penetration based on the number of transactions with underlying A ratings also increased to 63% in 1H 2017 compared with 58% in 1H 2016
- **Industry penetration for smaller deals (transactions under \$25 million) based on the number of transactions were relatively flat at 19% in 1H 2017 compared with 17% in 1H 2016**

### New Issue U.S. Public Finance Insured Par Sold and Transaction Penetration<sup>1</sup>

(\$ in millions)



Total U.S. Public Finance New Issuance	4Q-14	1Q-15	2Q-15	3Q-15	4Q-15	1Q-16	2Q-16	3Q-16	4Q-16	1Q-17	2Q-17
Par Issued (\$ in billions)	\$99.3	\$104.0	\$111.0	\$86.0	\$76.4	\$96.5	\$119.4	\$108.4	\$100.2	\$86.6	\$100.7
Transactions Issued	2,871	3,059	3,783	2,665	2,558	2,787	3,635	3,048	2,775	2,271	3,013

1. Source: SDC database. As of June 30, 2017. Transaction penetration shown is Assured Guaranty's transaction count as a percentage of all transactions issued.

# Creating Value

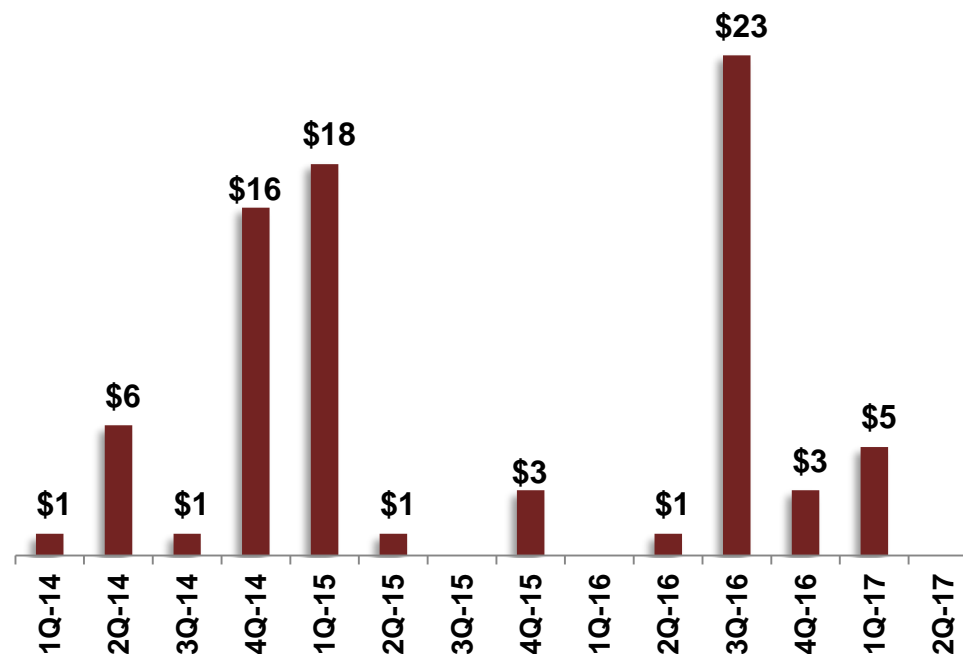
## New Business Production

### U.S. Structured Finance Business Activity

- Focus has been on bilateral transactions to improve policy beneficiaries' capital management efficiency
- During 1Q 2017, we increased our reinsurance exposure on an existing capital relief triple-X excess-of-loss life insurance transaction
- 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.

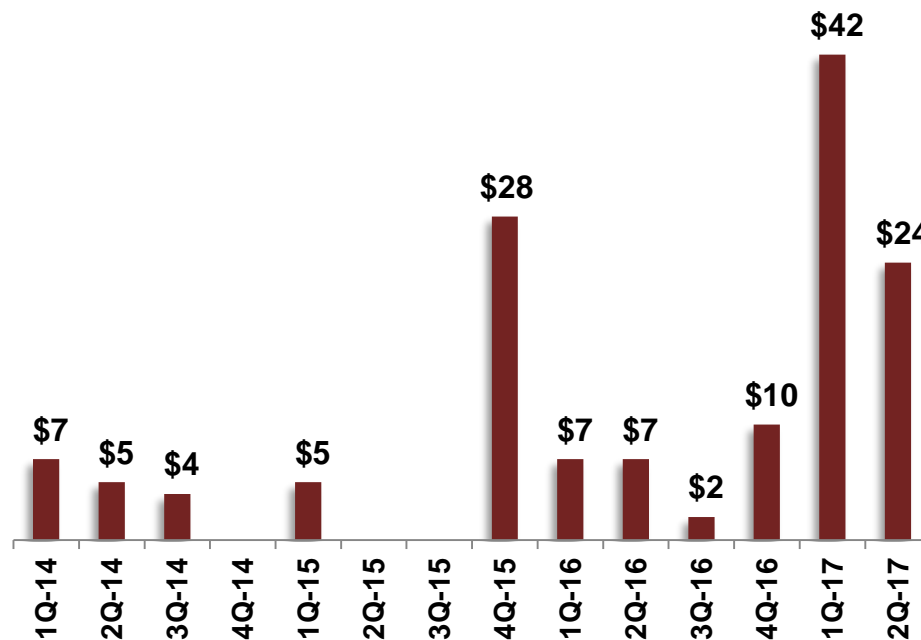
# Creating Value

## New Business Production

### Non-U.S. Business Activity

- During 2Q-17, we guaranteed a U.K. university housing transaction, provided a senior liquidity guarantee as part of a European infrastructure refinancing and provided reinsurance on aircraft residual value policies
- During 1Q-17, we guaranteed two U.K. university housing transactions, one U.K. hospital transaction, and a transaction in the aviation finance sector, as well as several U.K. secondary market utility transactions
- 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.

# Creating Value

## New Business Production

### Underwriting and Pricing Discipline



- **Continued focus on underwriting and pricing principles**
- **Gross par of new business written increased for the 2<sup>nd</sup> quarter of 2017 year-over-year.**
  - Gross par written increased to \$5.1 billion in the 2<sup>nd</sup> quarter of 2017 from \$4.8 billion in the 2<sup>nd</sup> quarter of 2016, an increase of 8%
  - PVP increased from \$41 million in the 2<sup>nd</sup> quarter of 2016 to \$70 million in the 2<sup>nd</sup> quarter of 2017, an increase of 70%
- **Gross par of new business written increased significantly for the 1<sup>st</sup> half of 2017 year-over-year.**
  - Gross par written increased to \$9.8 billion in the 1<sup>st</sup> half of 2017 from \$7.5 billion in the 1<sup>st</sup> half of 2016, an increase of 31%
  - PVP increased from \$79 million in the 1<sup>st</sup> half of 2016 to \$169 million in the 1<sup>st</sup> half of 2017, an increase of 113%

## Gross Par Written

Sector:	Quarter Ended June 30,				Half-Year Ended June 30,			
	2017		2016		2017		2016	
	Gross Par Written	Avg. Rating <sup>1</sup>	Gross Par Written	Avg. Rating <sup>1</sup>	Gross Par Written	Avg. Rating <sup>1</sup>	Gross Par Written	Avg. Rating <sup>1</sup>
U.S. public finance	\$4,832	A-	\$4,366	A-	\$8,262	A-	\$7,115	A-
Non-U.S. public finance	181	BBB	406	BBB+	1,171	BBB+	406	BBB+
<b>Total public finance</b>	<b>\$5,013</b>	<b>A-</b>	<b>\$4,772</b>	<b>A-</b>	<b>\$9,433</b>	<b>A-</b>	<b>\$7,521</b>	<b>A-</b>
U.S. structured finance	\$-	-	\$3	A-	\$243	AA	\$3	A-
Non-U.S. structured finance	127	BBB+	0	-	155	BBB+	-	-
<b>Total structured finance</b>	<b>\$127</b>	<b>BBB+</b>	<b>\$3</b>	<b>A-</b>	<b>\$398</b>	<b>A+</b>	<b>\$3</b>	<b>A-</b>
<b>Total gross par written</b>	<b>\$5,140</b>	<b>A-</b>	<b>\$4,775</b>	<b>A-</b>	<b>\$9,831</b>	<b>A-</b>	<b>\$7,524</b>	<b>A-</b>
<b>Total PVP</b>	<b>\$70</b>		<b>\$41</b>		<b>\$169</b>		<b>\$79</b>	
<b>PVP to gross par written</b>	<b>1.36%</b>		<b>0.86%</b>		<b>1.72%</b>		<b>1.05%</b>	

1. Average internal rating.

- **Radian Asset Assurance acquisition closed on April 1, 2015**

- Resulted in an increase of \$654 million to claims-paying resources, an increase of \$193 million to non-GAAP operating shareholder's equity and \$570 million to non-GAAP adjusted book value

- **CIFG acquisition closed on July 1, 2016**

- Resulted in a benefit of \$293 million in operating income (non-GAAP) and \$512 million to non-GAAP adjusted book value

- **MBIA UK Limited (“MBIA UK”) acquisition closed on January 10, 2017**

- Resulted in a benefit to operating income (non-GAAP) of \$57 million or \$0.45 per share, at the acquisition date

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

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

### Commutations Since 2009

As of June 30, 2017

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
2017	1.0	18	73
<b>Total</b>	<b>\$41.2</b>	<b>\$352</b>	<b>\$279</b>

### Ceded Par Outstanding by Reinsurer

As of June 30, 2017

(\$ in millions)	Net Par Outstanding
<b>American Overseas Re</b>	\$3,167
<b>Tokio Marine</b>	\$3,200
<b>Syncora</b>	\$2,027
<b>Others</b>	\$647
<b>Total</b>	<b>\$9,041</b>

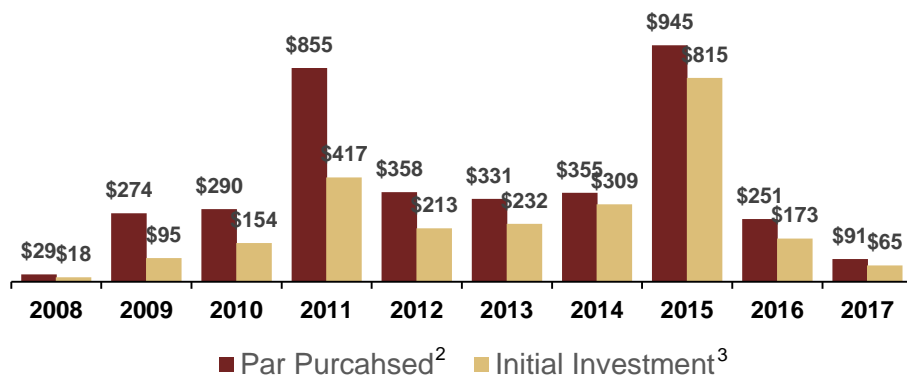
1. For an explanation of non-GAAP adjusted book value, which is a non-GAAP financial measure, please refer to the Appendix.



