



EMBRACE POSSIBILITIES, INVEST IN CERTAINTIES

Equity Investor Presentation

June 30, 2016

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- The foregoing review of important factors should not be construed as exhaustive, and should be read in conjunction with the other cautionary statements and the risk factors included in AGL’s 2015 Annual Report on Form 10-K and the most recent Quarterly Report or Form 10-Q. 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 Standard & Poor's Ratings Services ("S&P").
 - Percentages and totals in tables or graphs may not add due to rounding.
 - Income statement items mentioned in this presentation that are described as operating (i.e. operating net earned premiums) are non-GAAP measures and represent components of operating income.
- This presentation references financial measures that are not in accordance with U.S. generally accepted accounting principles ("GAAP"), which management uses in order to assist analysts and investors in evaluating Assured Guaranty's financial results. These financial measures determined on the basis of methodologies other than in accordance with GAAP ("non-GAAP financial measures") are defined in the Appendix. In each case, the most directly comparable GAAP financial measure, if available, is presented, and a reconciliation of the non-GAAP financial measure and GAAP financial measure is provided. This presentation is consistent with how Assured Guaranty's management, analysts and investors evaluate Assured Guaranty's financial results and is comparable to estimates published by analysts in their research reports on Assured Guaranty.
- When an income-related financial measure is described as "operating," it is a non-GAAP measure. For example, "operating net investment income" is the amount included in operating income, and its most directly comparable GAAP measure is "net investment income."

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Second Quarter 2016 Accomplishments



- Earned \$139 million of operating income¹, or \$1.03 per share
- Increased shareholders' equity per share, operating shareholders' equity¹ per share and adjusted book value¹ per share, reaching new records of \$47.06, \$45.26 and \$61.86, respectively
- Generated \$41 million of new business production¹ in 2Q-16, an 8% increase over 1Q-16 and a 57% increase over 2Q-15
- Acquired the parent of financial guaranty insurer CIFG Assurance North America, Inc. (CIFG) on July 1, 2016, and subsequently merged CIFG with and into Assured Guaranty Corp. The acquisition is expected to be accretive to operating shareholders' equity¹ and adjusted book value¹ at the inception date.
- Repurchased an additional 2.3 million common shares (\$60 million)
- Terminated \$2.9 billion of insured net par outstanding, increasing excess capital and reducing potential future losses
- Purchased approximately \$11.5 million par of insured securities, at a cost of \$4.1 million, for loss mitigation purposes

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

Assured Guaranty Overview



Assured Guaranty Overview



Assured Guaranty Ltd.

(\$ in billions)	June 30, 2016	September 30, 2009
Net par outstanding	\$329.9	\$646.6
U.S. public finance	\$272.1	\$424.9
U.S. structured finance	\$25.6	\$142.2
Non-U.S.	\$32.2	\$79.5
Total investment portfolio + cash ¹	\$11.4	\$10.2
Net unearned premium reserve ²	\$3.4	\$7.5
Claims-paying resources ³	\$11.9	\$12.6
Ratio of net par outstanding / claims-paying resources³	28:1	51:1

1. June 30, 2016 amount \$451 million of funds restricted for the purchase of CIFG on July 1, 2016.

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

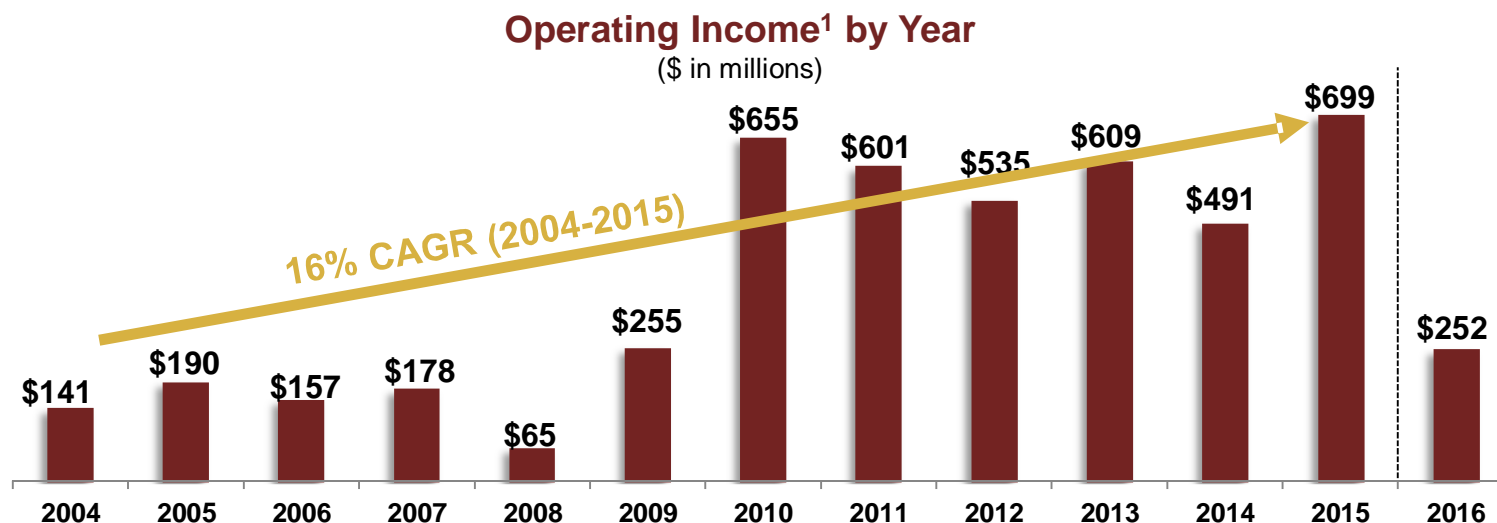
3. Based upon statutory accounting.

- **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 S&P and A3 (negative) by Moody's, guarantees public finance, global infrastructure and structured finance transactions
- **Our insured portfolio has an average internal rating of A**

Assured Guaranty Overview



- Since our initial public offering in 2004, we have grown our annual operating income¹ from \$141 million in 2004 to \$699 million in 2015, a 16% compounded annual growth rate (CAGR)
- Operating income¹ 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 per share¹



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

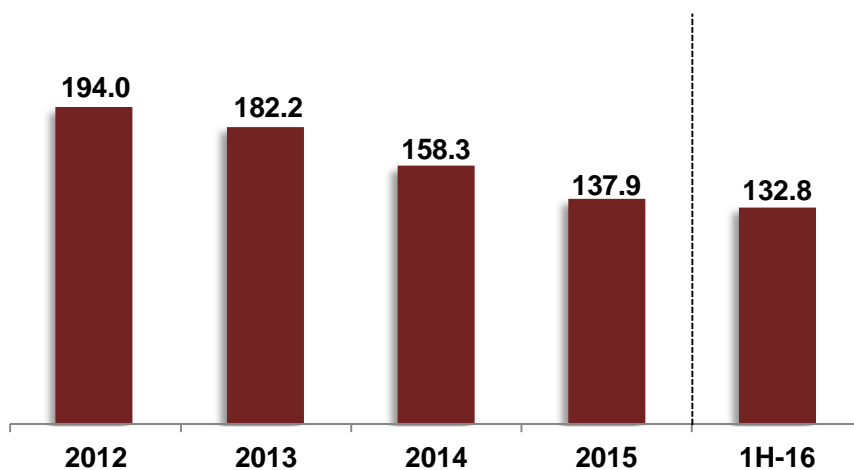
Assured Guaranty Overview

Track Record of Creating Shareholder Value

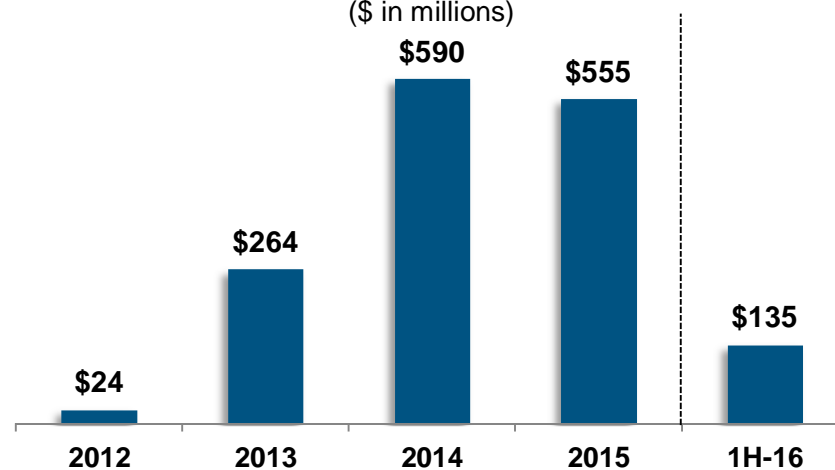


- **We have returned excess capital to shareholders by distributing dividends and repurchasing our common shares**
 - Since 2013, when we started our capital management strategy of repurchasing our common shares, through August 3, 2016, we have repurchased 64.1 million shares, or roughly 33% of our shares outstanding, for approximately \$1.6 billion.
 - During the first half of 2016, we repurchased 5.4 million common shares for \$135 million at an average price per share of \$25.14. As of August 3, 2016, the Company's remaining share repurchase authorization was \$150 million from the February 24, 2016, \$250 million share authorization.
 - Since our 2004 IPO, we have more than tripled our quarterly dividend per share. On February 24, 2016, our Board of Directors authorized an increase in the quarterly dividend to \$0.13 per share in 2016. We have raised our quarterly dividends for five consecutive years.

Ending Share Count by Year and YTD
(in millions)



