Equity Investor Presentation

September 30, 2016

ASSURED GUARANTY®

Revised on 11/03/2016

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) 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; (2) reduction in the amount of available insurance opportunities and/or in the demand for Assured Guaranty's insurance; (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) 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; (7) increased competition, including from new entrants into the financial guaranty industry; (8) 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; (9) the inability of Assured Guaranty to access external sources of capital on acceptable terms; (10) changes in the world’s credit markets, segments thereof, interest rates or general economic conditions; (11) the impact of market volatility on the mark-to-market of Assured Guaranty’s contracts written in credit default swap form; (12) changes in applicable accounting policies or practices; (13) changes in applicable laws or regulations, including insurance, bankruptcy and tax laws, or other governmental actions; (14) 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; (15) difficulties with the execution of Assured Guaranty’s business strategy; (16) loss of key personnel; (17) the effects of mergers, acquisitions and divestitures; (18) natural or man-made catastrophes; (19) other risks and uncertainties that have not been identified at this time; (20) management’s response to these factors; and (21) other risk factors identified in AGL's filings with the U.S. Securities and Exchange Commission (the “SEC”).
- The foregoing review of important factors should not be construed as exhaustive, and should be read in conjunction with the risk factors included in Part II, “Item 1A. Risk Factors” in AGL’s Ford 10-Q for the quarter ended June 30, 2016 and the other cautionary statements in AGL’s Form 10-Q filings, as well as the risk factors included in AGL's 2015 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 Standard & Poor's Ratings Services ("S&P").
  - Percentages and totals in tables or graphs may not add due to rounding.
- This presentation references financial measures that are not in accordance with U.S. generally accepted accounting principles ("GAAP"), which management uses in order to assist analysts and investors in evaluating Assured Guaranty's financial results. These financial measures determined on the basis of methodologies other than in accordance with GAAP ("non-GAAP financial measures") are defined in the Appendix. 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 a 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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Third Quarter 2016 Accomplishments

- **Earned $508 million of operating income[1], or $3.83 per share**
- **Increased shareholders' equity per share, operating shareholders' equity[1] per share and adjusted book value[1] per share, reaching new records of $50.70, $49.29 and $66.34, respectively**
- **Generated $50 million of new business production[1] in 3Q-16, a 22% increase over 2Q-16 and 3Q-15**
- **Acquired the parent of financial guaranty insurer CIFG Assurance North America, Inc. (CIFG) on July 1, which added $293 million to operating shareholders' equity[1] and $512 million to adjusted book value[1] at the acquisition date**
- **Executed a purchase agreement to acquire MBIA UK Insurance Limited (MBIA UK), the European operating subsidiary of MBIA Insurance Corporation. The pending acquisition is expected, if completed, to be accretive to operating shareholders' equity[1] and adjusted book value[1] at the acquisition date**
- **Repurchased an additional 2.1 million common shares ($55 million) at an average price of $26.83**
- **Terminated $1.9 billion of insured net par outstanding, increasing excess capital and reducing potential future losses**
- **Purchased approximately $154 million par of insured securities, at a cost of $103 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.