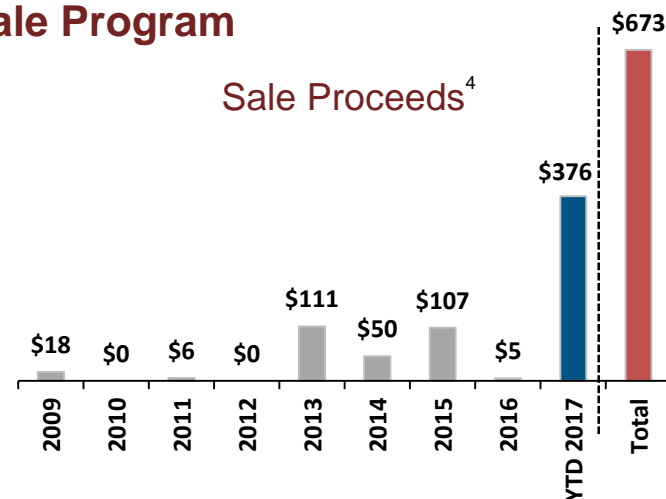
- **Since 2008, for loss mitigation purposes, we have strategically purchased bonds we had previously insured. Besides reducing our losses, these purchases can potentially relieve rating agency capital charges, increase future investment income and increase non-GAAP adjusted book value<sup>1</sup>**
  - 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 \$3.8 billion of par on insured securities through June 30, 2017 with an initial purchase price of approximately \$2.4 billion
- **Targeted purchases are BIG securities on which claims are expected to be paid**
- **Subsequent to purchasing some of our insured bonds for loss mitigation purposes, we removed our insurance and sold the bonds uninsured. This typically creates rating agency capital and an economic benefit**

## Loss Mitigation Bond Purchase and Sale Program

Bonds Repurchased (\$ in millions)



Sale Proceeds<sup>4</sup>



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.  
 4. This includes \$334 million of Zohar II notes related to the MBIA UK acquisition in Q1 2017.

# Creating Value

## Loss Mitigation

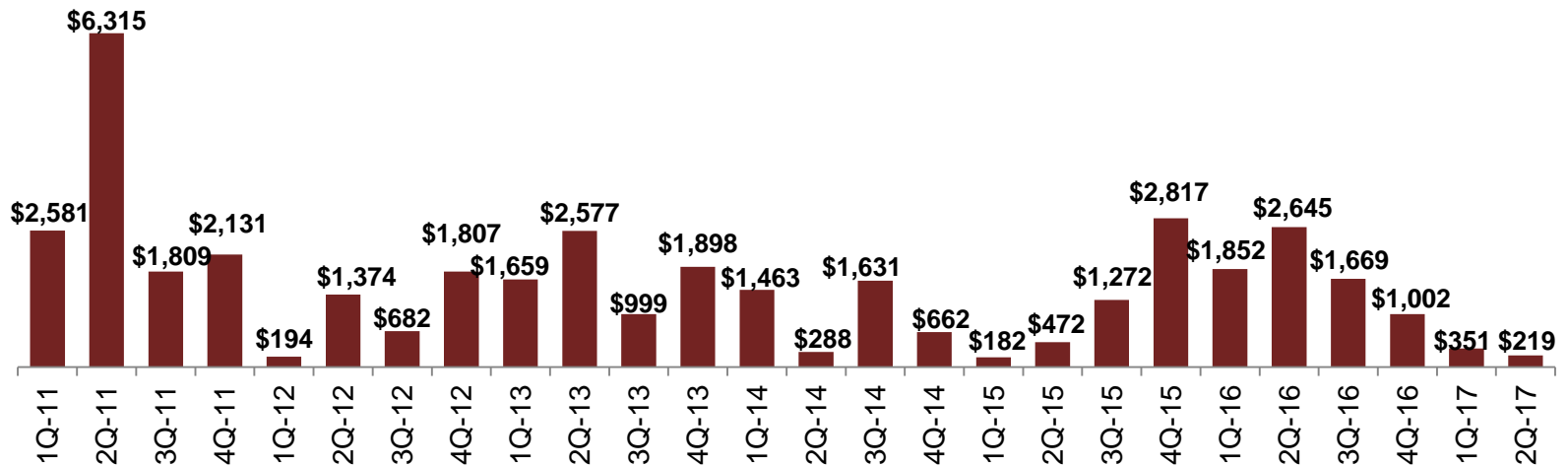
### Agreements to Terminate Contracts



- **Actively pursue termination of insurance contracts**
  - At beneficiary's request: may keep all economics, possibly more
  - At our request: share economics with beneficiary
  - To eliminate high capital charges: share or possibly give up some economics
- **Since January 1, 2011, approximately \$41 billion of net insured par outstanding has been terminated, which reduces our leverage and, in some cases, relieves rating agency capital charges**

### Completed Terminations Since January 1, 2011

(\$ in millions)



# Financial Results

June 30, 2017



# Second Quarter 2017 Results

## Select Financial Items



Select GAAP Results (\$ in millions, except per share data and percentages)	Quarter Ended June 30,		% Change vs. 2Q-16
	2017	2016	
<b>Net income (loss)</b>	<b>\$153</b>	<b>\$146</b>	<b>5%</b>
<b>Net income (loss) per diluted share</b>	<b>\$1.24</b>	<b>\$1.09</b>	<b>14%</b>
<b>Net earned premiums</b>	<b>\$162</b>	<b>\$214</b>	<b>(24)%</b>
<b>Net investment income</b>	<b>\$101</b>	<b>\$98</b>	<b>3%</b>
<b>Loss and LAE</b>	<b>\$72</b>	<b>\$102</b>	<b>(29)%</b>
<b>GAAP ROE<sup>1</sup></b>	<b>9.1%</b>	<b>9.5%</b>	<b>(0.4)pp</b>

Select Non-GAAP Results (\$ in millions, except per share data and percentages)	Quarter Ended June 30,				% Change vs. 2Q-16
	2017		2016		
	Amount	Effect of FG VIE Consolidation <sup>2</sup>	Amount	Effect of FG VIE Consolidation <sup>2</sup>	
Operating income (non-GAAP)	\$141	\$5	\$136	\$(3)	4%
Operating income (non-GAAP) per diluted share	\$1.16	\$0.05	\$1.01	\$(0.02)	15%
Non-GAAP Operating loss and LAE	\$64	\$(2)	\$91	\$3	(30)%
Non-GAAP Operating ROE <sup>1</sup>	8.7%	0.3%	9.2%	(0.1)%	(0.5)pp

NM = Not meaningful pp = percentage points

1. ROE calculations represent annualized returns.

2. The "Effect of FG VIE Consolidation" column represents amounts included in the consolidation statements of operations and operating income (non-GAAP) that the Company removes to arrive at the core financial measures that management uses in certain of its compensation calculations and its decision-making process. Please refer to the explanation of Non-GAAP Financial Measures set forth in the Appendix.

# First Half 2017 Results

## Select Financial Items



Select GAAP Results (\$ in millions, except per share data and percentages)	Half-Year Ended June 30,		% Change vs. 1H-16
	2017	2016	
<b>Net income (loss)</b>	<b>\$470</b>	<b>\$205</b>	<b>129%</b>
<b>Net income (loss) per diluted share</b>	<b>\$3.76</b>	<b>\$1.51</b>	<b>149%</b>
<b>Net earned premiums</b>	<b>\$326</b>	<b>\$397</b>	<b>(18)%</b>
<b>Net investment income</b>	<b>\$223</b>	<b>\$197</b>	<b>13%</b>
<b>Loss and LAE</b>	<b>\$131</b>	<b>\$192</b>	<b>(32)%</b>
<b>GAAP ROE<sup>1</sup></b>	<b>14.2%</b>	<b>6.7%</b>	<b>7.5pp</b>

Select Non-GAAP Results (\$ in millions, except per share data and percentages)	Half-Year Ended June 30,				% Change vs. 1H-16
	2017		2016		
	Amount	Effect of FG VIE Consolidation <sup>2</sup>	Amount	Effect of FG VIE Consolidation <sup>2</sup>	
Operating income (non-GAAP)	\$414	\$10	\$259	\$7	60%
Operating income (non-GAAP) per diluted share	\$3.32	\$0.08	\$1.91	\$0.05	74%
Non-GAAP Operating loss and LAE	\$105	\$(4)	\$175	\$(4)	(40)%
Non-GAAP Operating ROE <sup>1</sup>	12.9%	0.4%	8.7%	0.3%	4.2pp

NM = Not meaningful pp = percentage points

1. ROE calculations represent annualized returns.

2. The "Effect of FG VIE Consolidation" column represents amounts included in the consolidation statements of operations and operating income (non-GAAP) that the Company removes to arrive at the core financial measures that management uses in certain of its compensation calculations and its decision-making process. Please refer to the explanation of Non-GAAP Financial Measures set forth in the Appendix.

# Second Quarter and First Half Loss Measures

## Economic loss development (all contracts):

- Represents the expected change in expected losses due to changes in transaction performance, discount rates, loss mitigation and other factors that affect the ultimate loss experience. Economic loss development excludes the effects of deferred premium revenue. The effect of changes in discount rates that is included in total economic loss development is not indicative of credit impairment or improvement.