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



Assured Guaranty Overview

Dividend Limitation Calculations

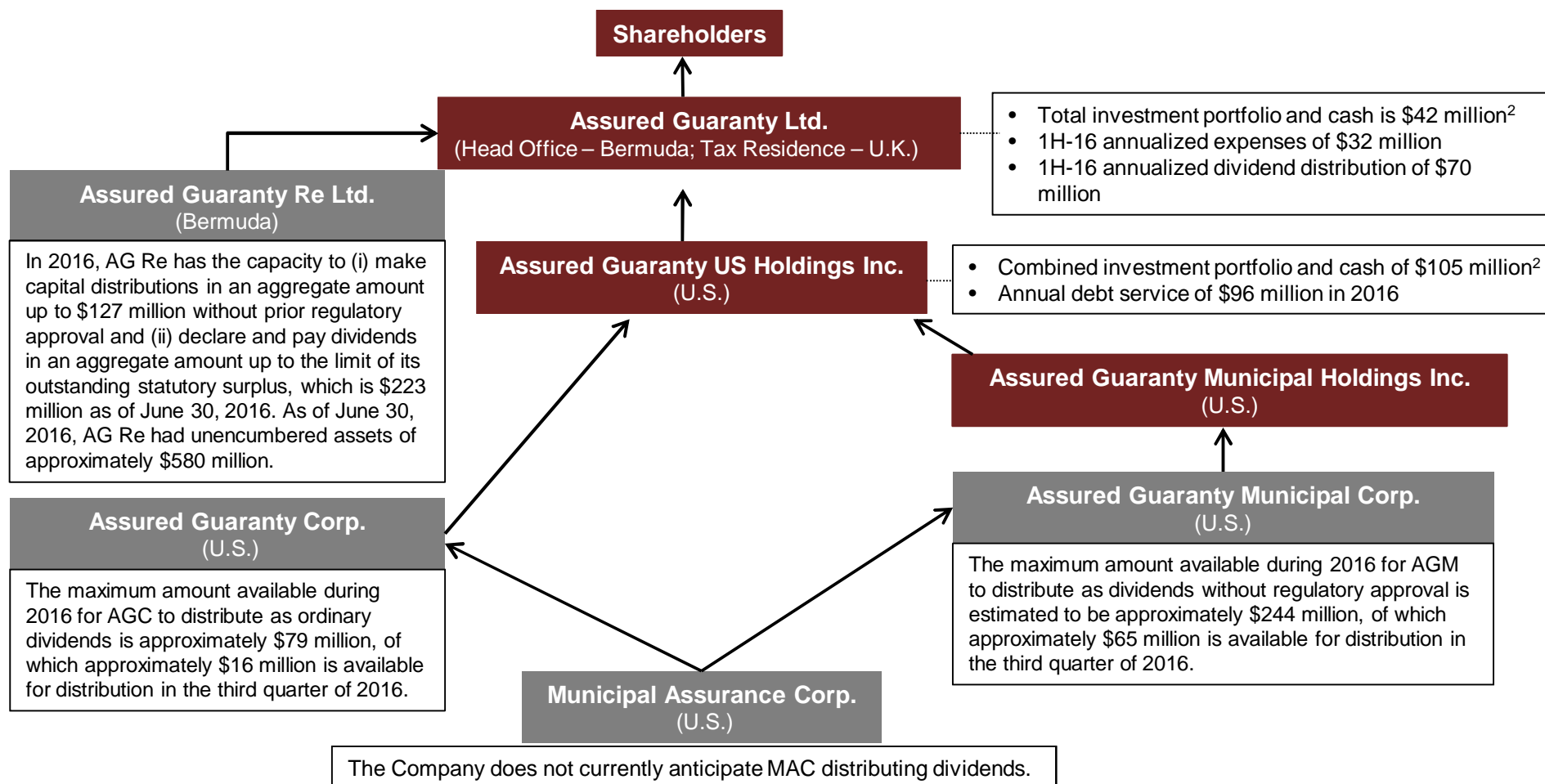


Assured Guaranty Municipal Corp. (New York Statutory Accounting)		Assured Guaranty Corp. (Maryland Statutory Accounting)		Assured Guaranty Re Ltd. (AG Re) (Bermuda Statutory Accounting)	
<ul style="list-style-type: none">Based on most recently filed quarterly or annual statementOnly out of “earned surplus”¹Cannot exceed the lesser of:<ul style="list-style-type: none">(i) 10% of policyholders’ surplus, and(ii) 100% of adjusted statutory net investment income<ul style="list-style-type: none">Prior 12 months’ statutory net investment income (excluding realized gains) increased by the excess, if any, of statutory net investment income over dividends paid for the 24 months preceding the prior 12 months.		<ul style="list-style-type: none">Based on most recently filed annual statementCannot exceed the lesser of:<ul style="list-style-type: none">(i) 10% of policyholders’ surplus, and(ii) 100% of adjusted statutory net investment income<ul style="list-style-type: none">Prior year statutory net investment income (excluding realized gains) increased by the excess, if any, of statutory net investment income for the three years preceding the prior year over dividends paid for the three prior years.		<ul style="list-style-type: none">Cannot exceed 25% of prior year statutory capital and surplus without certification to the regulatorCannot exceed current outstanding statutory surplusMust be paid from unencumbered assetsAdditionally, AG Re can make capital distributions which cannot exceed 15% of its total prior year statutory capital (total statutory capital of \$843 million, 15% of which is \$127 million)	
(\$ in millions)					
Statutory policyholders’ surplus	\$2,441	Statutory policyholders’ surplus	\$1,365	Statutory total statutory capital and surplus	\$983
10% of policyholders’ surplus	\$244	10% of policyholders’ surplus	\$137	25% of statutory capital and surplus	\$246
3Q-15 through 2Q-16 statutory net investment income	\$257	2015 statutory net investment income	\$79	Approximate outstanding statutory surplus as of June 30, 2016	\$223
Statutory net investment income		Statutory net investment income		Unencumbered assets	\$580
3Q-13 through 2Q-14	244	2012	81		
3Q-14 through 2Q-15	203	2013	66		
Total	\$447	2014	54		
		Total	\$201		
Dividends paid		Dividends paid		2016 Dividend Limitation	\$223
3Q-13 through 2Q-14	(170)	2013	(67)	2016 Remaining Dividend Capacity	\$173
3Q-14 through 2Q-15	(221)	2014	(69)		
Total	(\$391)	2015	(90)		
		Total	(\$226)		
Excess of statutory net investment income over dividends	\$56	Excess of statutory net investment income over dividends	\$0		
Adjusted statutory net investment income (\$257 + \$56 = \$313)	\$313	Adjusted statutory net investment income (\$79 + 0 = \$79)	\$79		
2016 Dividend Limitation	\$244	2016 Dividend Limitation	\$79		
2016 Remaining Dividend Capacity	\$117	2016 Remaining Dividend Capacity	\$56		

1. Earned surplus is currently approximately \$1.8 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 Structure¹



1. Represents dividend capacity as of June 30, 2016. Please see our Form 10-K for the year ended December 31, 2015 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, 2016.



Underlying Value

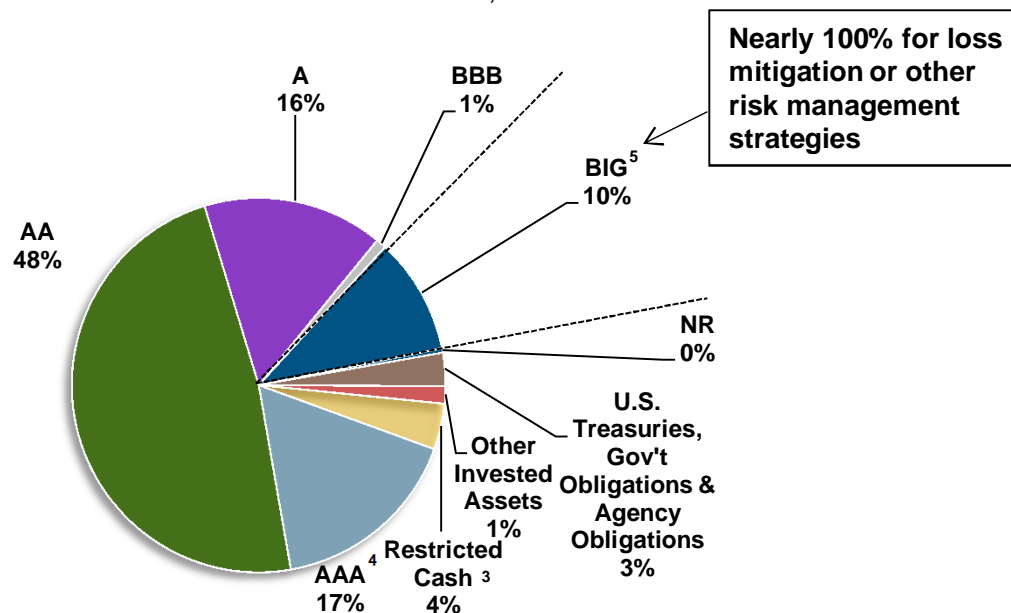
Underlying Value

High-Quality Investment Portfolio



Total Invested Assets and Cash^{1,2}

As of June 30, 2016



- Highly rated fixed maturity and short-term investments, 72% rated AA or higher, and cash
- Approximately \$775 million invested in liquid, short-term investments and cash
- Overall duration of portfolio is 5.2 years

\$11.4 billion, A+ average rating

1. Also includes securities purchased or obtained as part of loss mitigation or other risk management strategies, some of which were issued by entities that are consolidated as variable interest entities (VIEs) and which are therefore eliminated in consolidation on the balance sheet.
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. Restricted Cash represents cash set aside for the CIFG acquisition.
4. Included in the AAA category are short-term securities and cash.
5. Includes long-term BIG securities that were purchased or obtained as part of loss mitigation or other risk management strategies of \$1,959 million in par with carrying value of \$1,139 million.

Underlying Value

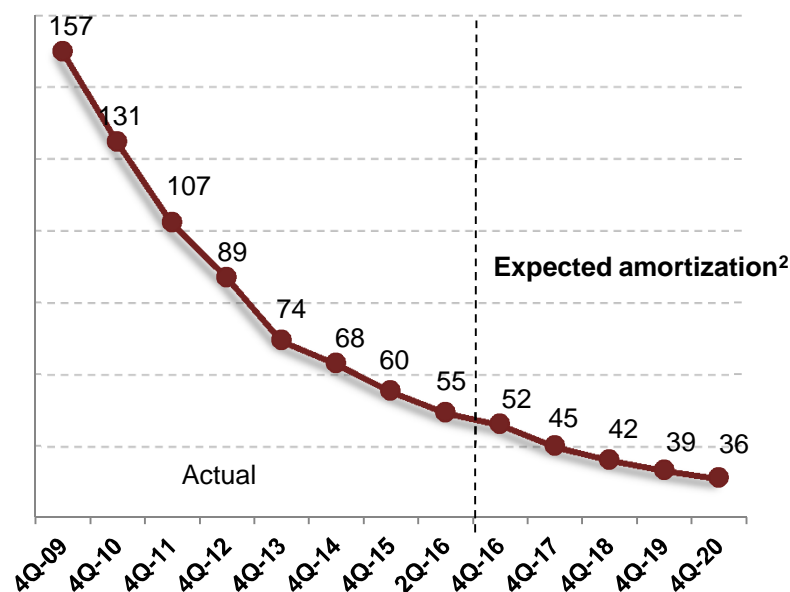
Deleveraging While Maintaining Total Invested Assets



- Our insured net par outstanding to operating shareholders' equity¹ has declined from 157:1 in 4Q-09 to 55:1 as of 2Q-16
 - 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

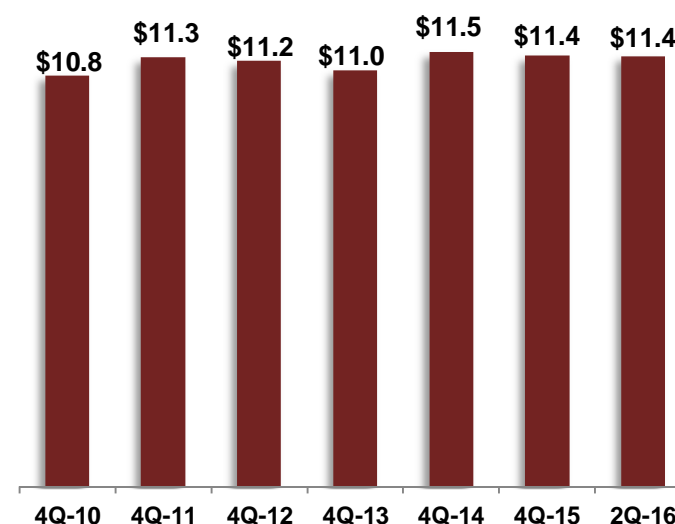
Operating Portfolio Leverage

Insured Net Par Outstanding / Operating Shareholders' Equity¹



Total Invested Assets and Cash³

(\$ in billions)



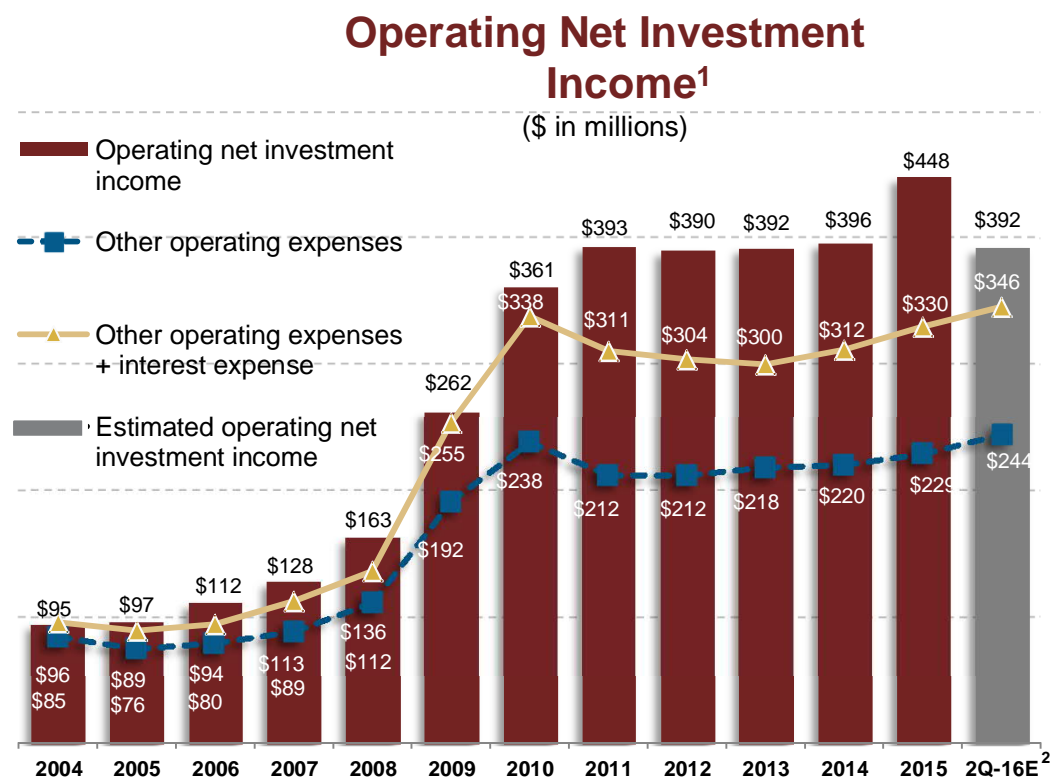
1. For an explanation of operating shareholders' equity, a non-GAAP financial measure, please refer to the Appendix.
2. Assumes no new business production and calculates estimated amortization divided by current operating shareholders' equity.
3. June 30, 2016 amount includes \$451 million of funds restricted for the purchase of CIFG on July 1, 2016.

Underlying Value

Operating Net Investment Income Generates Capital



- Operating net investment income¹ is higher than the combination of operating and interest expenses, a spread that fosters capital growth
- Operating net investment income has grown since 2010 while expenses have been relatively flat
- Excludes impact of the CIFG acquisition completed July 1, 2016

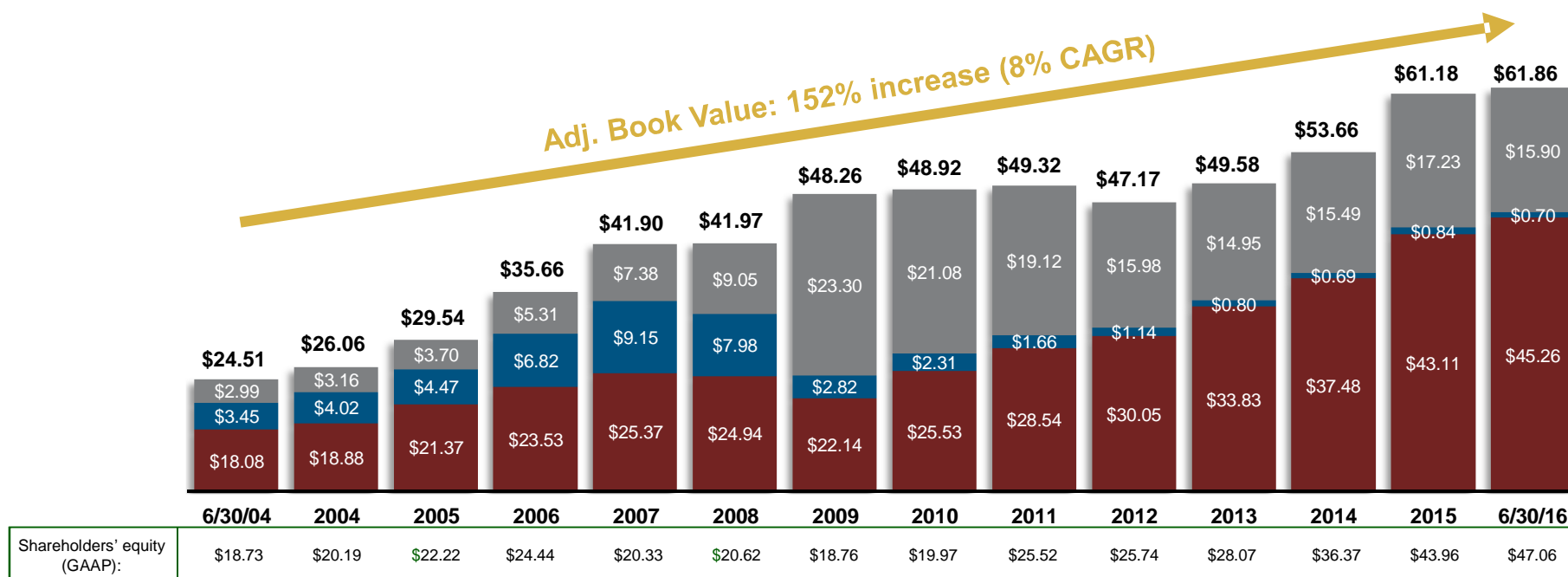


1. Operating net investment income is a non-GAAP measure that includes adjustments related to elimination of the effects of consolidating FG VIEs. See the Appendix for a reconciliation to GAAP net income.
2. Estimated 2016 values based on annualized first half of 2016 net operating investment income of \$196 million, other operating expenses of \$122 million annualized and interest expense of \$51 million.