## Loss and LAE reported on the Consolidated Statement of Operations:

- Represents loss and loss adjustment expenses (LAE) for contracts accounted for as financial guaranty insurance ONLY
  - GAAP accounting model generally recognizes loss and LAE in income only to the extent and for the amount that such losses exceed deferred premium revenue on a transaction by transaction basis.

## Non-GAAP operating loss and LAE:

- Comprises:
  - Loss and LAE described above, and
  - Losses attributable to credit derivatives

(\$ in millions, except per share amounts)	2Q-17		2Q-16		1H-17		1H-16	
	Amount	Per Diluted Share	Amount	Per Diluted Share	Amount	Per Diluted Share	Amount	Per Diluted Share
Loss and LAE	\$72	\$0.40	\$102	\$0.57	\$131	\$0.45	\$192	\$1.02
Non-GAAP operating loss and LAE for credit derivatives	\$(8)	\$(0.15)	\$(11)	\$(0.06)	\$(26)	\$(0.15)	\$(17)	\$(0.09)
Losses attributed to FG VIEs included above	(\$2)		\$3		(\$4)		(\$4)	

# Portfolio Overview

June 30, 2017



# Capital Base (U.S. Statutory Basis)



## Claims-Paying Resources

(\$ in millions)	As of June 30, 2017		
	AGUS Consolidated	AG Re <sup>1</sup>	AGL Consolidated
<b>Claims-paying resources</b>			
Policyholders' surplus	\$3,862	\$1,122	\$4,984
Contingency reserve	2,068	-	2,068
<b>Qualified statutory capital</b>	<b>5,930</b>	<b>1,122</b>	<b>7,052</b>
Unearned premium reserve	2,129	683	2,812
Loss and loss adjustment expense reserves	741	261	1,002
<b>Total policyholders' surplus and reserves</b>	<b>8,800</b>	<b>2,066</b>	<b>10,866</b>
Present value of installment premium	372	154	526
Committed Capital Securities	400	-	400
Excess of loss reinsurance facility <sup>2</sup>	360	-	360
<b>Total claims-paying resources</b>	<b>\$9,932</b>	<b>\$2,220</b>	<b>\$12,152</b>
Statutory net par outstanding <sup>3</sup>	\$188,678	\$70,443	\$259,121
Net debt service outstanding <sup>3</sup>	\$292,161	\$110,132	\$402,293
<b>Ratios:</b>			
Net par outstanding to qualified statutory capital	32:1	63:1	37:1
Capital ratio <sup>4</sup>	49:1	98:1	57:1
Financial resources ratio <sup>5</sup>	29:1	50:1	33:1

## Contribution by Company to AGUS

(\$ in millions)	As of June 30, 2017		
	Policyholder's Surplus	Qualified Statutory Capital	Claims-Paying Resources
AGM, excluding investment in MAC	\$1,874	\$2,996	\$5,812
AGC, excluding investment in MAC	1,654	2,326	\$3,577
MAC	485	759	\$1,414
Eliminations	(151)	(151)	(\$871)
<b>AGUS Consolidated</b>	<b>\$3,862</b>	<b>\$5,930</b>	<b>\$9,932</b>
AG Re	\$1,122	\$1,122	\$2,220
<b>AGL Consolidated</b>	<b>\$4,984</b>	<b>\$7,052</b>	<b>\$12,152</b>

1. Assured Guaranty Re Ltd. (AG Re) numbers represent the Company's estimates based on U.S. statutory accounting practices prescribed or permitted by insurance regulatory authorities, except for contingency reserves.
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.
3. Net par outstanding and net debt service outstanding are presented on a statutory basis.
4. The capital ratio is calculated by dividing net debt service outstanding by qualified statutory capital.
5. The financial resources ratio is calculated by dividing net debt service outstanding by total claims-paying resources.



# Four Discrete Operating Companies with Separate Capital Bases



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

	As of June 30, 2017					
(\$ in millions)	AGM	AGC	MAC	AG Re <sup>8</sup>	Eliminations <sup>3</sup>	Consolidated
<b>Claims-paying resources</b>						
Policyholders' surplus	\$2,168	\$1,845	\$485	\$1,122	(\$636)	\$4,984
Contingency reserve <sup>1</sup>	1,289	779	274	-	(274)	2,068
<b>Qualified statutory capital</b>	<b>3,457</b>	<b>2,624</b>	<b>759</b>	<b>1,122</b>	<b>(910)</b>	<b>7,052</b>
Unearned premium reserve <sup>1</sup>	1,699	430	294	683	(294)	2,812
Loss and loss adjustment expense reserves <sup>1</sup>	506	235	-	261	-	1,002
<b>Total policyholders' surplus and reserves</b>	<b>5,662</b>	<b>3,289</b>	<b>1,053</b>	<b>2,066</b>	<b>(1,204)</b>	<b>10,866</b>
Present value of installment premium <sup>1</sup>	230	142	1	154	(1)	526
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>\$6,452</b>	<b>\$3,991</b>	<b>\$1,414</b>	<b>\$2,220</b>	<b>(\$1,925)</b>	<b>\$12,152</b>
Adjustment for MAC <sup>4</sup>	640	414	-	-	(1,054)	-
<b>Total claims-paying resources</b>						
<b>(excluding MAC adjustment for AGM and AGC)</b>	<b>\$5,812</b>	<b>\$3,577</b>	<b>\$1,414</b>	<b>\$2,220</b>	<b>(\$871)</b>	<b>\$12,152</b>
Statutory net par outstanding <sup>5</sup>	\$123,809	\$28,879	\$36,581	\$70,443	(\$591)	\$259,121
Equity method adjustment <sup>4</sup>	22,205	14,376	-	-	(36,581)	-
Adjusted statutory net par outstanding <sup>1</sup>	\$146,014	\$43,255	\$36,581	\$70,443	(\$37,172)	\$259,121
Net debt service outstanding <sup>5</sup>	\$195,739	\$43,417	\$53,914	\$110,132	(\$909)	\$402,293
Equity method adjustment <sup>4</sup>	32,726	21,188	-	-	(53,914)	-
Adjusted net debt service outstanding <sup>1</sup>	\$228,465	\$64,605	\$53,914	\$110,132	(\$54,823)	\$402,293
<b>Ratios:</b>						
Adjusted net par outstanding to qualified statutory capital	42:1	16:1	48:1	63:1		37:1
Capital ratio <sup>6</sup>	66:1	25:1	71:1	98:1		57:1
Financial resources ratio <sup>7</sup>	35:1	16:1	38:1	50:1		33:1

- The numbers shown for Assured Guaranty Municipal Corp. (AGM) and Assured Guaranty Corp. (AGC) have been adjusted to include, as applicable, (i) their 100% share of their respective European 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's insured portfolio is largely concentrated in U.S. public finance**

- 80% U.S. public finance
- 14% Non-U.S. public finance
- 5% U.S. structured finance
- 1% Non-U.S. structured finance

- **Our insured portfolio has an A- average internal credit rating**

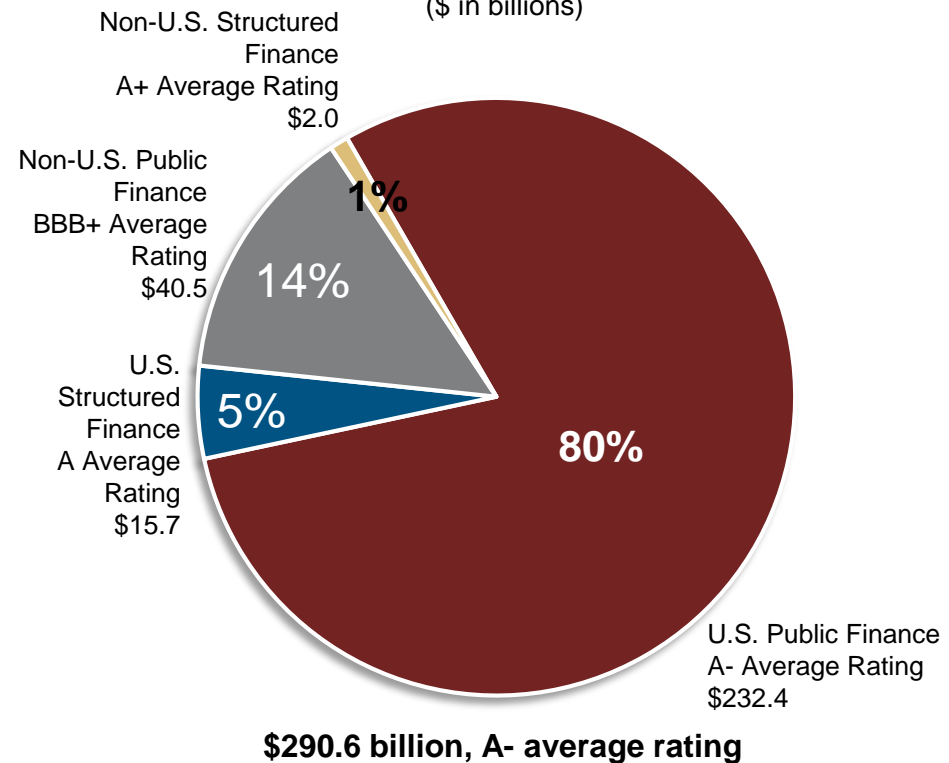
- 4.5% below investment grade

- **U.S. public finance is the sector with the largest BIG exposure**

- \$7.1 billion of U.S. public finance par exposure is BIG (55% of our total BIG)
- Out of this \$7.1 billion, \$4.9 billion of net par exposure relates to Puerto Rico