Underlying Value Historical Growth

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Adjusted Book Value¹ per Share



- 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 credit derivative revenue in force and net unearned revenue on credit derivatives, after tax
- Operating shareholders' equity¹

1. For explanations of adjusted book value and net present value of estimated net future credit derivative revenue and operating shareholders' equity, which are non-GAAP financial measures, please refer to the Appendix. Effective January 1, 2012, the Company adopted new guidance on acquisition costs with retroactive application. This affected operating shareholders' equity per share and deferred acquisition cost per share, but had no effect on adjusted book value per share. Effective January 1, 2010, GAAP accounting required the consolidation of financial guaranty VIEs where the Company is determined to be the control party through rights under our financial guaranty insurance contracts. For those FG VIEs that the Company consolidates, it records all of the activities of the VIEs and eliminates the related insurance accounting. Operating shareholders' equity reverses the financial effect of consolidating these entities and accounts for them as financial guaranty insurance contracts in order to present the Company's insured obligations on a consistent basis.

Creating Value



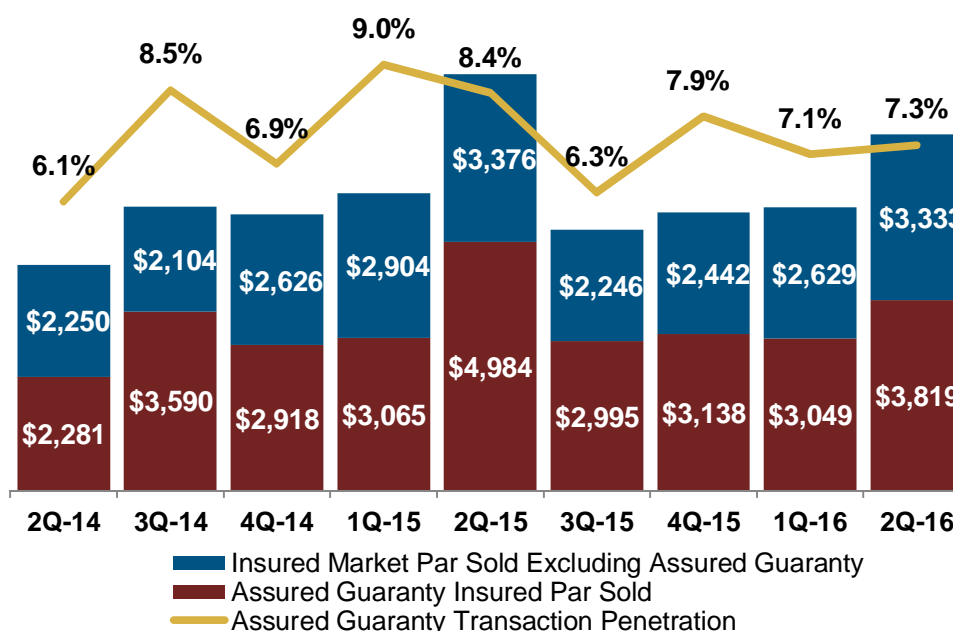
Creating Value

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 2Q-16 totaled 267 or \$3,819 million
 - Secondary market policies sold in 2Q-16 totaled 123 or \$393 million
- **Total market issuance increased 7.6% from prior-year period while insured volume decreased 14.4% from prior-year period**
 - Industry par penetration for all transactions with underlying A ratings remained constant at 24.4% in 2Q-16, compared with 2Q-15
 - Industry penetration based on the number of transactions with underlying A ratings increased to 56.6% in 2Q-16, up from 51.5% in 2Q-15
- **Industry penetration for smaller deals based on the number of transactions increased in 2Q-16 to 17.6% of all transactions \$25 million and under compared with 16.3% in 2Q-15**

**New Issue U.S. Public Finance
Insured Par Sold and Transaction Penetration¹**
(\$ in millions)



Total U.S. Public Finance New Issuance	1Q-14	2Q-14	3Q-14	4Q-14	1Q-15	2Q-15	3Q-15	4Q-15	1Q-16	2Q-16
Par Issued (\$ in billions)	\$60.4	\$83.1	\$72.3	\$99.3	\$104.0	\$111.0	\$86.0	\$76.4	\$96.5	\$119.4
Transactions Issued	1,955	2,964	2,376	2,871	3,059	3,783	2,665	2,558	2,787	3,635

1. Source: SDC database. As of June 30, 2016. Transaction penetration shown is Assured Guaranty's transaction count as a percentage of all transactions issued.

Creating Value

New Business Production

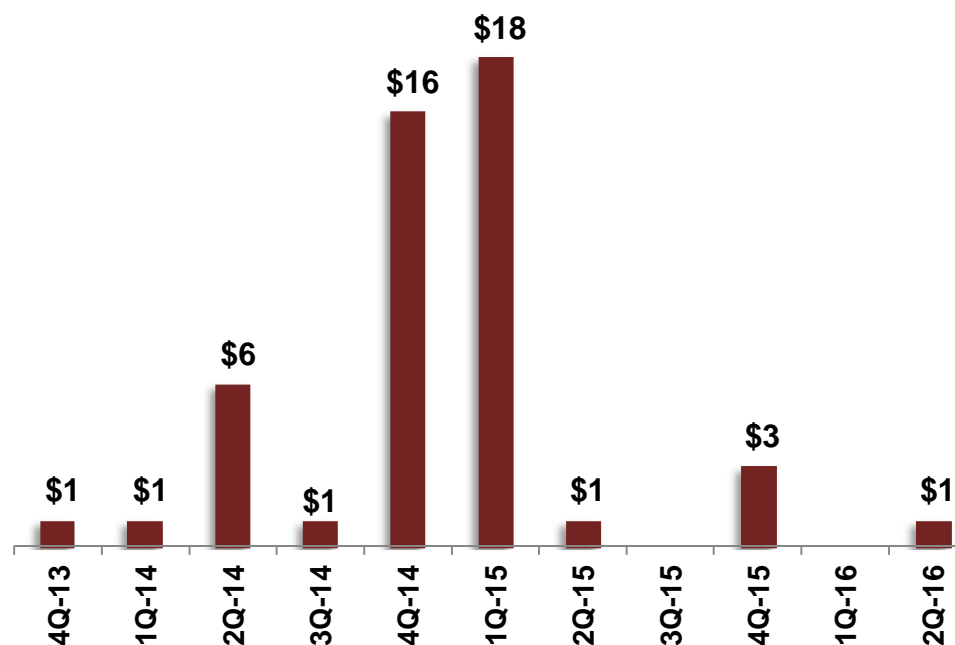
U.S. Structured Finance Business Activity

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- Closed a new market tax credit transaction
- New structured finance business production tends to fluctuate, as large, complex transactions require a long time frame to close
- We expect that 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 PVP¹

(\$ 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

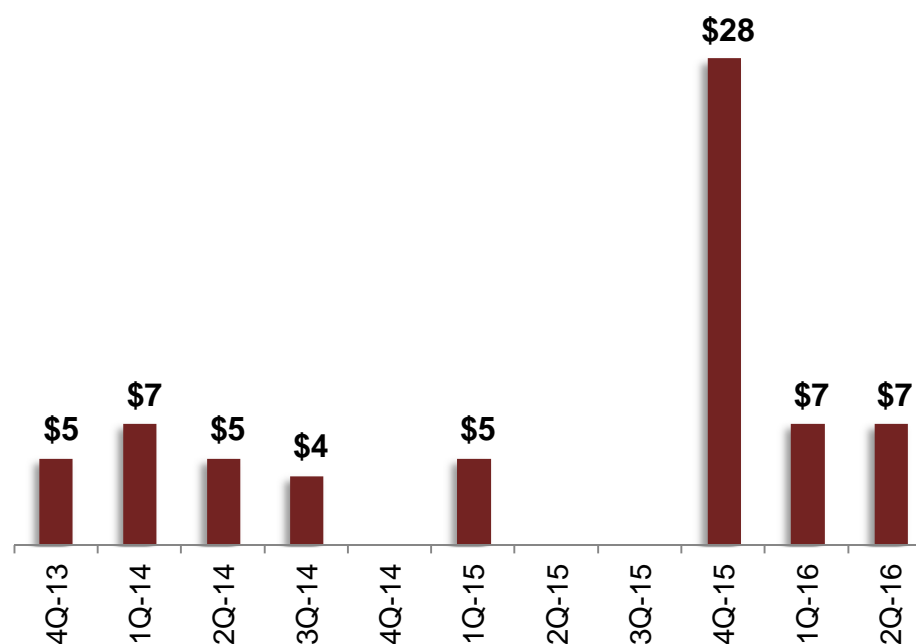
Non-U.S. Business Activity

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- During 2Q-16, we issued secondary market guarantees on utility bonds
- During 1Q-16, we insured a restructuring of an existing transaction
- We are optimistic about the pipeline of infrastructure transactions we could close in 2016. 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. PVP¹ 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 discipline
- While the gross par of new business written declined year over year, PVP increased over the same period.
 - 2Q-16 insured par volume and PVP increased from 1Q-2016
 - Benchmark municipal bond average interest rates decreased to approximately 60 basis points below the 2015 yearly average

Gross Par Written

Sector:	Quarter Ended June 30, 2016		Quarter Ended June 30, 2015	
	Gross Par Written	Avg. Rating ¹	Gross Par Written	Avg. Rating ¹
U.S. public finance	\$4,366	A-	\$5,581	A-
Non-U.S. public finance	406	BBB+	-	-
Total public finance	\$4,772	A-	\$5,581	A-
U.S. structured finance	\$3	A-	\$-	-
Non-U.S. structured finance	-	-	-	-
Total structured finance	\$3	A-	\$-	-
Total gross par written	\$4,775	A-	\$5,581	A-
Total PVP	\$41		\$26	
PVP to gross par written	0.86%		0.47%	

1. Average internal rating.

Creating Value

Alternative Strategies

CIFG Assurance Acquisition



- **AGC closed the acquisition of CIFG Holdings, Inc. on July 1, 2016, and subsequently merged it with and into AGC, for a cash purchase price of \$450.6 million**
- **The transaction is expected to be accretive to Assured Guaranty's operating shareholders' equity¹ and adjusted book value¹. It is also expected to be accretive to future operating earnings per share¹ and, subject to mark-to-market adjustments, earnings per share.**
- **After the acquisition, Assured Guaranty's overall insured portfolio maintains its A rating.**

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

Creating Value

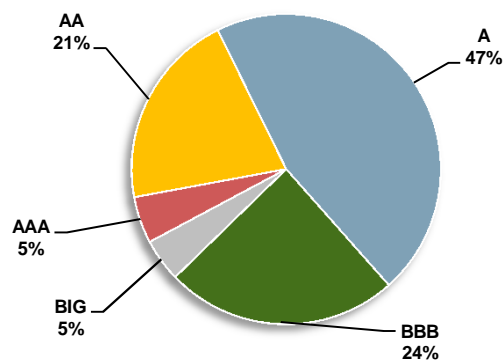
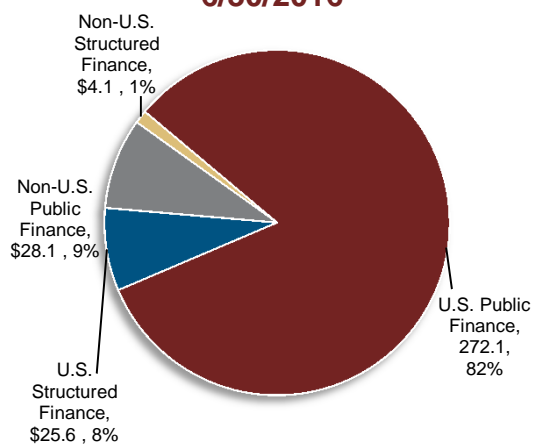
Alternative Strategies

CIFG Acquisition: Net Par Exposure¹

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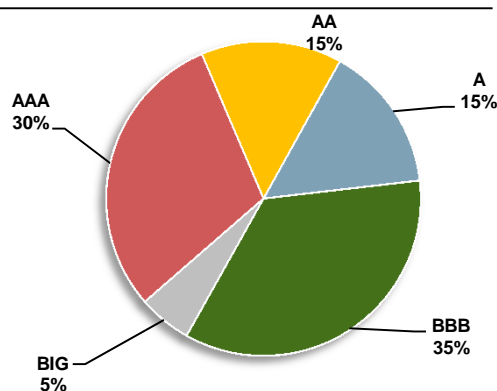
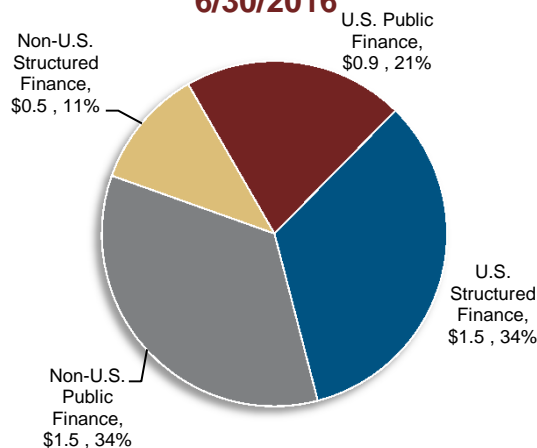
(\$ in billions)

**Assured Guaranty Ltd.
6/30/2016**



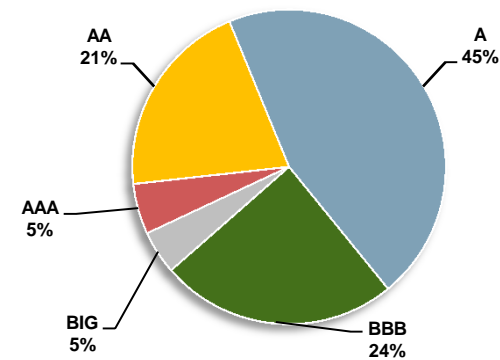
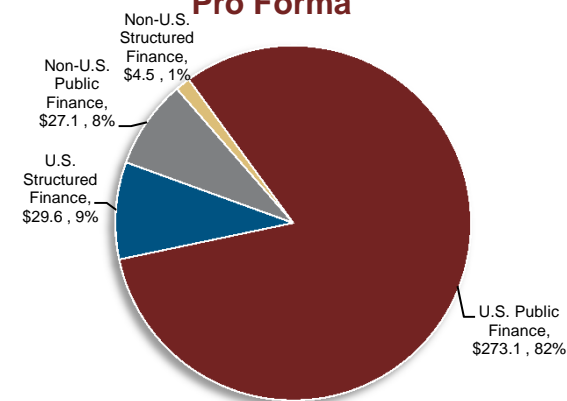
\$329.9 billion, A average rating

**CIFG
6/30/2016**



\$4.4 billion, A- average rating

**Assured Guaranty Ltd.
Pro Forma**



\$334.2 billion, A average rating

1. Percentages may not add due to rounding.

Creating Value

Loss Mitigation

Commutations & Reinsurance Platform¹

The logo for Assured Guaranty, featuring the company name in a serif font with a stylized 'A' and 'G'.

- Reassumption of previously ceded business has increased the unearned premium reserve and adjusted book value²

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
Total	\$40.2	\$334	\$198

- Reinsurance or acquisition of high-quality portfolios from inactive companies are a primary interest

- Radian Asset Assurance acquisition closed on April 1, 2015
- CIFG acquisition closed on July 1, 2016

Ceded Par Outstanding by Reinsurer³

As of June 30, 2016

(\$ in millions)	Net Par Outstanding
American Overseas Re	\$4,511
Tokio Marine	\$3,887
Syncora	\$2,269
Mitsui	\$1,513
Others	\$844
Total	\$13,024

1. Excludes the CIFG acquisition, which closed on July 1, 2016.
2. For an explanation of adjusted book value, which is a non-GAAP financial measure, please refer to the Appendix.
3. Includes par related to insured credit derivatives.

Creating Value

Loss Mitigation

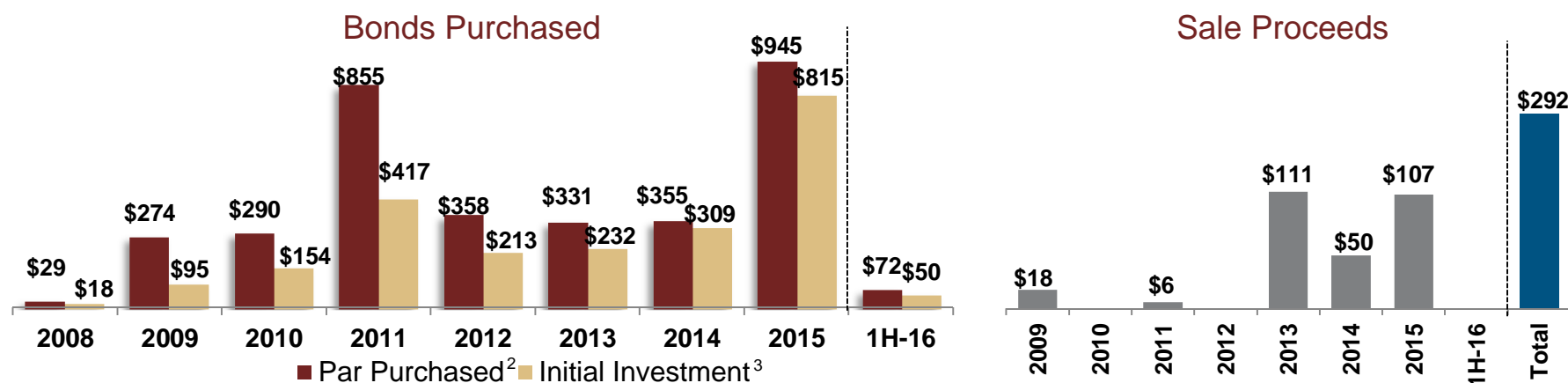
Bond Purchases

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- 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 adjusted book value¹
 - 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 \$3.5 billion of par on insured securities through June 30, 2016 with an initial purchase price of approximately \$2.2 billion
- Targeted purchases are BIG securities on which claims are expected to be paid
- We have removed our insurance subsequent to purchasing some of our insured bonds for loss mitigation purposes and sold the bonds uninsured. This typically creates rating agency capital and an economic benefit

Loss Mitigation Bond Purchase and Sale Program

(\$ in millions)



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

2. Par at the time of purchase.

3. Cost of purchase.

Creating Value

Loss Mitigation

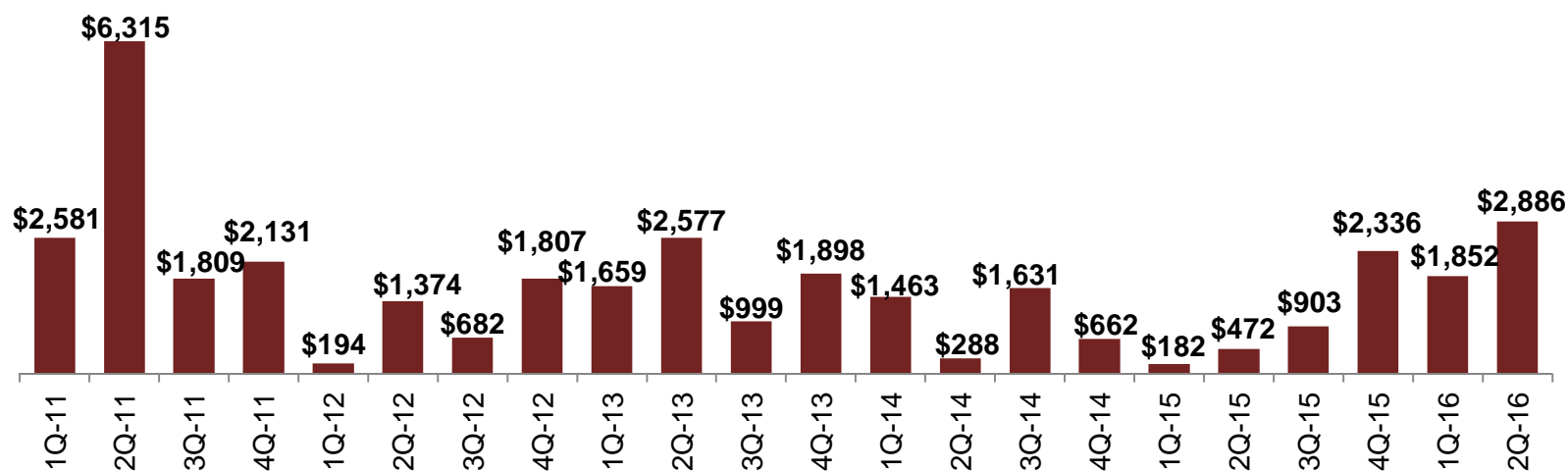
Agreements to Terminate Contracts

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- **Actively pursue termination of 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 \$37 billion of net insured par outstanding has been terminated, which reduces our leverage and potentially relieves rating agency capital charges**

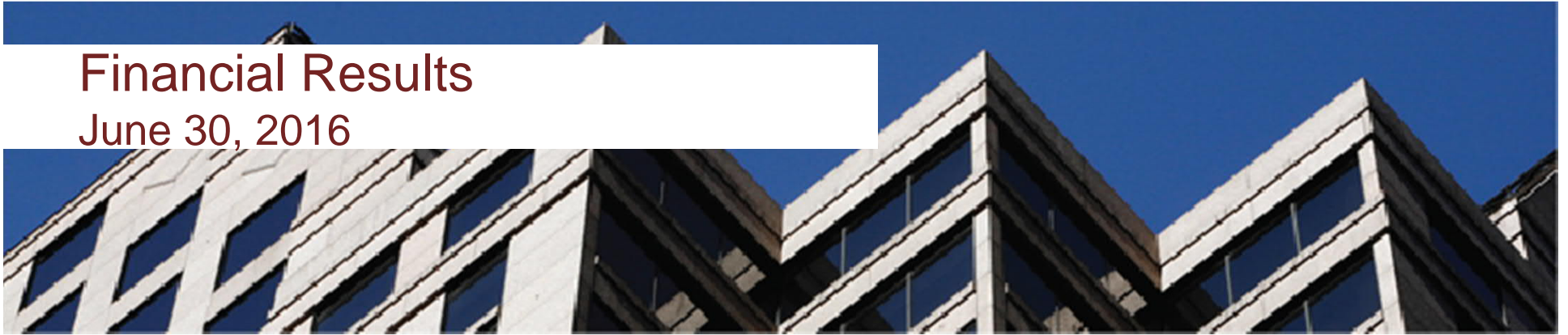
Completed Terminations Since January 1, 2011

(\$ in millions)



Financial Results

June 30, 2016



Second Quarter 2016 Results

Select Financial Items



(\$ in millions, except per share data)			
	Quarter Ended June 30,		% Change vs. 2Q-15
	2016	2015	
Operating net earned premiums and credit derivative revenues ¹	\$248	\$259	(4)%
Operating net investment income ²	93	99	(6)%
Operating loss and LAE ³	88	180	(51)%
Operating income ⁴	139	278	(50)%
Operating income per diluted share ⁴	\$1.03	\$1.83	(44)%
Operating ROE ^{4,5}	9.3%	18.7%	(9.4) pp
Net income (loss) ⁴	146	297	(51)%
Net income (loss) per diluted share ⁴	\$1.09	\$1.96	(44)%

NM = Not meaningful pp = percentage points

1. Included \$3 million and \$5 million of adjustments to GAAP reported amounts that were eliminated during the quarters ended June 30, 2016 and 2015, respectively.

2. Included \$(5) million and \$1 million of adjustments to GAAP reported amounts that were eliminated during the quarter ended June 30, 2016 and 2015, respectively.

3. Included \$(14) million and \$(8) million of adjustments to GAAP reported amounts that were eliminated during the quarters ended June 30, 2016 and 2015, respectively.

4. In 2Q 2015, the acquisition of Radian Asset Assurance resulted in an after-tax bargain purchase gain. Combined with the settlement of pre-existing relationships, there was an operating after-tax gain of \$193 million, or \$1.27 per share.

5. ROE calculations represent annualized returns.

Second Quarter 2016 Loss Measures



Economic loss development (all contracts):

- Represents the expected change in future 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.

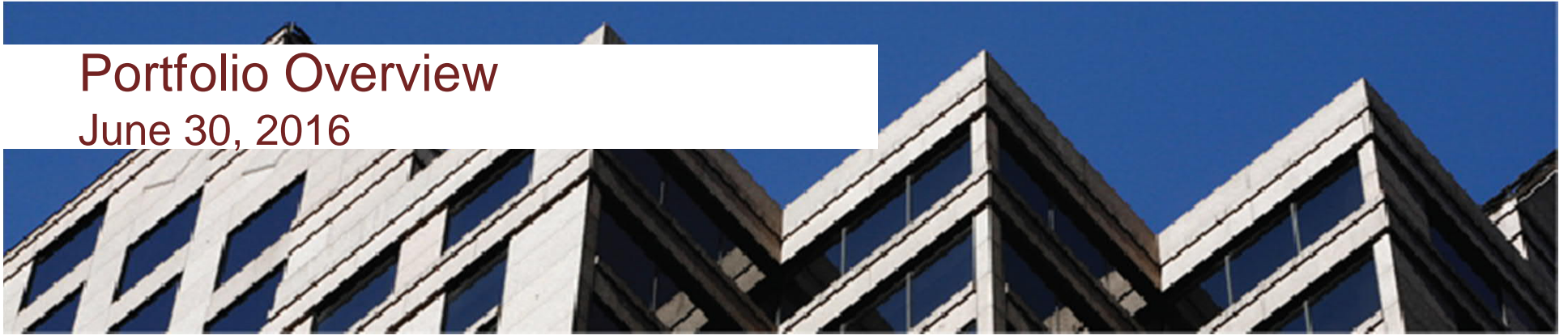
Operating loss and LAE:

- Comprises:
 - loss and LAE described above
 - Operating loss and LAE attributable to credit derivative and FG VIE loss expense that would have been recognized if such policies were accounted for consistent with the FG insurance accounting model above

(\$ in millions, except per share amounts)				
2Q-16			2Q-15	
Financial Guaranty	Amount	Per Diluted Share	Amount	Per Diluted Share
Loss and LAE	\$102	\$0.76	\$188	\$1.24
Non-GAAP Adjustments:				
Operating loss and LAE				
for credit derivative and FG VIE contracts	(14)	(0.09)	(8)	(0.05)
Total operating loss and LAE	88	0.65	180	1.19

Portfolio Overview

June 30, 2016



Capital Base (U.S. Statutory Basis)



Claims-Paying Resources (as of June 30, 2016)