## Consolidated Net Par Outstanding

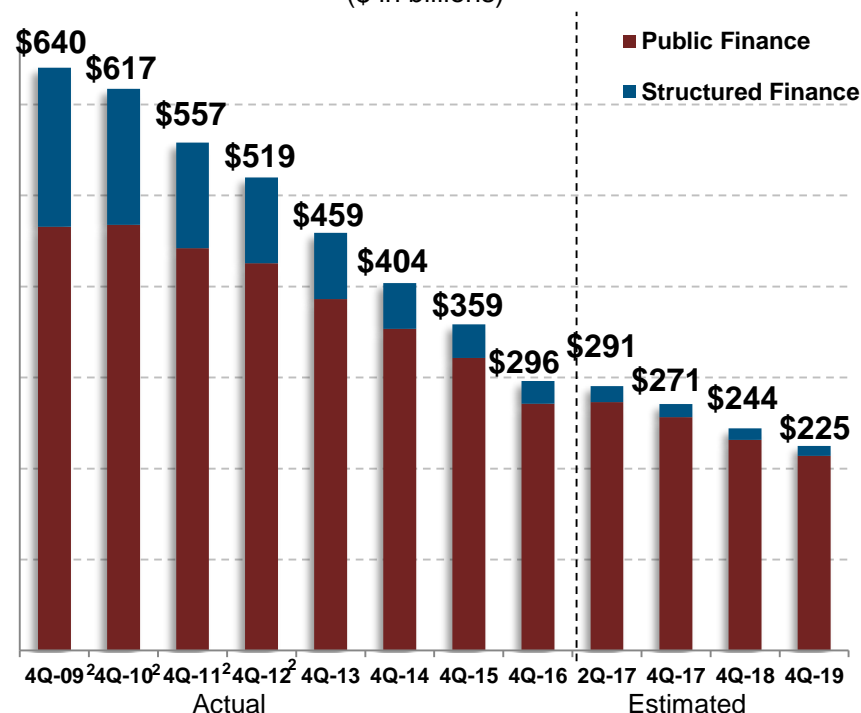
As of June 30, 2017  
(\$ in billions)



- **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**
  - \$273 billion outstanding
  - 6% expected to amortize by the end of 2017; 15% by the end of 2018; 22% by the end of 2019
- **Structured finance existing exposure amortizes more quickly than public finance**
  - \$18 billion outstanding
  - 19% expected to amortize by the end of 2017; 29% by the end of 2018; 39% by the end of 2019

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

As of June 30, 2017  
(\$ in billions)



1. Represents the future expected amortization of existing net par outstanding as of June 30, 2017. 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.

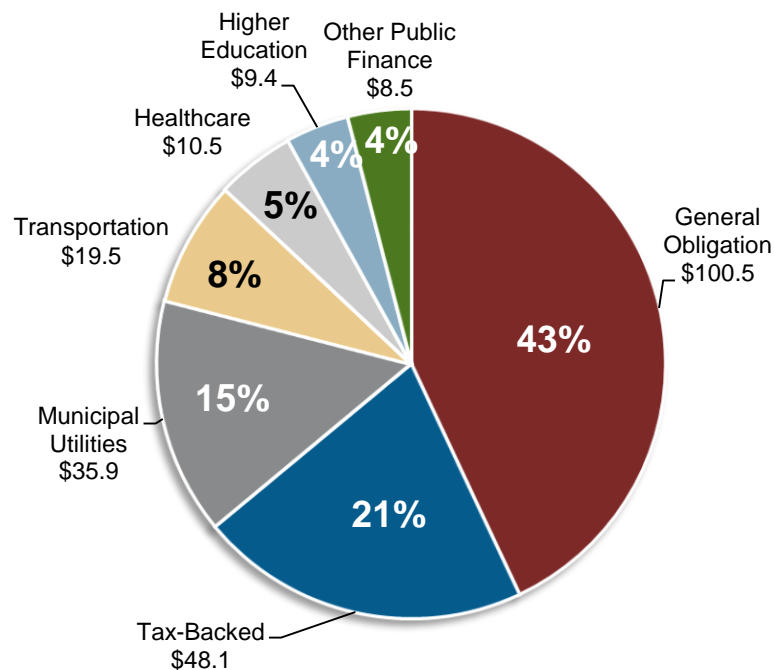
2. Gross of wrapped bond purchases made primarily for loss mitigation.

# U.S. Public Finance

## Net Par Outstanding

### U.S. Public Finance

As of June 30, 2017  
(\$ in billions)



**\$232.4 billion, A- average rating**

- **U.S. public finance net par outstanding is \$232.4 billion and makes up 80% of our total insured portfolio as of June 30, 2017**
- **U.S. public finance portfolio generally performed well during the recession and in subsequent years, despite persistent financial pressures on municipal obligors**
  - Our portfolio is well-diversified with approximately 8,400 direct U.S. public finance obligors. We expect future losses to be paid, net of recoveries, on approximately a dozen exposures<sup>1</sup>.
  - 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.
- **General obligation, tax-backed and municipal utilities represent 79% of U.S. public finance net par outstanding**
  - 63% of total net par outstanding

1. Includes exposure to Puerto Rico credits discussed on the following pages.

# Public Finance

## Puerto Rico Exposure

### Par Exposure to the Commonwealth and its Agencies<sup>1</sup>

As of June 30, 2017

	(\$ in millions)	Net Par Outstanding <sup>3</sup>	Gross Par Outstanding
Commonwealth Constitutionally Guaranteed	Commonwealth of Puerto Rico - General Obligation Bonds <sup>4,5</sup>	\$1,495	\$1,577
	Puerto Rico Public Buildings Authority (PBA) <sup>4</sup>	169	174
	<b>Subtotal</b>	<b>\$1,664</b>	<b>\$1,751</b>
Public Corporations – Certain Revenues Potentially Subject to Clawback	Puerto Rico Highways and Transportation Authority (PRHTA) (Transportation Revenue Bonds) <sup>4,5</sup>	\$918	\$949
	Puerto Rico Highways and Transportation Authority (PRHTA) (Highways Revenue Bonds) <sup>4,5</sup>	409	556
	Puerto Rico Convention Center District Authority (PRCCDA) <sup>4</sup>	152	152
	Puerto Rico Infrastructure Financing Agency (PRIFA) <sup>4,5</sup>	18	18
	<b>Subtotal</b>	<b>\$1,497</b>	<b>\$1,675</b>
Other Public Corporations	Puerto Rico Electric Power Authority (PREPA) <sup>4,5</sup>	777	876
	Puerto Rico Aqueduct and Sewer Authority (PRASA)	373	373
	Puerto Rico Municipal Finance Agency (MFA)	354	488
	Puerto Rico Sales Tax Finance Corp. (COFINA) <sup>4,5</sup>	271	271
	University of Puerto Rico (U of PR)	1	1
<b>Subtotal</b>	<b>\$1,776</b>	<b>\$2,009</b>	
<b>Total<sup>2</sup></b>		<b>\$4,937</b>	<b>\$5,435</b>

- The general obligation bonds of Puerto Rico and various obligations of its related authorities and public corporations are rated BIG. The June 30, 2017 amounts include \$150 million related to the commutation of previously ceded business.
- AGL's consolidated net par outstanding is divided between its subsidiaries as follows: \$2.2 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.
- Includes exposure to Capital Appreciation Bonds with a current aggregate net par outstanding of \$32 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 COFINA, 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.
- As of the date of the Company's 2017 2<sup>nd</sup> quarter 10-Q filing, the Company has paid claims on these credits.
- As of the date of the Company's 2017 2<sup>nd</sup> quarter 10-Q filing, the seven-member federal financial oversight board established by the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) has certified a filing under Title III of PROMESA for these credits.

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

As of June 30, 2017

(\$ in millions)	3Q 2017	4Q 2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027- 2031	2032- 2036	2037- 2041	2042- 2047	Total
Commonwealth – GO	\$93	\$0	\$75	\$82	\$136	\$16	\$37	\$15	\$73	\$68	\$34	\$272	\$489	\$105	\$-	\$1,495
PBA	28	-	-	3	5	13	0	6	0	7	11	42	54	-	-	169
<b>Subtotal</b>	<b>\$121</b>	<b>\$0</b>	<b>\$75</b>	<b>\$85</b>	<b>\$141</b>	<b>\$29</b>	<b>\$37</b>	<b>\$21</b>	<b>\$73</b>	<b>\$75</b>	<b>\$45</b>	<b>\$314</b>	<b>\$543</b>	<b>\$105</b>	<b>\$-</b>	<b>\$1,664</b>
PRHTA (Transportation Revenue)	\$36	\$0	\$38	\$32	\$25	\$18	\$28	\$34	\$4	\$29	\$24	\$156	\$295	\$194	\$5	\$918
PRHTA (Highways Revenue)	-	-	20	21	22	26	6	8	8	8	0	73	217	-	-	409
PRCCDA	-	-	-	-	-	-	-	-	-	-	-	19	133	-	-	152
PRIFA	-	-	2	-	-	-	-	2	-	-	-	-	-	14	-	18
<b>Subtotal</b>	<b>\$36</b>	<b>\$0</b>	<b>\$60</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>\$248</b>	<b>\$645</b>	<b>\$208</b>	<b>\$5</b>	<b>\$1,497</b>
PREPA	\$5	\$-	\$4	\$25	\$44	\$24	\$24	\$87	\$84	\$59	\$96	\$299	\$26	\$0	\$-	\$777
PRASA	-	-	-	-	-	-	-	-	2	25	26	57	-	2	261	373
MFA	52	-	50	48	39	34	34	16	12	12	26	31	-	-	-	354
COFINA	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>\$57</b>	<b>\$0</b>	<b>\$53</b>	<b>\$72</b>	<b>\$82</b>	<b>\$56</b>	<b>\$56</b>	<b>\$104</b>	<b>\$98</b>	<b>\$94</b>	<b>\$146</b>	<b>\$380</b>	<b>\$62</b>	<b>\$104</b>	<b>\$413</b>	<b>\$1,776</b>
<b>Total</b>	<b>\$214</b>	<b>\$0</b>	<b>\$188</b>	<b>\$210</b>	<b>\$270</b>	<b>\$129</b>	<b>\$127</b>	<b>\$169</b>	<b>\$183</b>	<b>\$206</b>	<b>\$215</b>	<b>\$942</b>	<b>\$1,249</b>	<b>\$417</b>	<b>\$418</b>	<b>\$4,937</b>

1. Includes exposure to Capital Appreciation Bonds with a current aggregate net par outstanding of \$32 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 COFINA, 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>

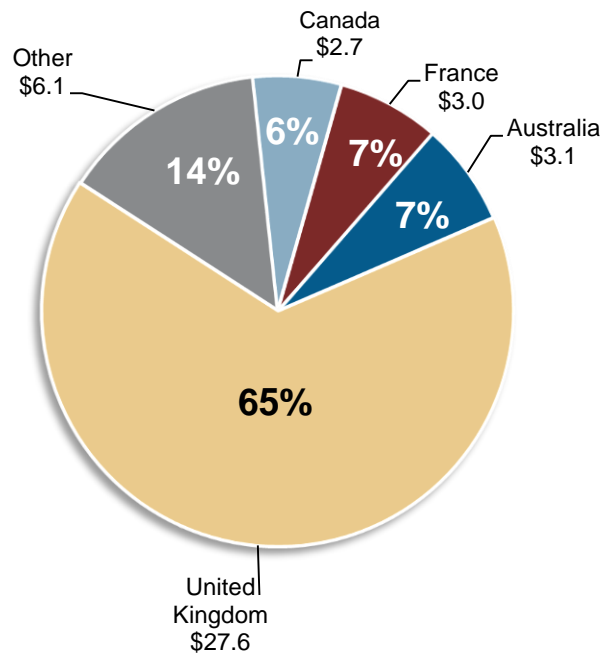
As of June 30, 2017

(\$ in millions)	3Q 2017	4Q 2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027- 2031	2032- 2036	2037- 2041	2042- 2047	Total
Commonwealth – GO	\$132	\$0	\$147	\$151	\$201	\$74	\$94	\$70	\$128	\$119	\$82	\$469	\$595	\$111	\$-	<b>\$2,373</b>
PBA	32	-	7	10	12	20	6	13	6	13	17	58	62	-	-	<b>256</b>
<b>Subtotal</b>	<b>\$164</b>	<b>\$0</b>	<b>\$154</b>	<b>\$161</b>	<b>\$213</b>	<b>\$94</b>	<b>\$100</b>	<b>\$83</b>	<b>\$134</b>	<b>\$132</b>	<b>\$99</b>	<b>\$527</b>	<b>\$657</b>	<b>\$111</b>	<b>\$-</b>	<b>\$2,629</b>
PRHTA (Transportation Revenue)	\$60	\$0	\$84	\$76	\$67	\$59	\$68	\$72	\$41	\$65	\$59	\$308	\$404	\$229	\$5	<b>\$1,597</b>
PRHTA (Highways Revenue)	11	-	42	42	42	45	23	24	24	24	16	145	252	-	-	<b>690</b>
PRCCDA	3	-	7	7	7	7	7	7	7	7	7	50	152	-	-	<b>268</b>
PRIFA	0	-	3	1	1	1	1	2	1	1	1	4	3	16	-	<b>35</b>
<b>Subtotal</b>	<b>\$74</b>	<b>\$0</b>	<b>\$136</b>	<b>\$126</b>	<b>\$117</b>	<b>\$112</b>	<b>\$99</b>	<b>\$105</b>	<b>\$73</b>	<b>\$97</b>	<b>\$83</b>	<b>\$507</b>	<b>\$811</b>	<b>\$245</b>	<b>\$5</b>	<b>\$2,591</b>
PREPA	\$21	\$2	\$40	\$61	\$79	56	55	117	110	80	115	344	29	0	-	<b>1,109</b>
PRASA	10	-	20	19	19	19	19	19	21	44	44	129	68	70	327	<b>828</b>
MFA	61	-	66	60	49	42	41	21	16	15	29	34	-	-	-	<b>434</b>
COFINA	6	0	13	13	13	13	12	16	15	13	12	68	103	162	160	<b>619</b>
U of PR	0	-	0	0	0	0	0	0	0	0	0	0	1	-	-	<b>1</b>
<b>Subtotal</b>	<b>\$98</b>	<b>\$2</b>	<b>\$140</b>	<b>\$153</b>	<b>\$160</b>	<b>\$130</b>	<b>\$127</b>	<b>\$173</b>	<b>\$163</b>	<b>\$152</b>	<b>\$200</b>	<b>\$575</b>	<b>\$201</b>	<b>\$232</b>	<b>\$487</b>	<b>\$2,990</b>
<b>Total</b>	<b>\$336</b>	<b>\$2</b>	<b>\$429</b>	<b>\$440</b>	<b>\$490</b>	<b>\$336</b>	<b>\$326</b>	<b>\$361</b>	<b>\$369</b>	<b>\$380</b>	<b>\$382</b>	<b>\$1,609</b>	<b>\$1,669</b>	<b>\$588</b>	<b>\$492</b>	<b>\$8,210</b>

1. Includes exposure to Capital Appreciation Bonds with a current aggregate net par outstanding of \$32 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 COFINA, 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.

### Non-U.S. Exposure

As of June 30, 2017  
(\$ in billions)



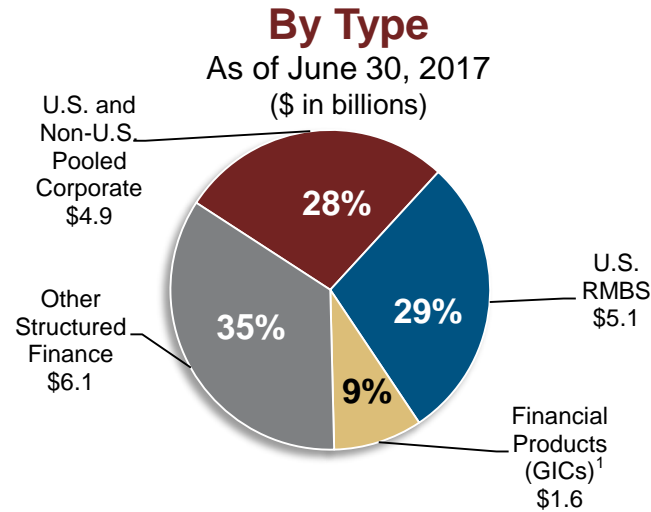
**\$42.5 billion, BBB+ average rating**

- **95% of non-U.S. exposure is Public Finance**
  - Direct sovereign debt is limited to Poland (\$217 million outstanding)
- **5% of non-U.S. exposure is Structured Finance**
  - Approximately 26% of that is to Pooled Corporates
  - 79% of non-U.S. Pooled Corporates are rated A or higher

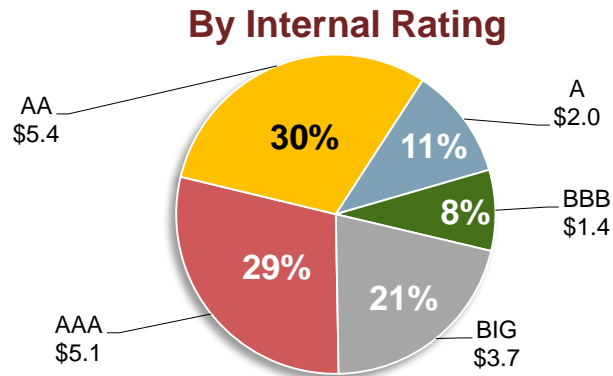


# Structured Finance Exposures

## Net Par Outstanding



**\$17.7 billion, A average rating**



- **We expect Assured Guaranty’s current global structured finance insured portfolio (\$17.7 billion as of June 30, 2017) to amortize more rapidly than our public finance portfolio – 19% expected to amortize by the end of 2017 and 29% by the end of 2018**
  - \$4.9 billion in global pooled corporate obligations expected to be reduced by 55% by year-end 2017 and by 65% by year-end 2018
  - \$5.1 billion in U.S. RMBS expected to be reduced by 9% by year-end 2017 and by 24% by year-end 2018
- **Assured Guaranty’s total structured finance exposure of \$240.9 billion at December 31, 2007 has declined by \$223.2 billion to \$17.7 billion through June 30, 2017, a 93% 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 June 30, 2017, the aggregate fair market value of the assets supporting the GIC business (disregarding the agreed upon reductions) plus cash and positive derivative value exceeded by nearly \$0.8 billion the aggregate principal amount of all outstanding GICs and certain other business and hedging costs of the GIC business. Even after applying the agreed upon reductions to the fair market value of the assets, the aggregate value of the assets supporting the GIC business plus cash and positive derivative value exceeded the aggregate principal amount of all outstanding GICs and certain other business and hedging costs of the GIC business.

- **Our \$5.1 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 \$5.1 billion at June 30, 2017, a \$24.1 billion or 83% reduction
- As of June 30, 2017, U.S. RMBS exposure excludes \$1.1 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:**

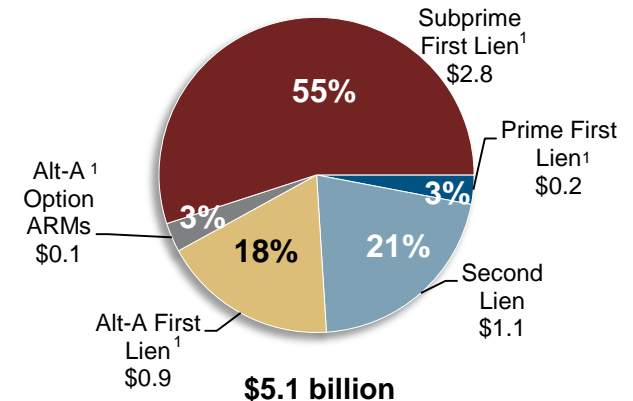
- Liquidation rates
- Conditional default rates
- Conditional prepayment rates
- Loss severity