(\$ in millions)	AGUS Consolidated	AG Re ¹	AGL Consolidated
Policyholders' surplus	\$3,632	\$1,075	\$4,707
Contingency reserve	2,313	-	2,313
Qualified statutory capital	5,945	1,075	7,020
Unearned premium reserve	2,032	746	2,778
Loss and loss adjustment expense reserves	510	342	852
Total policyholders' surplus and reserves	8,487	2,163	10,650
Present value of installment premium	395	133	528
Committed Capital Securities	400	-	400
Excess of loss reinsurance facility ²	360	-	360
Total claims-paying resources	\$9,642	\$2,296	\$11,938
Statutory net par outstanding ³	\$213,099	\$81,407	\$294,506
Net debt service outstanding ³	\$322,136	\$127,909	\$450,045
Net par outstanding to qualified statutory capital	36:1	76:1	42:1
Capital ratio ⁴	54:1	119:1	64:1
Financial resources ratio ⁵	33:1	56:1	38:1

Contribution by Company to AGUS (as of June 30, 2016)

(\$ in millions)	Policyholders' Surplus	Qualified Statutory Capital	Claims-Paying Resources
AGM, excluding investment in MAC	\$2,211	\$3,430	\$5,777
AGC, excluding investment in MAC	1,286	2,082	3,390
MAC	379	677	1,439
Eliminations	(244)	(244)	(964)
AGUS Consolidated	3,632	5,945	9,642
AG Re	1,075	1,075	2,296
AGL Consolidated	\$4,707	\$7,020	\$11,938

1. 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.
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

(\$ in millions)	As of June 30, 2016					
	AGM	AGC	MAC	AG Re ⁸	Eliminations ³	Consolidated
Claims-paying resources						
Policyholders' surplus	\$ 2,441	\$ 1,435	\$ 379	\$ 1,075	\$ (623)	\$ 4,707
Contingency reserve ¹	1,400	913	298	-	(298)	2,313
Qualified statutory capital	3,841	2,348	677	1,075	(921)	7,020
Unearned premium reserve ¹	1,459	573	400	746	(400)	2,778
Loss and loss adjustment expense reserves ¹	333	177	-	342	-	852
Total policyholders' surplus and reserves	5,633	3,098	1,077	2,163	(1,321)	10,650
Present value of installment premium ¹	239	156	2	133	(2)	528
Committed Capital Securities	200	200	-	-	-	400
Excess of loss reinsurance facility ²	360	360	360	-	(720)	360
Total claims-paying resources (including MAC adjustment for AGM and AGC)	\$ 6,432	\$ 3,814	\$ 1,439	\$ 2,296	\$ (2,043)	\$ 11,938
Adjustment for MAC ⁴	655	424	-	-	(1,079)	-
Total claims-paying resources (excluding MAC adjustment for AGM and AGC)	\$ 5,777	\$ 3,390	\$ 1,439	\$ 2,296	\$ (964)	\$ 11,938
Statutory net par outstanding ⁵	\$123,873	\$38,178	\$52,001	\$81,407	\$(953)	\$294,506
Equity method adjustment ⁴	31,564	20,437	-	-	(52,001)	-
Adjusted statutory net par outstanding ¹	\$155,437	\$58,615	\$52,001	\$81,407	\$(52,954)	\$294,506
Net debt service outstanding ⁵	\$191,278	\$56,528	\$76,721	\$127,909	\$(2,391)	\$450,045
Equity method adjustment ⁴	46,570	30,151	-	-	(76,721)	-
Adjusted net debt service outstanding ¹	\$237,848	\$86,679	\$76,721	\$127,909	\$(79,112)	\$450,045
Ratios:						
Adjusted net par outstanding to qualified statutory capital	40:1	25:1	77:1	76:1		42:1
Capital ratio ⁶	62:1	37:1	113:1	119:1		64:1
Financial resources ratio ⁷	37:1	23:1	53:1	56:1		38:1

1. The numbers shown for Assured Guaranty Municipal Corp. (AGM) and Assured Guaranty Corp. (AGC) have been adjusted to include (i) their 100% share of their respective U.K. insurance subsidiaries and (ii) their indirect share of Municipal Assurance Corp. (MAC). AGM and AGC own 60.7% and 39.3%, respectively, of the outstanding stock of Municipal Assurance Holdings Inc., which owns 100% of the outstanding common stock of MAC. Amounts include financial guaranty insurance and credit derivatives.
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. 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.
4. Represents adjustments for AGM's and AGC's interest and indirect ownership of MAC.
5. Net par outstanding and net debt service outstanding are presented on a statutory basis.
6. The capital ratio is calculated by dividing adjusted net debt service outstanding by qualified statutory capital.
7. 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).
8. 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.

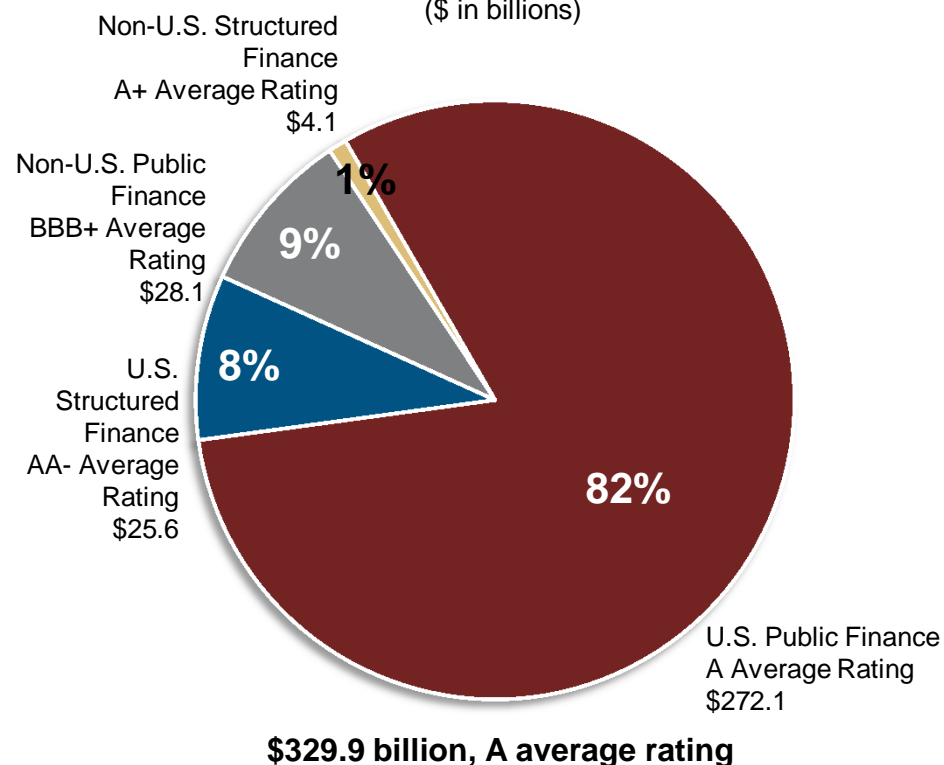
Net Par Outstanding By Sector



- **Assured Guaranty's portfolio is largely concentrated in U.S. public finance¹**
 - 82% U.S. public finance
 - 8% U.S. structured finance
 - 9% Non-U.S. public finance
 - 1% Non-U.S. structured finance
- **Our 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**
 - \$8.3 billion of par exposure (56% of our total BIG)
 - Out of this \$8.3 billion, \$5.1 billion of net par exposure relates to Puerto Rico

Consolidated Net Par Outstanding¹

As of June 30, 2016
(\$ in billions)



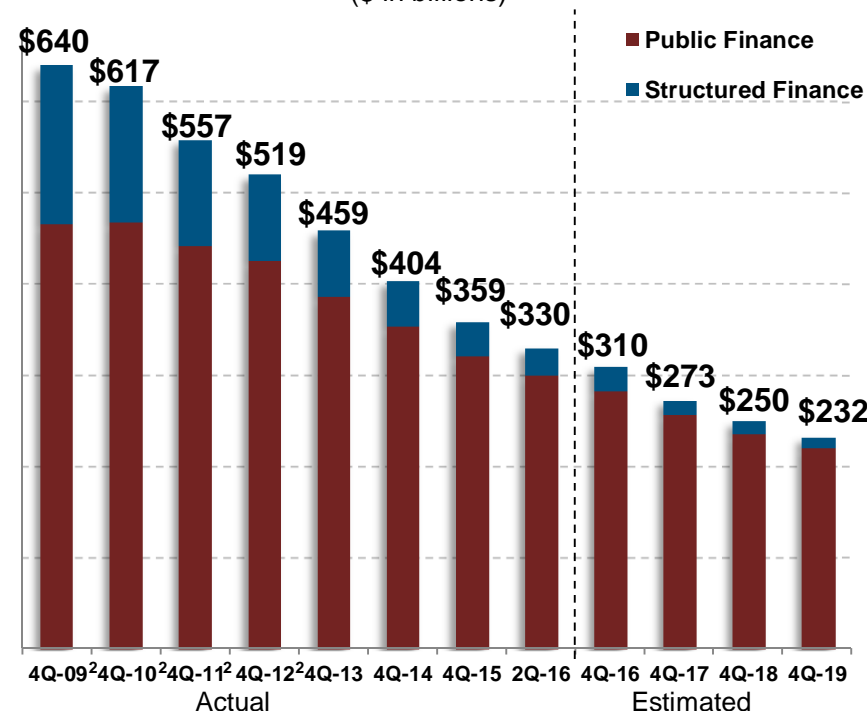
Net Par Outstanding Amortization



- **Amortization of the existing portfolio reduces rating agency capital charges, but also embedded future earned premiums**
- **New direct or assumed business originations, and reassumptions, will increase future premiums**
- **Public finance existing exposure amortizes at a steady rate**
 - \$300 billion outstanding
 - 6% expected to amortize by the end of 2016; 14% by the end of 2017; 21% by the end of 2018
- **Structured finance existing exposure amortizes quickly**
 - \$30 billion outstanding
 - 10% expected to amortize by the end of 2016; 46% by the end of 2017; 54% by the end of 2018

Consolidated Net Par Outstanding Amortization¹

As of June 30, 2016
(\$ in billions)



1. Represents the future expected amortization of existing net par outstanding as of June 30, 2016. Actual amortization of the existing portfolio will differ from the expected shown here because, for example, (1) some obligors may call, prepay or defease guaranteed obligations (e.g., in the context of U.S. public finance refundings), and (2) the expected amortization of structured finance transactions is based in part on management's assumptions regarding the performance of the underlying assets while the actual performance of those assets may differ from management's assumptions. Actual amortization of the U.S. public and global infrastructure finance portfolio and the structured finance portfolio may be faster or slower than expected by management, both portfolios may differ in the same direction and one portfolio may amortize more quickly while the other may amortize more slowly.

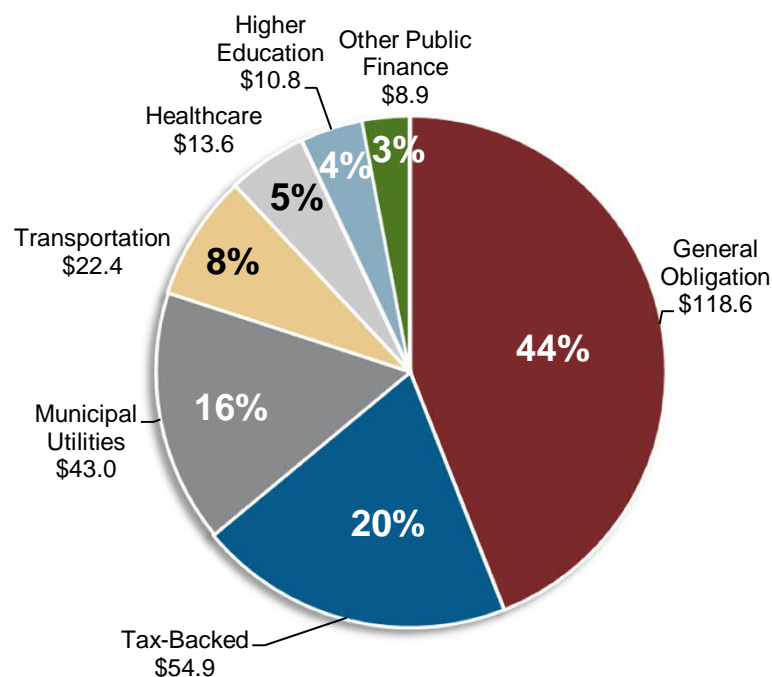
2. Gross of wrapped bond purchases made primarily for loss mitigation.