- **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

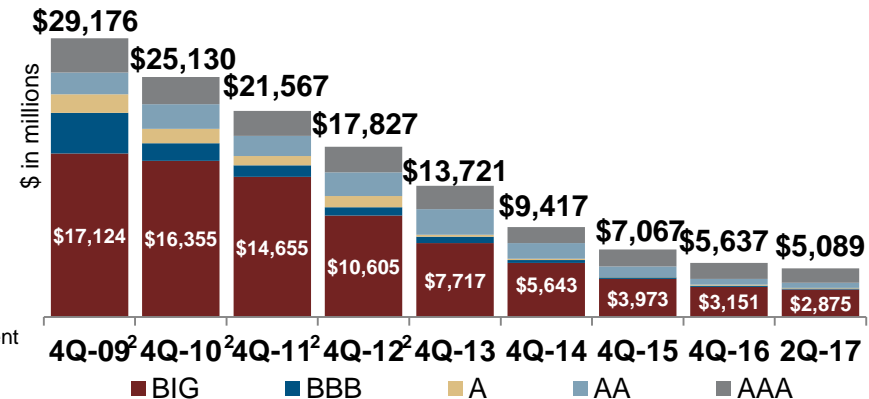
As of June 30, 2017  
(\$ in billions)



**\$5.1 billion**  
(1.8% of total net par outstanding)

## U.S. RMBS by Rating

Net Par Outstanding from December 31, 2009 to June 30, 2017



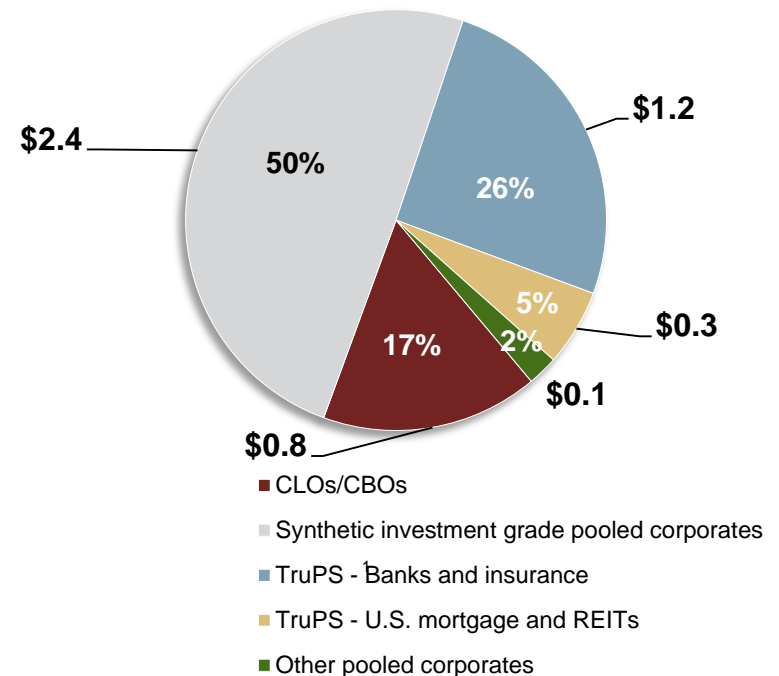
1. The Company has reclassified certain net par outstanding from below investment grade to investment grade due to collateralized reinsurance arrangements.  
2. Gross of wrapped bond purchases made primarily for loss mitigation

# Direct Pooled Corporate Obligations Exposures

- **Most of our direct pooled corporate exposure is highly rated and well protected**
  - 62% rated AAA
  - Average credit enhancement of 32%
- **Within direct pooled corporate exposures, our \$1.5 billion of Trust Preferred Securities (TruPS) CDO exposure is diversified by region and collateral type**
  - Includes more than 1,000 underlying issuers
  - All our exposure at the CDO level is to the most senior debt tranche
  - Weighted average rating of A, weighted average adjusted current credit enhancement<sup>2</sup> of 50.7%

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

As of June 30, 2017



**\$4.8 billion, AA+ average rating**

1. CLOs are collateralized loan obligations. CBOs are collateralized bond obligations.  
2. Adjusted current CE is the amount of collateral par above senior liabilities (and shown as a percentage of total collateral) with adjustments made for restructured collateral (to reflect expected reduced cashflow) and for non-performing collateral; U.S. Mortgage & Real Estate TruPS CDOs also include an adjustment to reflect overhedging and outstanding hedge termination payments obligations. Some asset classes may not have subordinated tranches so they are excluded from the weighted averages.

# Below Investment Grade Exposures

## Net Par Outstanding by BIG Category<sup>1</sup>

### Financial Guaranty Insurance and Credit Derivatives Surveillance Categories

- As of June 30, 2017, approximately **\$4.9 billion (38%)** of the aggregate **BIG exposure was Category 1**, which are transactions that show sufficient deterioration to make future losses possible but for which none are currently expected

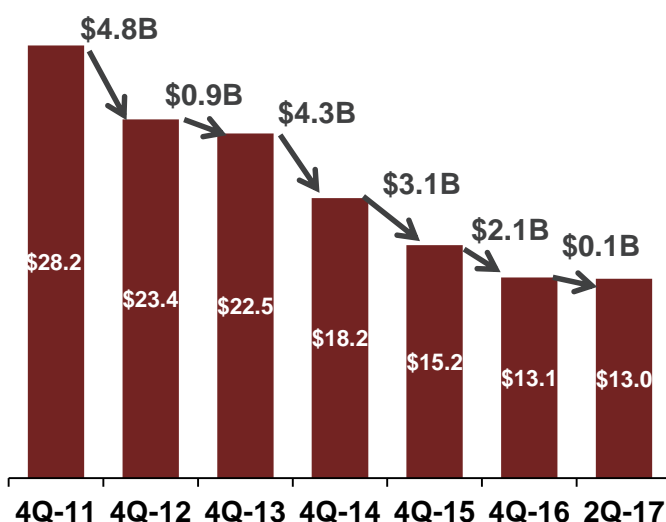
(\$ millions)	June 30, 2017	December 31, 2016
<b>Category 1</b>		
U.S. public finance	\$2,391	\$2,403
Non-U.S. public finance	1,872	1,288
U.S. structured finance	542	594
Non-U.S. structured finance	120	210
Total Category 1	\$4,925	\$4,495
<b>Category 2</b>		
U.S. public finance	\$663	\$3,122
Non-U.S. public finance	273	54
U.S. structured finance	496	800
Non-U.S. structured finance	41	83
Total Category 2	\$1,473	\$4,059
<b>Category 3</b>		
U.S. public finance	\$4,088	\$1,855
Non-U.S. public finance	-	-
U.S. structured finance	2,515	2,665
Non-U.S. structured finance	-	-
Total Category 3	\$6,603	\$4,520
<b>BIG Total</b>	<b>\$13,001</b>	<b>\$13,074</b>

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

# BIG Exposure Decline

- Since 4Q-11, BIG net par outstanding has declined by \$15.2 billion<sup>1</sup>
- The acquisition of MBIA UK and a reassumption increased BIG net par outstanding by \$789 million and \$165 million, respectively
- The largest components of our BIG exposure are Puerto Rico at 38% and U.S. RMBS at 22%

**BIG Net Par Outstanding**  
(\$ in billions)



**Changes in BIG Net Par Outstanding**

(\$ in millions)	Full Year 2012	Full Year 2013	Full Year 2014	Full Year 2015	Full Year 2016	4Q 2016-2Q 2017
<b>Beginning BIG par</b>	<b>\$28,214</b>	<b>\$23,392</b>	<b>\$22,537</b>	<b>\$18,247</b>	<b>\$15,183</b>	<b>\$13,074</b>
Amortization / Claim Payments	(4,049)	(2,660)	(2,126)	(1,801)	(1,901)	(401)
R&W RMBS Settlement Reclassifications	(1,782)	(531)	-	-	-	-
FX Change	48	(98)	(185)	(153)	(42)	136
Terminations	-	(452)	(922)	(1,951)	(600)	(272)
Removals / Upgrades	(711)	(1,346)	(1,003)	(2,983)	(505)	(513)
Additions / Downgrades	1,672	5,746	261	4,234	1,182	1,036
Adjustments <sup>1</sup>	-	(1,513)	(315)	(411)	(242)	(60)
<b>Total Decrease / Increase</b>	<b>(4,822)</b>	<b>(854)</b>	<b>(4,290)</b>	<b>(3,065)</b>	<b>(2,108)</b>	<b>(73)</b>
<b>Ending BIG par</b>	<b>\$23,392</b>	<b>\$22,537</b>	<b>\$18,247</b>	<b>\$15,183</b>	<b>\$13,074</b>	<b>\$13,001</b>

1. Adjustments include movement due to reclassification of internal ratings due to reinsurance agreements or arrangements, benefits from the loss mitigation bond purchase program or representations and warranty settlements as well as legal defeasance.

# BIG Exposures > \$250 Million

(dollars in millions)

## BIG Exposures Greater Than \$250 Million as of June 30, 2017

<u>Type<sup>1</sup></u>	<u>Name or Description</u>	<u>Net Par Outstanding</u>	<u>Internal Rating</u>
PF	Puerto Rico General Obligation, Appropriations and Guarantees of the Commonwealth	\$ 1,682	CCC-
PF	Puerto Rico Highways and Transportation Authority	1,327	CC-
PF	Puerto Rico Electric Power Authority	777	CC
PF	Coventry & Rugby Hospital Company	549	BB+
PF	Reliance Rail Finance Pty. Limited	532	BB
PF	Puerto Rico Aqueduct & Sewer Authority	373	CCC
PF	Puerto Rico Municipal Finance Agency	354	CCC-
PF	Oyster Bay, New York	350	BB+
PF	Puerto Rico Sales Tax Financing Corporation	271	CCC+
	<b>Total</b>	<b>\$6,215</b>	

1. "PF" signifies a public finance transaction and "SF" signifies a structured finance transaction, if applicable.

A photograph showing three construction workers on a construction site. They are standing on a grid of steel reinforcement bars (rebar) laid out on a wooden formwork. The workers are wearing white hard hats and safety glasses. One worker is wearing a white shirt and blue pants, another is wearing a yellow shirt and dark pants, and the third is wearing a white shirt and blue pants. They appear to be inspecting or working on the rebar grid. The background shows more of the construction site with wooden formwork and rebar structures.

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. By disclosing non-GAAP financial measures, the Company gives investors, analysts and financial news reporters access to information that management and the Board of Directors review internally. Assured Guaranty believes its presentation of non-GAAP financial measures, along with the effect on those measures of consolidating FG VIEs (FG VIE consolidation), provides information that is necessary for analysts to calculate their estimates of Assured Guaranty's financial results in their research reports on Assured Guaranty and for investors, analysts and the financial news media to evaluate Assured Guaranty's financial results.