U.S. Public Finance Net Par Outstanding

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U.S. Public Finance

As of June 30, 2016
(\$ in billions)



\$272.1 billion, A average rating

- **U.S. public finance net par outstanding is \$272.1 billion and makes up 82% of our total insured portfolio as of June 30, 2016**
- **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 9,000 direct U.S. public finance obligors. We expect future losses to be paid, net of recoveries, on less than a dozen exposures¹.
- **General obligation, tax-backed and municipal utilities represent 80% of U.S. public finance net par outstanding**
 - 66% 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

As of June 30, 2016

	(\$ in millions)	Net Par Outstanding ^{2,5}	Gross Par Outstanding
Commonwealth Constitutionally Guaranteed	Commonwealth of Puerto Rico - General Obligation Bonds ⁴	\$1,615	\$1,738
	Puerto Rico Public Buildings Authority (PBA) ⁴	188	194
	Subtotal	\$1,803	\$1,932
Public Corporations – Certain Revenues Potentially Subject to Clawback	Puerto Rico Highways and Transportation Authority (PRHTA) (Transportation Revenue Bonds) ³	\$910	\$937
	Puerto Rico Highways and Transportation Authority (PRHTA) (Highways Revenue Bonds) ³	369	574
	Puerto Rico Convention Center District Authority (PRCCDA) ³	164	164
	Puerto Rico Infrastructure Financing Agency (PRIFA) ^{3,4}	18	18
	Subtotal	\$1,461	\$1,693
Other Public Corporations	Puerto Rico Electric Power Authority (PREPA)	744	902
	Puerto Rico Aqueduct and Sewer Authority (PRASA)	388	388
	Puerto Rico Municipal Finance Agency (MFA)	387	570
	Puerto Rico Sales Tax Finance Corp. (COFINA)	270	270
	University of Puerto Rico (U of PR)	1	1
	Subtotal	\$1,790	\$2,131
	Total¹	\$5,054	\$5,756

1. AGL's consolidated net par outstanding is divided between its subsidiaries as follows: \$2.1 billion at AGM, \$1.7 billion at AGC, \$1.3 billion at AG Re, and \$0 at MAC. A portion of the subsidiary level exposure is eliminated upon consolidation due to instances where one subsidiary's insured bonds were previously insured by another subsidiary.
2. Includes exposure to Capital Appreciation Bonds with a current aggregate net par outstanding of \$34 million and a fully accreted net par at maturity of \$67 million. Of these amounts, current net par of \$18 million and fully accreted net par at maturity of \$50 million relate to Puerto Rico Sales Tax Financing Corporation, current net par of \$11 million and fully accreted net par at maturity of \$11 million relate to the PRHTA, and current net par of \$5 million and fully accreted net par at maturity of \$5 million relate to the Commonwealth General Obligation Bonds.
3. The Governor of Puerto Rico issued executive orders on November 30, 2015, and December 8, 2015, directing the Puerto Rico Department of Treasury and the Puerto Rico Tourism Company to retain or transfer certain taxes and revenues pledged to secure the payment of bonds issued by PRHTA, PRIFA and PRCCDA. On January 7, 2016, the Company sued various Puerto Rico governmental officials in the United States District Court, District of Puerto Rico asserting that this attempt to "claw back" pledged tax revenues is not needed to pay General Obligation debt service and therefore unconstitutional.
4. As of the date of the Company's second quarter 2016 10-Q filing, the Company has paid claims on these credits.
5. The general obligation bonds of Puerto Rico and various obligations of its related authorities and public corporations are rated triple-C or below.

Public Finance

Puerto Rico Exposure



Scheduled Net Par Amortization of Exposure to the Commonwealth and its Agencies¹

As of June 30, 2016

(\$ in millions)	2H16	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026- 2030	2031- 2035	2036- 2040	2041- 2045	2046- 2047	Total
Commonwealth Constitutionally Guaranteed																
Commonwealth – GO	\$142	\$95	\$75	\$82	\$137	\$16	\$37	\$14	\$73	\$68	\$255	\$475	\$146	\$-	\$-	\$1,615
PBA	8	30	-	5	10	12	0	7	0	8	53	39	16	-	-	188
Subtotal	\$150	\$125	\$75	\$87	\$147	\$28	\$37	\$21	\$73	\$76	\$308	\$514	\$162	\$-	\$-	\$1,803
Public Corporations – Certain Revenues Potentially Subject to Clawback																
PRHTA (Transportation Revenue Bonds)	\$33	\$36	\$42	\$28	\$23	\$18	\$19	\$21	\$1	\$26	\$150	\$228	\$240	\$45	\$-	\$910
PRHTA (Highways Revenue Bonds)	19	10	10	21	22	26	6	8	8	8	27	167	37	-	-	369
PRCCDA	11	-	-	-	-	-	-	-	-	-	19	105	29	-	-	164
PRIFA	-	-	2	-	-	-	-	2	-	-	-	-	10	4	-	18
Subtotal	\$63	\$46	\$54	\$49	\$45	\$44	\$25	\$31	\$9	\$34	\$196	\$500	\$316	\$49	\$-	\$1,461
Other Public Corporations																
PREPA	20	5	4	25	42	22	22	81	78	52	309	84	0	-	-	744
PRASA	15	-	-	-	-	-	-	-	2	25	84	-	2	92	168	388
MFA	55	47	47	44	37	33	33	16	12	11	52	-	-	-	-	387
COFINA	(1)	(1)	(1)	(1)	(1)	(2)	(2)	1	0	(2)	(6)	32	99	155	-	270
U of PR	0	0	0	0	0	0	0	0	0	0	0	1	-	-	-	1
Subtotal	\$89	\$51	\$50	\$68	\$78	\$53	\$53	\$98	\$92	\$86	\$439	\$117	\$101	\$247	\$168	\$1,790
Total	\$302	\$222	\$179	\$204	\$270	\$125	\$115	\$150	\$174	\$196	\$943	\$1,131	\$579	\$296	\$168	\$5,054

1. Includes exposure to Capital Appreciation Bonds with a current aggregate net par outstanding of \$34 million and a fully accreted net par at maturity of \$67 million. Of these amounts, current net par of \$18 million and fully accreted net par at maturity of \$50 million relate to Puerto Rico Sales Tax Financing Corporation, current net par of \$10 million and fully accreted net par at maturity of \$11 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.

Public Finance

Puerto Rico Exposure



Scheduled Net Debt Service Amortization of Exposure to the Commonwealth and its Agencies¹

As of June 30, 2016

(\$ in millions)	2H16	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026- 2030	2031- 2035	2036- 2040	2041- 2045	2046- 2047	Total
Commonwealth Constitutionally Guaranteed																
Commonwealth – GO	\$184	\$171	\$146	\$150	\$201	\$72	\$93	\$69	\$127	\$117	\$459	\$605	\$161	\$-	\$-	\$2,555
PBA	13	39	8	12	18	20	6	14	6	14	72	49	16	-	-	287
Subtotal	\$197	\$210	\$154	\$162	\$219	\$92	\$99	\$83	\$133	\$131	\$531	\$654	\$177	\$-	\$-	\$2,842
Public Corporations – Certain Revenues Potentially Subject to Clawback																
PRHTA																
(Transportation Revenue Bonds)	\$57	\$82	\$86	\$69	\$63	\$57	\$57	\$58	\$37	\$61	\$309	\$348	\$288	\$47	\$-	\$1,619
PRHTA																
(Highways Revenue Bonds)	29	29	29	39	39	42	20	21	21	21	87	203	38	-	-	618
PRCCDA	15	7	7	7	7	7	7	7	7	7	51	127	30	-	-	286
PRIFA	-	1	3	1	1	1	1	3	0	1	4	3	13	4	-	36
Subtotal	\$101	\$119	\$125	\$116	\$110	\$107	\$85	\$89	\$65	\$90	\$451	\$681	\$369	\$51	\$-	\$2,559
Other Public Corporations																
PREPA	37	38	37	58	74	52	50	109	102	73	366	92	0	-	-	1,088
PRASA	25	19	19	19	19	19	19	20	21	45	160	68	70	159	181	863
MFA	64	64	62	56	47	40	39	21	16	15	57	-	-	-	-	481
COFINA	6	13	13	13	13	13	13	16	15	12	68	103	164	170	-	632
U of PR	0	0	0	0	0	0	0	0	0	0	0	1	-	-	-	1
Subtotal	\$132	\$134	\$131	\$146	\$153	\$124	\$121	\$166	\$154	\$145	\$651	\$264	\$234	\$329	\$181	\$3,065
Total	\$430	\$463	\$410	\$424	\$482	\$323	\$305	\$338	\$352	\$366	\$1,633	\$1,599	\$780	\$380	\$181	\$8,466

1. Includes exposure to Capital Appreciation Bonds with a current aggregate net par outstanding of \$34 million and a fully accreted net par at maturity of \$67 million. Of these amounts, current net par of \$18 million and fully accreted net par at maturity of \$50 million relate to Puerto Rico Sales Tax Financing Corporation, current net par of \$10 million and fully accreted net par at maturity of \$11 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.

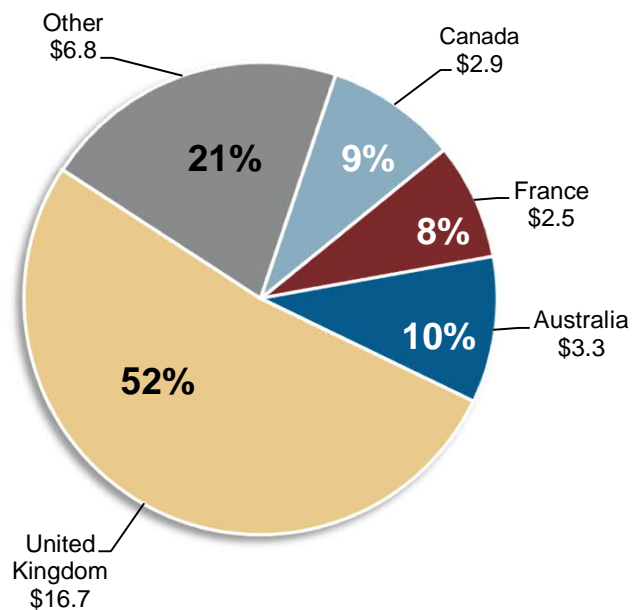
Consolidated Non-U.S. Exposure

Non-U.S. Public and Structured Finance



Non-U.S. Exposure

As of June 30, 2016
(\$ in billions)

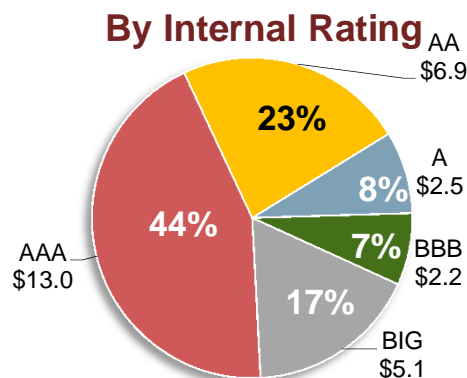
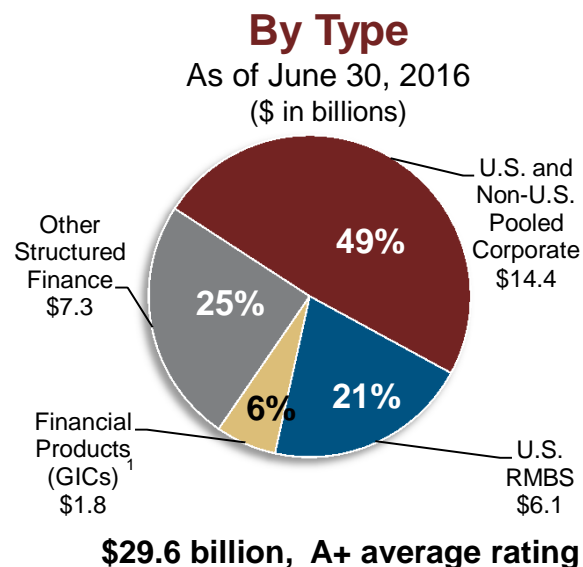


\$32.2 billion, BBB+ average rating

- **87% of non-U.S. exposure is public finance**
 - Direct sovereign debt is limited to Poland (\$236 million outstanding)
- **13% of non-U.S. exposure is structured finance**
 - Approximately 62% of that is to pooled corporates
 - 67% of non-U.S. pooled corporates are rated A or higher

Structured Finance Exposures

Net Par Outstanding



- **We expect Assured Guaranty's global structured finance insured portfolio (\$29.6 billion as of June 30, 2016) to amortize rapidly — 10% expected to amortize by the end of 2016 and 54% by the end of 2018**
 - \$14.4 billion in global pooled corporate obligations expected to be reduced by 13% by year-end 2016, 76% by year-end 2017 and by 83% by year-end 2018
 - \$6.1 billion in U.S. RMBS expected to be reduced by 9% by year-end 2016, 24% by year-end 2017 and by 37% by year-end 2018
- **Assured Guaranty's total structured finance exposure of \$240.9 billion at December 31, 2007 has declined by \$211.3 billion to \$29.6 billion through June 30, 2016, an 88% reduction, or an average of approximately \$25 billion per year**

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, 2016, the aggregate accreted balance of the guaranteed investment contracts (GICs) was approximately \$1.8 billion. As of the same date, with respect to the assets supporting the GIC business, the aggregate accreted principal balance was approximately \$2.4 billion, the aggregate market value was approximately \$2.3 billion and the aggregate market value after agreed reductions was approximately \$1.6 billion. Cash and positive derivative value roughly offset the negative derivative values and other projected costs.