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

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

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

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

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



# 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).

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

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

# Appendix

## Explanation of Non-GAAP Financial Measures



**Operating Income (non-GAAP):** Management believes that operating income (non-GAAP) is a useful measure because it clarifies the understanding of the underwriting results and financial condition of the Company and presents the results of operations of the Company excluding the fair value adjustments on credit derivatives and CCS that are not expected to result in economic gain or loss, as well as other adjustments described below. Management adjusts operating income (non-GAAP) 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 revenue on non financial guaranty contracts. See below.
- 3) Addition of the deferred premium revenue on financial guaranty contracts in excess of expected loss to be expensed, net of reinsurance. This amount represents the expected future net earned premiums, net of expected losses to be expensed, which are not reflected in GAAP equity.
- 4) Elimination of the tax asset or liability related to the above adjustments, which are determined by applying the statutory tax rate in each of the jurisdictions that generate these adjustments.

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

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

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

# Appendix

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



### Reconciliation of GWP to PVP

(dollars in millions)

	Three Months Ended		Year Ended December 31,			
	June 30, 2017	March 31, 2017	2016	2015	2014	2013
Total GWP	\$79	\$111	\$154	\$181	\$104	\$123
Less: Intallment GWP and other GAAP adjustments	25	55	(10)	55	(22)	8
Upfront GWP	54	56	164	126	126	115
Plus: Installment premium PVP	16	43	50	53	42	26
Total PVP	\$70	\$99	\$214	\$179	\$168	\$141

### PVP:

	June 30, 2017	March 31, 2017	2016	2015	2014	2013
Public Finance - U.S.	\$46	\$52	\$161	\$124	\$128	\$116
Public Finance - non-U.S.	14	40	25	27	7	18
Structured Finance - U.S.	0	5	27	22	24	7
Structured Finance - non-U.S.	10	2	1	6	9	-
Total PVP	\$70	\$99	\$214	\$179	\$168	\$141

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 (non-GAAP)<sup>1</sup>



Operating Income Reconciliation (dollars in millions, except per share amounts)	Three Month Ended June 30,				Six Months Ended June 30,			
	2017		2016		2017		2016	
	Total	Per Diluted Share	Total	Per Diluted Share	Total	Per Diluted Share	Total	Per Diluted Share
<b>Net income (loss)</b>	<b>\$153</b>	<b>\$1.24</b>	<b>\$146</b>	<b>\$1.09</b>	<b>\$470</b>	<b>\$3.76</b>	<b>\$205</b>	<b>\$1.51</b>
Less pre-tax adjustments:								
Realized gains (losses) on investments	15	0.13	10	0.07	47	0.38	(4)	(0.03)
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(20)	(0.17)	32	0.23	5	0.03	(28)	(0.21)
Fair value gains (losses) on CCS	2	0.01	(11)	(0.08)	0	0.00	(27)	(0.20)
Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves	21	0.17	(17)	(0.12)	31	0.25	(19)	(0.14)
Total pre-tax adjustments	18	0.14	14	0.10	83	0.66	(78)	(0.58)
Less tax effect on pre-tax adjustments	(5)	(0.05)	(4)	(0.02)	(27)	(0.22)	24	0.18
Operating income	<u>\$141</u>	<u>\$1.15</u>	<u>\$136</u>	<u>\$1.01</u>	<u>\$414</u>	<u>\$3.32</u>	<u>\$259</u>	<u>\$1.91</u>
Gain (loss) related to FG VIE consolidation included in operating income	<u>\$5</u>	<u>\$0.05</u>	<u>(\$3)</u>	<u>(\$0.02)</u>	<u>\$10</u>	<u>\$0.08</u>	<u>\$7</u>	<u>\$0.05</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 Net Income (Loss) to Operating Income (non-GAAP)<sup>1</sup> (2004-2016)



### Non-GAAP Operating income reconciliation (dollars in millions, except per share amounts)

	Year Ended December 31,													
	2016		2015		2014		2013		2012		2011		2010	
	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share
<b>Net income (loss) attributable to AGL</b>	<b>\$881</b>	<b>\$6.56</b>	<b>\$1,056</b>	<b>\$7.08</b>	<b>\$1,088</b>	<b>\$6.26</b>	<b>\$808</b>	<b>\$4.30</b>	<b>\$110</b>	<b>\$0.57</b>	<b>\$773</b>	<b>\$4.16</b>	<b>\$484</b>	<b>\$2.56</b>
Less pre-tax adjustments:														
Realized gains (losses) on investments	(30)	(0.23)	(27)	(0.18)	(56)	(0.32)	56	0.30	(3)	(0.02)	(18)	(0.10)	(1)	(0.01)
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	36	0.27	505	3.39	687	3.95	(49)	(0.26)	(672)	(3.53)	344	1.85	6	0.03
Fair value gains (losses) on committed capital securities (CCS)	0	0.00	27	0.18	(11)	(0.06)	10	0.05	(18)	(0.09)	35	0.19	9	0.05
Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and loss adjustment expense (LAE) reserves	(33)	(0.25)	(15)	(0.10)	(21)	(0.12)	(1)	(0.01)	21	0.11	(5)	(0.03)	(29)	(0.15)
Total pre-tax adjustments	(27)	(0.21)	490	3.29	599	3.45	16	0.08	(672)	(3.53)	356	1.91	(15)	(0.08)
Less tax effect on pre-tax adjustments	13	0.09	(144)	(0.97)	(158)	(0.92)	(9)	(0.06)	188	1.00	(104)	(0.56)	11	0.06
<b>Operating income (non-GAAP)</b>	<b>\$895</b>	<b>\$6.68</b>	<b>\$710</b>	<b>\$4.76</b>	<b>\$647</b>	<b>\$3.73</b>	<b>\$801</b>	<b>\$4.28</b>	<b>\$594</b>	<b>\$3.10</b>	<b>\$521</b>	<b>\$2.81</b>	<b>\$488</b>	<b>\$2.58</b>
Gain (loss) related to FG VIE consolidation included in operating income (non-GAAP)	\$12	\$0.10	\$11	\$0.07	\$156	\$0.90	\$192	\$1.03	\$59	\$0.29	(\$80)	(\$0.43)	(\$167)	(\$0.88)

	Year Ended December 31,											
	2009		2008		2007		2006		2005		2004	
	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share
<b>Net income (loss) attributable to AGL</b>	<b>\$82</b>	<b>\$0.63</b>	<b>\$60</b>	<b>\$0.67</b>	<b>(\$303)</b>	<b>(\$4.46)</b>	<b>\$160</b>	<b>\$2.15</b>	<b>\$188</b>	<b>\$2.53</b>	<b>\$183</b>	<b>\$2.44</b>
Less pre-tax adjustments:												
Realized gains (losses) on investments	(33)	(0.26)	(70)	(0.79)	(1)	(0.01)	(2)	(0.03)	2	0.03	8	0.11
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(106)	(0.82)	82	0.92	(667)	(9.63)	6	0.08	(4)	(0.05)	51	0.68
Fair value gains (losses) on committed capital securities (CCS)	(123)	(0.95)	43	0.48	8	0.12	-	-	-	-	-	-
Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and loss adjustment expense (LAE) reserves	27	0.21	-	-	-	-	-	-	-	-	-	-
Total pre-tax adjustments	(235)	(1.82)	55	0.61	(660)	(9.52)	4	0.05	(2)	(0.02)	59	0.79
Less tax effect on pre-tax adjustments	62	0.48	(60)	(0.67)	179	2.58	(1)	(0.02)	0	0.00	(17)	(0.23)
<b>Operating income (non-GAAP)</b>	<b>\$255</b>	<b>\$1.97</b>	<b>\$65</b>	<b>\$0.73</b>	<b>\$178</b>	<b>\$2.57</b>	<b>\$157</b>	<b>\$2.12</b>	<b>\$190</b>	<b>\$2.55</b>	<b>\$141</b>	<b>\$1.88</b>

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> (2004-2009)



### Non-GAAP Adjusted book value reconciliation

(dollars in millions, except per share amounts)

	2Q 2004		2004		2005		2006		2007		2008		2009	
	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share
<b>Reconciliation of shareholders' equity to adjusted book value:</b>														
<b>Shareholders' equity</b>	\$1,422	\$18.73	\$1,528	\$20.19	\$1,662	\$22.22	\$1,651	\$24.44	\$1,625	\$20.33	\$1,876	\$20.62	\$3,455	\$18.76
Less pre-tax adjustments:														
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	13	0.17	44	0.58	40	0.54	46	0.68	(621)	(7.76)	(539)	(5.93)	(1,049)	(5.70)
Fair value gains (losses) on CCS	0	0.00	0	0.00	0	0.00	0	0.00	8	0.10	51	0.56	10	0.05
Unrealized gain (loss) on investment portfolio excluding foreign exchange effect	56	0.73	93	1.23	53	0.71	46	0.68	61	0.76	(7)	(0.08)	202	1.10
Less Taxes	(19)	(0.25)	(38)	(0.50)	(29)	(0.40)	(30)	(0.45)	148	1.86	102	1.13	216	1.17
Non-GAAP operating shareholders' equity	1,372	18.08	1,429	18.88	1,598	21.37	1,589	23.53	2,029	25.37	2,269	24.94	4,076	22.14
Pre-tax adjustments:														
Less: Deferred acquisition costs	183	2.41	186	2.46	193	2.58	217	3.21	201	2.51	216	2.37	162	0.88
Plus: Net present value of estimated net future revenue	403	5.31	468	6.18	426	5.70	589	8.72	930	11.63	929	10.21	755	4.10
Plus: Net unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed	501	6.60	496	6.55	516	6.90	626	9.27	875	10.95	1,215	13.36	6195	33.64
Plus Taxes	(232)	(3.07)	(234)	(3.09)	(138)	(1.85)	(179)	(2.65)	(283)	(3.54)	(379)	(4.17)	(1,977)	(10.74)
Non-GAAP Adjusted book value	<u>\$1,861</u>	<u>\$24.51</u>	<u>\$1,973</u>	<u>\$26.06</u>	<u>\$2,209</u>	<u>\$29.54</u>	<u>\$2,408</u>	<u>\$35.66</u>	<u>\$3,350</u>	<u>\$41.90</u>	<u>\$3,818</u>	<u>\$41.97</u>	<u>\$8,887</u>	<u>\$48.26</u>

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 Shareholders' Equity to Non-GAAP Adjusted Book Value<sup>1</sup> (2010-2016)



### Non-GAAP Adjusted book value reconciliation

(dollars in millions, except per share amounts)

	2010		2011		2012		2013		2014		2015		2016	
	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share
<b>Reconciliation of shareholders' equity to adjusted book value:</b>														
<b>Shareholders' equity</b>	<b>\$3,670</b>	<b>\$19.97</b>	<b>\$4,652</b>	<b>\$25.52</b>	<b>\$4,994</b>	<b>\$25.74</b>	<b>\$5,115</b>	<b>\$28.07</b>	<b>\$5,758</b>	<b>\$36.37</b>	<b>\$6,063</b>	<b>\$43.96</b>	<b>\$6,504</b>	<b>\$50.82</b>
Less pre-tax adjustments:														
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(1,044)	(5.68)	(668)	(3.67)	(1,346)	(6.94)	(1,447)	(7.94)	(741)	(4.68)	(241)	(1.75)	(189)	(1.48)
Fair value gains (losses) on CCS	19	0.10	54	0.30	35	0.18	46	0.25	35	0.22	62	0.45	62	0.48
Unrealized gain (loss) on investment portfolio excluding foreign exchange effect	114	0.62	488	2.68	708	3.65	236	1.29	523	3.30	373	2.71	316	2.47
Less Taxes	262	1.42	21	0.11	150	0.77	306	1.68	45	0.29	(56)	(0.41)	(71)	(0.54)
Non-GAAP operating shareholders' equity	4,319	23.51	4,757	26.10	5,447	28.08	5,974	32.79	5,896	37.24	5,925	42.96	6,386	49.89
Pre-tax adjustments:														
Less: Deferred acquisition costs	145	0.79	132	0.73	116	0.60	124	0.68	121	0.76	114	0.83	106	0.83
Plus: Net present value of estimated net future revenue	614	3.34	434	2.38	317	1.63	214	1.17	159	1.00	169	1.23	136	1.07
Plus: Net unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed	5,439	29.60	4,790	26.28	4,301	22.17	3,791	20.81	3,461	21.86	3,384	24.53	2,922	22.83
Plus Taxes	(1,677)	(9.12)	(1,426)	(7.81)	(1,250)	(6.44)	(1,070)	(5.87)	(960)	(6.07)	(968)	(7.02)	(832)	(6.5)
Non-GAAP Adjusted book value	<u><u>\$8,550</u></u>	<u><u>\$46.54</u></u>	<u><u>\$8,423</u></u>	<u><u>\$46.22</u></u>	<u><u>\$8,699</u></u>	<u><u>\$44.84</u></u>	<u><u>\$8,785</u></u>	<u><u>\$48.22</u></u>	<u><u>\$8,435</u></u>	<u><u>\$53.27</u></u>	<u><u>\$8,396</u></u>	<u><u>\$60.87</u></u>	<u><u>\$8,506</u></u>	<u><u>\$66.46</u></u>
Gain (loss) related to FG VIE consolidation included in non-GAAP operating shareholders' equity	<u><u>(\$372)</u></u>	<u><u>(\$2.02)</u></u>	<u><u>(\$444)</u></u>	<u><u>(\$2.44)</u></u>	<u><u>(\$383)</u></u>	<u><u>(\$1.97)</u></u>	<u><u>(\$190)</u></u>	<u><u>(\$1.04)</u></u>	<u><u>(\$37)</u></u>	<u><u>(\$0.24)</u></u>	<u><u>(\$21)</u></u>	<u><u>(\$0.15)</u></u>	<u><u>(\$7)</u></u>	<u><u>(\$0.06)</u></u>
Gain (loss) related to FG VIE consolidation included in non-GAAP adjusted book value	<u><u>(\$439)</u></u>	<u><u>(\$2.38)</u></u>	<u><u>(\$564)</u></u>	<u><u>(\$3.10)</u></u>	<u><u>(\$452)</u></u>	<u><u>(\$2.33)</u></u>	<u><u>(\$248)</u></u>	<u><u>(\$1.36)</u></u>	<u><u>(\$60)</u></u>	<u><u>(\$0.39)</u></u>	<u><u>(\$43)</u></u>	<u><u>(\$0.31)</u></u>	<u><u>(\$24)</u></u>	<u><u>(\$0.18)</u></u>

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



### Non-GAAP Adjusted book value reconciliation

(dollars in millions, except per share amounts)

	As of											
	June 30, 2017		March 31, 2017		December 31, 2016		June 30, 2016		March 31, 2016		December 31, 2015	
	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share
<b>Reconciliation of shareholders' equity to non-GAAP adjusted book value:</b>												
<b>Shareholders' equity</b>	\$6,750	\$56.40	\$6,637	\$53.95	\$6,504	\$50.82	\$6,250	\$47.06	\$6,113	\$45.26	\$6,063	\$43.96
Less pre-tax adjustments:												
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(185)	(1.55)	(164)	(1.33)	(189)	(1.48)	(265)	(2.00)	(300)	(2.22)	(241)	(1.75)
Fair value gains (losses) on CCS	62	0.52	60	0.49	62	0.48	35	0.26	46	0.34	62	0.45
Unrealized gain (loss) on investment portfolio excluding foreign exchange effect	504	4.20	380	3.08	316	2.47	600	4.52	482	3.57	373	2.71
Less Taxes	(133)	(1.11)	(99)	(0.80)	(71)	(0.54)	(118)	(0.88)	(59)	(0.43)	(56)	(0.41)
Non-GAAP operating shareholders' equity	6,502	54.34	6,460	52.51	6,386	49.89	5,998	45.16	5,944	44.00	5,925	42.96
Pre-tax adjustments:												
Less: Deferred acquisition costs	106	0.89	106	0.86	106	0.83	110	0.83	113	0.84	114	0.83
Plus: Net present value of estimated net future revenue	148	1.23	153	1.24	136	1.07	93	0.70	133	0.99	169	1.23
Plus: Net unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed	3,173	26.51	3,236	26.30	2,922	22.83	3,047	22.94	3,199	23.68	3,384	24.53
Plus Taxes	(924)	(7.71)	(945)	(7.68)	(832)	(6.50)	(843)	(6.34)	(899)	(6.66)	(968)	(7.02)
Non-GAAP Adjusted book value	<u>\$8,793</u>	<u>\$73.48</u>	<u>\$8,798</u>	<u>\$71.51</u>	<u>\$8,506</u>	<u>\$66.46</u>	<u>\$8,185</u>	<u>\$61.63</u>	<u>\$8,264</u>	<u>\$61.17</u>	<u>\$8,396</u>	<u>\$60.87</u>
Gain (loss) related to FG VIE consolidation included in non-GAAP operating shareholders' equity	<u>2</u>	<u>0.03</u>	<u>(3)</u>	<u>(0.03)</u>	<u>(7)</u>	<u>(0.06)</u>	<u>(13)</u>	<u>(0.10)</u>	<u>(10)</u>	<u>(0.08)</u>	<u>(21)</u>	<u>(0.15)</u>
Gain (loss) related to FG VIE consolidation included in non-GAAP adjusted book value	<u>(13)</u>	<u>0.10</u>	<u>(20)</u>	<u>(0.16)</u>	<u>(24)</u>	<u>(0.18)</u>	<u>(30)</u>	<u>(0.23)</u>	<u>(30)</u>	<u>(0.23)</u>	<u>(43)</u>	<u>(0.31)</u>

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

## Calculation of Non-GAAP Operating Portfolio Leverage



### Non-GAAP Operating Leverage

(dollars in millions, except leverage)

	2009	2010	2011	2012	2013	2014	2015	2016	2Q-2017	2017	2018	2019	2020	2021
Insured Net Par Outstanding	\$640,194	\$616,686	\$556,830	\$518,772	\$459,107	\$403,729	\$358,571	\$296,318	\$290,620	\$270,879	\$244,095	\$224,707	\$212,320	\$199,233
Operating Shareholders' Equity	4,076	4,319	4,757	5,447	5,974	5,896	5,925	6,386	6,502	6,502	6,502	6,502	6,502	6,502
Non-GAAP Operating Portfolio Leverage	<u>157</u>	<u>143</u>	<u>117</u>	<u>95</u>	<u>77</u>	<u>68</u>	<u>61</u>	<u>46</u>	<u>45</u>	<u>42</u>	<u>38</u>	<u>35</u>	<u>33</u>	<u>31</u>

1. See pages 53-55 for a reconciliation of GAAP shareholders' equity to non-GAAP operating shareholders' equity.

# Appendix

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

### ROE Reconciliation

(dollars in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
<b>Net income (loss)</b>	<b>\$153</b>	<b>\$146</b>	<b>\$470</b>	<b>\$205</b>
Operating income (non-GAAP)	141	136	414	259
Gain (loss) related to FG VIE consolidation included in operating income	5	(3)	10	7
<b>Average shareholders' equity</b>	<b>\$6,694</b>	<b>\$6,182</b>	<b>\$6,627</b>	<b>\$6,157</b>
Average non-GAAP operating shareholders' equity	6,481	5,971	6,444	5,962
Gain (loss) related to FG VIE consolidation included in average non-GAAP operating shareholders' equity	0	(12)	(2)	(17)
<b>GAAP ROE<sup>1</sup></b>	<b>9.1%</b>	<b>9.5%</b>	<b>14.2%</b>	<b>6.7%</b>
Operating ROE (non-GAAP) <sup>1</sup>	8.7%	9.2%	12.9%	8.7%
Effect of Consolidating FG VIEs included in operating ROE	0.3%	(0.1)%	0.4%	0.3%

1. Quarterly ROE calculations represent annualized returns.

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# Equity Investor Presentation

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