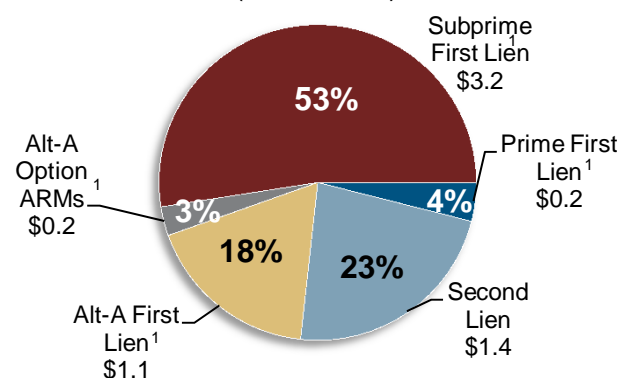
Consolidated U.S. RMBS



- **Our \$6.1 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 \$6.1 billion at June 30, 2016, a \$23.1 billion or 79% reduction
 - U.S. RMBS exposure excludes \$738 million outstanding par of loss mitigation RMBS securities held in investments at June 30, 2016
- **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
 - Terminations of BIG credits

U.S. RMBS by Exposure Type

As of June 30, 2016
(\$ in billions)

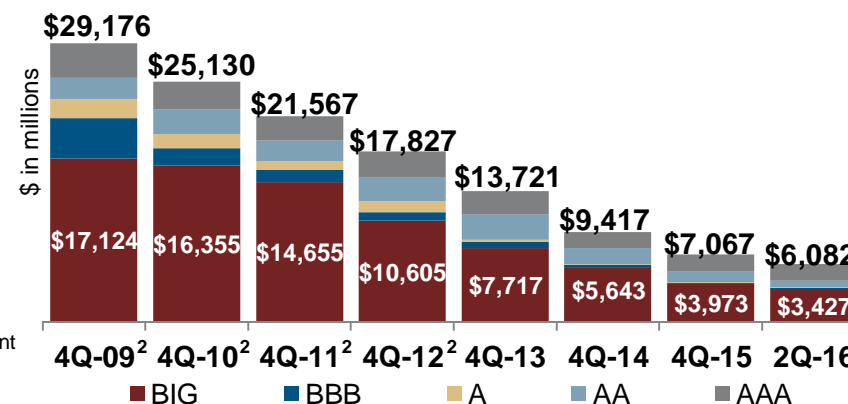


\$6.1 billion

(1.8% of total net par outstanding)

U.S. RMBS by Rating

Net Par Outstanding from December 31, 2009 to June 30, 2016



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

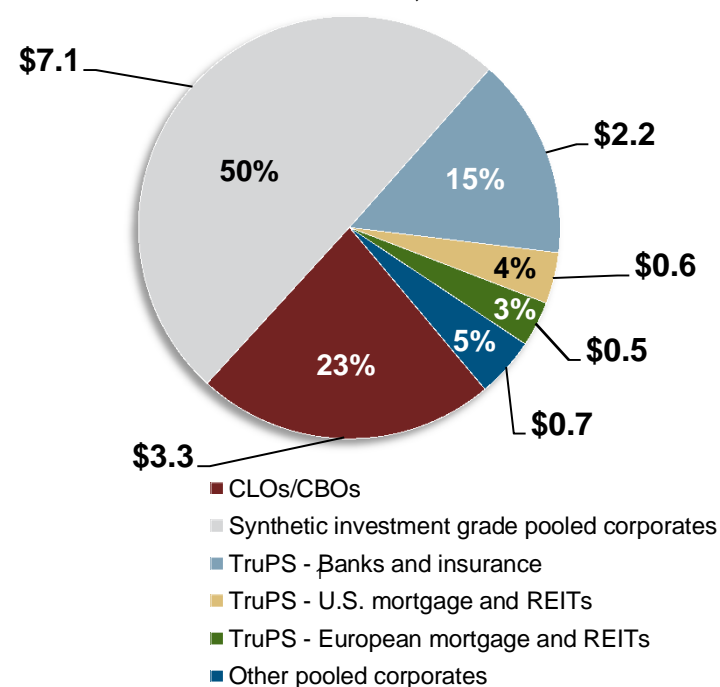
2. Gross of wrapped bond purchases made primarily for loss mitigation until 4Q-13

Direct Pooled Corporate Obligations Exposures



- **Most of our direct pooled corporate exposure is highly rated and well protected**
 - 69% rated AAA
 - Average credit enhancement of 34.4%
- **Within direct pooled corporate exposures, our \$3.3 billion of Trust Preferred Securities (TruPS) CDO exposure is diversified by region and collateral type**
 - Includes more than 1,800 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 enhancement² of 46.1%

**Direct Pooled Corporate Obligations
By Asset Class¹**
As of June 30, 2016



\$14.3 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 Category¹



Financial Guaranty Insurance and Credit Derivatives Surveillance Categories

- As of June 30, 2016, approximately \$7.1 billion (48%) 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
- Subsequent to June 30, 2016, and as a result of its July 1, 2016 Puerto Rico claim payments, the Company downgraded from BIG 1 to BIG 3 \$1,803 million net par outstanding of Puerto Rico Commonwealth constitutionally guaranteed exposure.

(\$ in millions)	June 30, 2016	December 31, 2015
Category 1		
U.S. public finance	\$4,902	\$4,765
Non-U.S. public finance	863	875
U.S. structured finance	817	1,874
Non-U.S. structured finance	474	509
Total Category 1	\$7,056	\$8,023
Category 2		
U.S. public finance	\$3,191	\$2,883
Non-U.S. public finance	515	503
U.S. structured finance	746	700
Non-U.S. structured finance	117	43
Total Category 2	\$4,569	\$4,129
Category 3		
U.S. public finance	\$175	\$136
Non-U.S. public finance	-	-
U.S. structured finance	2,990	2,895
Non-U.S. structured finance	-	-
Total Category 3	\$3,165	\$3,031
BIG Total	\$14,790	\$15,183

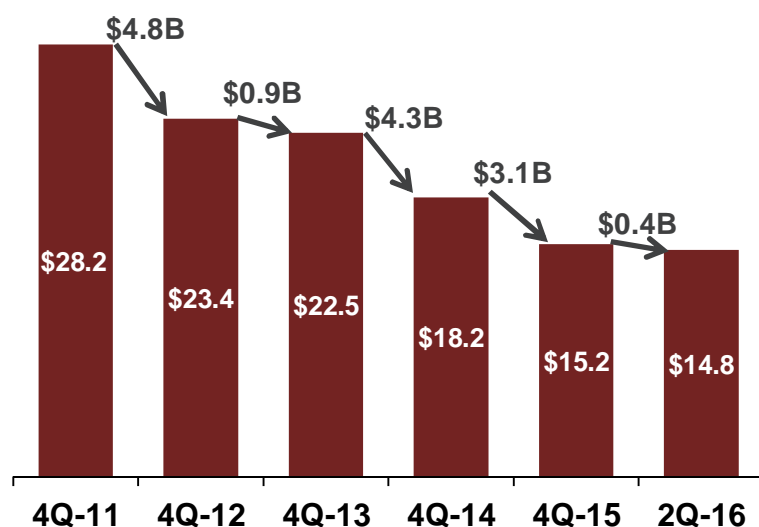
1. Assured Guaranty's surveillance department is responsible for monitoring our portfolio of credits and maintains a list of BIG credits. BIG Category 1: Below-investment-grade transactions showing sufficient deterioration to make future losses possible, but for which none are currently expected. BIG 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 \$13.4 billion¹
- The largest components of our BIG exposure are Puerto Rico at 34% and U.S. RMBS at 23%

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	1H-16
Beginning BIG par	\$28,214	\$23,392	\$22,537	\$18,247	\$15,183
Amortization / Claim Payments	(4,049)	(2,660)	(2,126)	(1,801)	(579)
R&W RMBS Settlement Reclassifications	(1,782)	(531)	-	-	-
FX Change	48	(98)	(185)	(153)	18
Terminations	-	(452)	(922)	(1,951)	(388)
Removals / Upgrades	(711)	(1,346)	(1,003)	(2,983)	(243)
Additions / Downgrades	1,672	5,746	261	4,234	864
Adjustments ¹	-	(1,513)	(315)	(411)	(65)
Total Decrease / Increase	(4,822)	(854)	(4,290)	(3,065)	(393)
Ending BIG par	\$23,392	\$22,537	\$18,247	\$15,183	\$14,790

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, 2016

<u>Type¹</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 ²	\$ 1,821	CCC
PF	Puerto Rico Highways and Transportation Authority	1,279	CCC-
PF	Puerto Rico Electric Power Authority	744	CC
PF	Reliance Rail Finance Pty. Limited	513	BB
PF	Puerto Rico Aqueduct & Sewer Authority	388	CCC
PF	Puerto Rico Municipal Finance Agency	387	CCC-
PF	Oyster Bay, New York	370	BB+
PF	Louisville Arena Authority Inc.	336	BB
PF	Puerto Rico Sales Tax Financing Corporation	270	CCC+
PF	M6 Duna Autopalya Koncesszios Zartkoruen Mukodo Reszvenytarsasag	265	BB-
SF	Option One 2007-FXD2	256	CCC
	Total	\$6,628	

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

2. Some of the Puerto Rico exposures are being further downgraded subsequent to June 30, 2016, as a result of claim payments the Company made after that date



Appendix

Appendix

Explanation of Non-GAAP Financial Measures



The Company discloses both financial measures determined in accordance with accounting principles generally accepted in the United States of America (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, which may define non-GAAP financial measures differently than Assured Guaranty. Management and the Board of Directors use non-GAAP 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. By disclosing non-GAAP financial measures, the Company gives investors, analysts and financial news reporters access to some of the same information that management and the Board of Directors review internally. Assured Guaranty believes its presentation of non-GAAP financial measures is consistent with how analysts calculate their estimates of Assured Guaranty's financial results in their research reports on Assured Guaranty and with how investors, analysts and the financial news media evaluate Assured Guaranty's financial results. Many investors, analysts and financial news reporters use operating shareholders' equity 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 operating shareholders' equity to evaluate the Company's capital adequacy. Many investors, analysts and financial news reporters also use adjusted book value to evaluate AGL's share price and as the basis of their decision to recommend, buy or sell the AGL common shares. Operating income enables investors and analysts to evaluate the Company's financial results as compared with the consensus analyst estimates distributed publicly by financial databases. Two non-GAAP financial measures, growth in adjusted book value per share and operating income, are key measures used to help determine compensation. The following paragraphs define each non-GAAP financial measure disclosed by the Company and describe why it is useful. A reconciliation of the non-GAAP financial measure and the most directly comparable GAAP financial measure is presented within this financial supplement.

Operating Income: Management believes that operating income is a useful measure because it presents the results of operations of the Company with all financial guaranty contracts accounted for on a consistent basis and excludes fair value adjustments that are not expected to result in economic gain or loss, which clarifies the understanding of the underwriting results and financial condition of the Company. 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 in excess of the present value of the expected estimated economic credit losses, and non-economic payments. Such fair value adjustments are heavily affected by, and in part fluctuate with, changes in market interest rates, credit spreads and other market factors and are not expected to result in an economic gain or loss. Additionally, this adjustment presents all financial guaranty contracts on a more consistent basis of accounting, whether or not they are subject to derivative accounting rules.
- 3) Elimination of fair value gains (losses) on the Company's CCS. Such amounts are heavily affected by, and in part fluctuate with, changes in market interest rates, credit spreads and other market factors and are not expected to result in an economic gain or loss.
- 4) Elimination of 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 effects of consolidating FG VIEs. GAAP requires the Company to consolidate certain VIEs that have issued debt obligations insured by the Company even though the Company does not own such VIEs. This adjustment presents all financial guaranty contracts on a more consistent basis of accounting, whether or not GAAP requires consolidation.
- 6) 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.

Appendix

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



Operating Shareholders' Equity: Management believes that operating shareholders' equity is a useful measure because it presents the equity of the Company with all financial guaranty contracts accounted for on a consistent basis and excludes fair value adjustments that are not expected to result in economic gain or loss, which clarifies the understanding of the underwriting results and financial condition of the Company. Operating shareholders' equity is the basis of the calculation of adjusted book value (see below). Operating shareholders' equity is defined as shareholders' equity attributable to AGL, as reported under GAAP, adjusted for the following:

- 1) Elimination of the effects of consolidating FG VIEs in order to present all financial guaranty contracts on a more consistent basis of accounting, whether or not GAAP requires consolidation. GAAP requires the Company to consolidate certain VIEs that have issued debt obligations insured by the Company even though the Company does not own such VIEs.
- 2) Elimination of non-credit-impairment unrealized fair value gains (losses) on credit derivatives, which is the amount in excess of the present value of the expected estimated economic credit losses, and non-economic payments. Such fair value adjustments are heavily affected by, and in part fluctuate with, changes in market interest rates, credit spreads and other market factors and are not expected to result in an economic gain or loss.
- 3) Elimination of fair value gains (losses) on the Company's CCS. Such amounts are heavily affected by, and in part fluctuate with, changes in market interest rates, credit spreads and other market factors and are not expected to result in an economic gain or loss.
- 4) Elimination of 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.
- 5) 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.

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

- 1) Elimination of deferred acquisition costs, net. These amounts represent net deferred expenses that have already been paid or accrued and will be expensed in future accounting periods.
- 2) Addition of the net present value of estimated net future credit derivative revenue. See below.
- 3) Addition of the deferred premium revenue on financial guaranty contracts in excess of expected loss to be expensed, net of reinsurance. This amount represents the expected future net earned premiums, net of expected losses to be expensed, which are not reflected in GAAP equity.
- 4) Elimination of the tax asset or liability related to the above adjustments, which are determined by applying the statutory tax rate in each of the jurisdictions that generate these adjustments.

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

Appendix

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



Operating return on equity (Operating ROE): Operating ROE represents operating income for a specified period divided by the average of operating shareholders' equity at the beginning and the end of that period. Management believes that operating ROE is a useful measure to evaluate the Company's return on invested capital. Many investors, analysts and members of the financial news media use operating ROE to evaluate 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 is one of the key financial measures used in determining the amount of certain long-term compensation to management and employees and used by rating agencies and investors.

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

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

Appendix

Reconciliation of PVP¹ to Gross Written Premiums (GWP)



Reconciliation of PVP to GWP (dollars in millions)

	1Q-13	2Q-13	3Q-13	4Q-13	2013	1Q-14	2Q-14	3Q-14	4Q-14	2014	1Q-15	2Q-15	3Q-15	4Q-15	2015	1Q-16	2Q-16	2016
PVP:																		
Public finance - U.S.	\$16	\$15	\$24	\$61	\$116	\$23	\$16	\$51	\$38	\$128	\$13	\$25	\$41	\$45	\$124	\$31	\$33	\$64
Public finance - non-U.S.	-	-	13	5	18	7	-	-	-	7	-	-	-	27	27	7	7	14
Structured finance - U.S.	2	1	3	1	7	1	6	1	16	24	18	1	0	3	22	-	1	1
Structured finance - non-U.S.	-	-	-	-	-	-	5	4	-	9	5	-	-	1	6	-	-	-
Total PVP	18	16	40	67	141	31	27	56	54	168	36	26	41	76	179	38	41	79
Less: PVP of non-financial guaranty insurance	-	-	-	-	-	-	-	-	-	-	6	0	1	0	7	0	1	1
Less: Financial guaranty installment premium PVP	1	-	18	7	26	10	11	4	17	42	17	1	-1	29	46	7	7	14
Plus: Installment GWP and other GAAP adjustments ²	-	6	4	-2	8	9	1	-5	-27	-22	19	-3	-1	40	55	-12	3	-9
Total GWP	\$17	\$22	\$26	\$58	\$123	\$30	\$17	\$47	\$10	\$104	\$32	\$22	\$40	\$87	\$181	\$19	\$36	\$55

1. For an explanation of PVP, a non-GAAP financial measure, please refer to the preceding pages of the Appendix.

2. 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 Operating Income¹ to Net Income (Loss)



Reconciliation of Operating Income to Net Income (dollars in millions, except per share amounts)

	Three Month Ended June 30,				Six Month Ended June 30,			
	2016		2015		2016		2015	
	Total	Per Diluted Share	Total	Per Diluted Share	Total	Per Diluted Share	Total	Per Diluted Share
Net income (loss)	\$146	\$1.09	\$297	\$1.96	\$205	\$1.51	\$498	\$3.23
Less pre-tax adjustments:								
Realized gains (losses) on investments	9	0.06	(12)	(0.08)	(5)	(0.04)	4	0.02
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	32	0.23	10	0.07	(28)	(0.21)	101	0.66
Fair value gains (losses) on CCS	(11)	(0.08)	22	0.15	(27)	(0.20)	24	0.16
Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves	(17)	(0.12)	13	0.08	(19)	(0.14)	0	0.00
Effect of consolidating FG VIEs	(3)	(0.03)	4	0.02	12	0.09	(6)	(0.04)
Total pre-tax adjustments	10	0.06	37	0.24	(67)	(0.50)	123	0.80
Less tax effect on pre-tax adjustments	(3)	0.00	(18)	(0.11)	20	0.15	(43)	(0.28)
Operating income	<u>\$139</u>	<u>\$1.03</u>	<u>\$278</u>	<u>\$1.83</u>	<u>\$252</u>	<u>\$1.86</u>	<u>\$418</u>	<u>\$2.71</u>

1. For an explanation of operating income, a non-GAAP financial measure, please refer to the preceding pages of the Appendix.

Appendix

Reconciliation of Operating Income¹ to Net Income (Loss)

2004-2015



Operating income reconciliation
(dollars in millions, except per share amounts)

Year Ended December 31,

	2015		2014		2013		2012		2011		2010		2009		2008		2007		2006		2005		2004	
	Total	Per Diluted Share	Total	Per Diluted Share	Total	Per Diluted Share	Total	Per Diluted Share	Total	Per Diluted Share	Total	Per Diluted Share	Total	Per Diluted Share	Total	Per Diluted Share	Total	Per Diluted Share	Total	Per Diluted Share	Total	Per Diluted Share	Total	Per Diluted Share
Net income (loss) attributable to AGL	\$1,056	\$7.08	\$1,088	\$6.26	\$808	\$4.30	\$110	\$0.57	\$773	\$4.16	\$484	\$2.56	\$82	\$0.63	\$60	\$0.67	\$(303)	\$(4.46)	\$160	\$2.15	\$188	\$2.53	\$183	\$2.44
Less pre-tax adjustments:																								
Realized gains (losses) on investments	(37)	(0.25)	(51)	(0.29)	54	0.29	(7)	(0.04)	(30)	(0.16)	(2)	(0.01)	(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	505	3.39	687	3.95	(49)	(0.26)	(672)	(3.53)	344	1.85	6	0.03	(106)	(0.82)	82	0.92	(667)	(9.63)	6	0.08	(4)	(0.05)	51	0.68
Fair value gains (losses) on CCS	27	0.18	(11)	(0.06)	10	0.05	(18)	(0.09)	35	0.19	9	0.05	(123)	(0.95)	43	0.48	8	0.12	-	-	-	-	-	-
Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves	(15)	(0.10)	(21)	(0.12)	(1)	(0.01)	21	0.11	(5)	(0.03)	(29)	(0.15)	27	0.21	-	-	-	-	-	-	-	-	-	-
Effect of consolidating FG VIEs	25	0.17	235	1.35	296	1.58	95	0.50	(110)	(0.59)	(255)	(1.35)	-	-	-	-	-	-	-	-	-	-	-	-
Total pre-tax adjustments	505	3.39	839	4.83	310	1.65	(581)	(3.05)	234	1.26	(271)	(1.43)	(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	(148)	(1.00)	(242)	(1.40)	(111)	(0.60)	156	0.81	(62)	(0.34)	100	0.53	62	0.48	(60)	(0.67)	179	2.58	(1)	(0.02)	0	0.00	(17)	(0.23)
Operating income	<u>\$699</u>	<u>\$4.69</u>	<u>\$491</u>	<u>\$2.83</u>	<u>\$609</u>	<u>\$3.25</u>	<u>\$535</u>	<u>\$2.81</u>	<u>\$601</u>	<u>\$3.24</u>	<u>\$655</u>	<u>\$3.46</u>	<u>\$255</u>	<u>\$1.97</u>	<u>\$65</u>	<u>\$0.73</u>	<u>\$178</u>	<u>\$2.57</u>	<u>\$157</u>	<u>\$2.12</u>	<u>\$190</u>	<u>\$2.55</u>	<u>\$141</u>	<u>\$1.88</u>

1. For an explanation of operating income, a non-GAAP financial measure, please refer to the preceding pages of the Appendix.

Appendix

Reconciliation of Shareholders' Equity to Adjusted Book Value¹

2004-2015



Adjusted book value reconciliation
(dollars in millions, except per share amounts)

	2Q 2004		2004		2005		2006		2007		2008		2009		2010		2011		2012		2013		2014		2015	
	Per		Per		Per		Per		Per		Per		Per		Per		Per		Per		Per		Per		Per	
	Total	Share	Total	Share	Total	Share	Total	Share	Total	Share	Total	Share	Total	Share	Total	Share	Total	Share	Total	Share	Total	Share	Total	Share	Total	Share
Reconciliation of shareholders' equity to adjusted book value:																										
Shareholders' equity	\$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	\$3,670	\$19.97	\$4,652	\$25.52	\$4,994	\$25.74	\$5,115	\$28.07	\$5,758	\$36.37	\$6,063	\$43.96
Less pre-tax adjustments:																										
Effect of consolidating FG VIEs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(571)	(3.11)	(623)	(3.42)	(545)	(2.81)	(265)	(1.45)	(68)	(0.43)	(35)	(0.25)
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)	(1,044)	(5.68)	(668)	(3.67)	(1,346)	(6.94)	(1,447)	(7.94)	(741)	(4.68)	(241)	(1.75)
Fair value gains (losses) on CCS	-	-	-	-	-	-	-	-	8	0.10	51	0.56	10	0.05	19	0.10	54	0.30	35	0.18	46	0.25	35	0.22	62	0.45
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	112	0.61	428	2.35	664	3.42	208	1.14	534	3.37	376	2.73
Taxes	(19)	(0.25)	(38)	(0.50)	(29)	(0.40)	(30)	(0.45)	148	1.86	102	1.13	216	1.17	463	2.52	260	1.42	356	1.84	409	2.24	65	0.41	(45)	(0.33)
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	4,691	25.53	5,201	28.54	5,830	30.05	6,164	33.83	5,933	37.48	5,946	43.11
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	145	0.79	132	0.73	116	0.60	124	0.68	121	0.76	114	0.83
Plus: Net present value of estimated net future credit derivative revenue	403	5.31	468	6.18	426	5.70	589	8.72	930	11.63	929	10.21	755	4.10	614	3.34	434	2.38	317	1.63	214	1.17	159	1.00	169	1.23
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	6,195	33.64	5,542	30.16	4,974	27.29	4,407	22.72	3,880	21.30	3,497	22.09	3,417	24.77
Taxes	(232)	(3.07)	(234)	(3.09)	(138)	(1.85)	(179)	(2.65)	(283)	(3.54)	(379)	(4.17)	(1,977)	(10.74)	(1,713)	(9.32)	(1,490)	(8.16)	(1,287)	(6.63)	(1,101)	(6.04)	(973)	(6.15)	(979)	(7.10)
Adjusted book value	\$1,861	\$24.51	\$1,973	\$26.06	\$2,209	\$29.54	\$2,408	\$35.66	\$3,350	\$41.90	\$3,818	\$41.97	\$8,887	\$48.26	\$8,989	\$48.92	\$8,987	\$49.32	\$9,151	\$47.17	\$9,033	\$49.58	\$8,495	\$53.66	\$8,439	\$61.18

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

Appendix

Reconciliation of Shareholders' Equity to Adjusted Book Value¹



Adjusted book value reconciliation

(dollars in millions, except per share amounts)

	<u>2Q 2016</u>		<u>1Q 2016</u>	
	<u>Total</u>	<u>Per Share</u>	<u>Total</u>	<u>Per Share</u>
Reconciliation of shareholders' equity to adjusted book value:				
Shareholders' equity	\$ 6,205	\$ 47.06	\$ 6,113	\$ 45.26
Less pre-tax adjustments:				
Effect of consolidating FG VIEs	(18)	(0.13)	(19)	(0.14)
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(265)	(2.00)	(300)	(2.22)
Fair value gains (losses) on CCS	35	0.26	46	0.34
Unrealized gain (loss) on investment portfolio excluding foreign exchange effect	598	4.50	485	3.59
Taxes	(111)	(0.83)	(53)	(0.39)
Operating shareholders' equity	6,011	45.26	5,954	44.08
Pre-tax adjustments:				
Less: Deferred acquisition costs	110	0.83	113	0.84
Plus: Net present value of estimated net future credit derivative revenue	93	0.70	133	0.99
Plus: Net unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed	3,073	23.14	3,230	23.91
Taxes	(852)	(6.41)	(910)	(6.74)
Adjusted book value	<u>\$ 8,215</u>	<u>\$ 61.86</u>	<u>\$ 8,294</u>	<u>\$ 61.40</u>

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

Appendix

Calculation of Operating Portfolio Leverage & Reconciliation of Net Investment Income



Calculation of Operating Portfolio Leverage

(dollars in millions, except leverage)

	4Q-09	4Q-10	4Q-11	4Q-12	4Q-13	4Q-14	4Q-15	2Q-16	4Q-16	4Q-17	4Q-18	4Q-19	4Q-20
Insured Net Par Outstanding	\$640,194	\$616,686	\$556,830	\$518,772	\$459,107	\$403,729	\$358,571	\$329,864	\$309,831	\$72,974	\$249,817	\$232,178	\$218,743
Operating Shareholders' Equity ¹	4,076	4,691	5,201	5,830	6,164	5,933	5,946	6,011	6,011	6,011	6,011	6,011	6,011
Operating Portfolio Leverage	<u>157</u>	<u>131</u>	<u>107</u>	<u>89</u>	<u>74</u>	<u>68</u>	<u>60</u>	<u>55</u>	<u>52</u>	<u>45</u>	<u>42</u>	<u>39</u>	<u>36</u>

Reconciliation of GAAP Net Investment Income to Operating Net Investment Income

(dollars in millions)

	1H-16	2015	2014	2013	2012	2011
GAAP Net Investment Income	\$197	\$423	\$403	\$393	\$404	\$396
Less operating adjustments ²	1	(25)	7	1	14	3
Operating Net Investment Income	<u>\$196</u>	<u>\$448</u>	<u>\$396</u>	<u>\$392</u>	<u>\$309</u>	<u>\$393</u>

1. See pages 52-53 for a reconciliation of GAAP shareholders' equity to Operating shareholders' equity.
2. Primarily includes adjustments related to elimination of the effects of consolidating FG VIEs.

Appendix

Reconciliation of GAAP ROE to Operating ROE



ROE Reconciliation

(dollars in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income (loss)	\$146	\$297	\$205	\$498
Operating income	139	278	252	418
Average shareholders' equity	6,182	5,796	6,157	5,782
Average shareholders' equity, excluding unrealized gain (loss) on investment portfolio	5,796	5,477	5,813	5,474
Average operating shareholders' equity	5,983	5,944	5,979	5,972
GAAP ROE¹	9.5%	20.5%	6.7%	17.2%
ROE, excluding unrealized gain (loss) on investment portfolio ¹	10.1%	21.7%	7.1%	18.2%
Operating ROE ¹	9.3%	18.7%	8.4%	14.0%

1. Quarterly ROE calculations represent annualized returns.

Appendix

Net Income (Loss) Reconciliation to Operating Income



Net Income (Loss) Reconciliation to Operating Income (dollars in millions)

	Three Months Ended June 30, 2016			Three Months Ended June 30, 2015		
	GAAP Income Statement Line Items As Reported	Less: Operating Income Adjustments	Non-GAAP Operating Income Components	GAAP Income Statement Line Items As Reported	Less: Operating Income Adjustments	Non-GAAP Operating Income Components
Revenues:						
Net earned premiums ¹	\$214	(\$3)	\$217	\$219	(\$5)	\$224
Net investment income ¹	98	5	93	98	(1)	99
Net realized investment gains (losses) ²	10	10	—	(9)	(9)	0
Net change in fair value of credit derivatives:						
Realized gains (losses) and other settlements	24	24	—	8	8	—
Net unrealized gains (losses)	39	44	(5)	82	82	—
Credit derivative revenues	—	(31)	31	—	(35)	35
Net change in fair value of credit derivatives ²	63	37	26	90	55	35
Fair value gains (losses) on CCS ³	(11)	(11)	—	23	23	—
Fair value gains (losses) on FG VIEs ¹	4	4	—	5	5	—
Bargain purchase gain and settlement of pre-existing relationships ^{1,2}	—	—	—	214	(35)	249
Other income (loss) ^{1,4}	18	(18)	36	55	13	42
Total revenues	396	24	372	695	46	649
Expenses:						
Loss and LAE:						
Financial guaranty insurance ¹	102	3	99	188	(1)	189
Credit derivatives ²	—	11	(11)	—	9	(9)
Amortization of deferred acquisition costs	5	0	5	6	0	6
Interest expense	25	—	25	26	—	26
Other operating expenses	63	0	63	66	1	65
Total expenses	195	14	181	286	9	277
Income (loss) before income taxes	201	10	191	409	37	372
Provision (benefit) for income taxes ⁵	55	3	52	112	18	94
Net income (loss)	\$146	\$7	\$139	\$297	\$19	\$278

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

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

3. Adjustments to eliminate fair value gain (loss) on CSS.

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

5. Tax effect of the above adjustments.

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Equity Investor Presentation

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