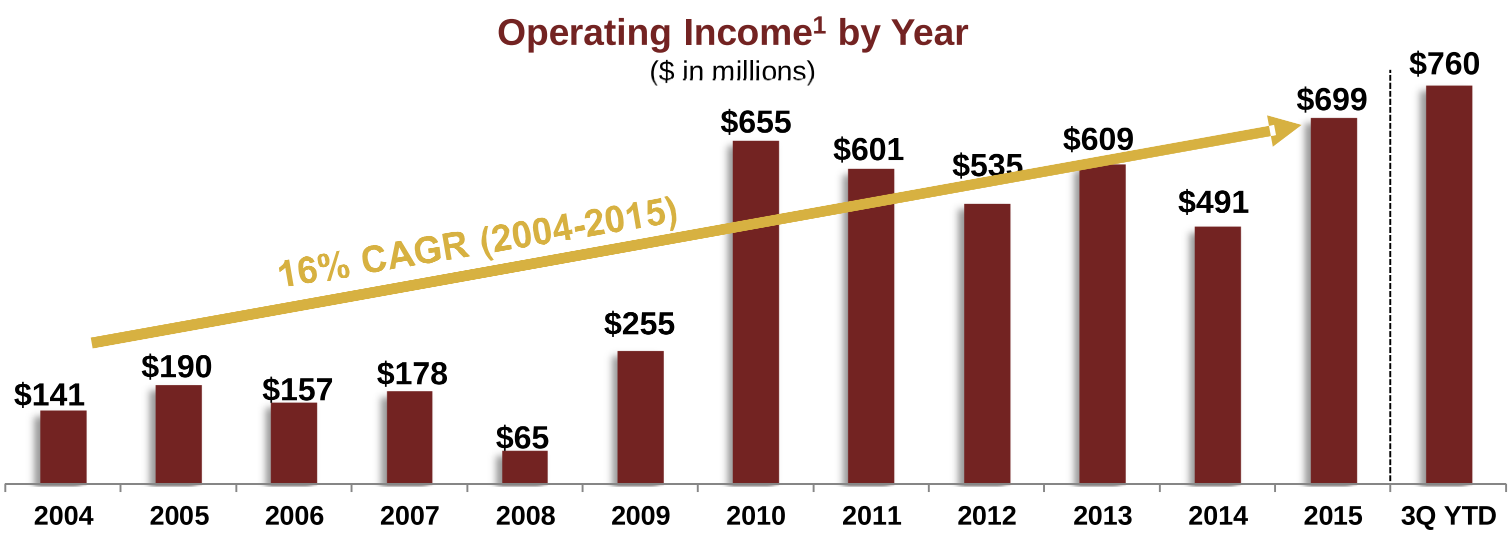
($ in billions)	September 30, 2016	September 30, 2009
Net par outstanding	$315.3	$646.6
U.S. public finance	$258.7	$424.9
U.S. structured finance	$24.4	$142.2
Non-U.S.	$32.3	$79.5
Total investment portfolio + cash	$11.5	$10.2
Net unearned premium reserve[1]	$3.5	$7.5
Claims-paying resources[2]	$12.1	$12.6
Ratio of net par outstanding / claims-paying resources[2]	**26:1**	**51:1**

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

1. Unearned premium reserve net of ceded unearned premium reserve.
2. Based upon statutory accounting.

Assured Guaranty Overview

- **Since our initial public offering in 2004, we have grown our annual operating income[1] from $141 million in 2004 to $699 million in 2015, a 16% compounded annual growth rate (CAGR). After only three quarters, 2016 operating income exceeds that of every full year since our IPO.**
- **Operating income[1] 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 share[1]**

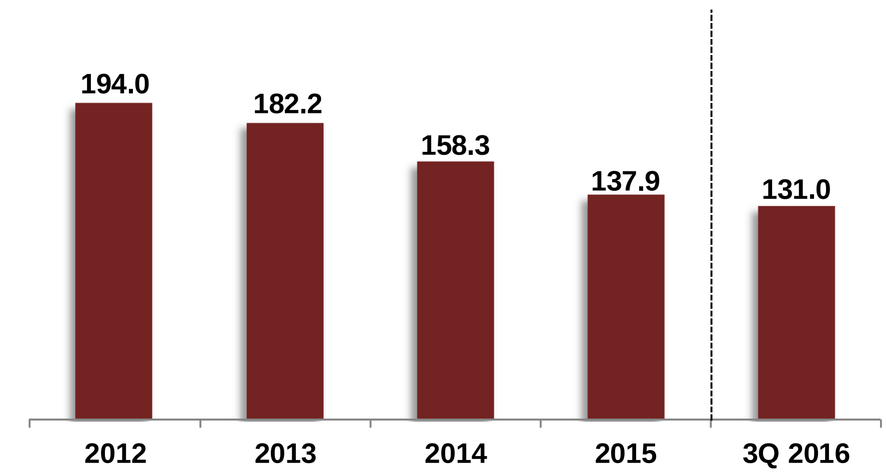


1. For explanations and reconciliations of operating income and operating income per share, which are non-GAAP financial measures, please refer to the Appendix.

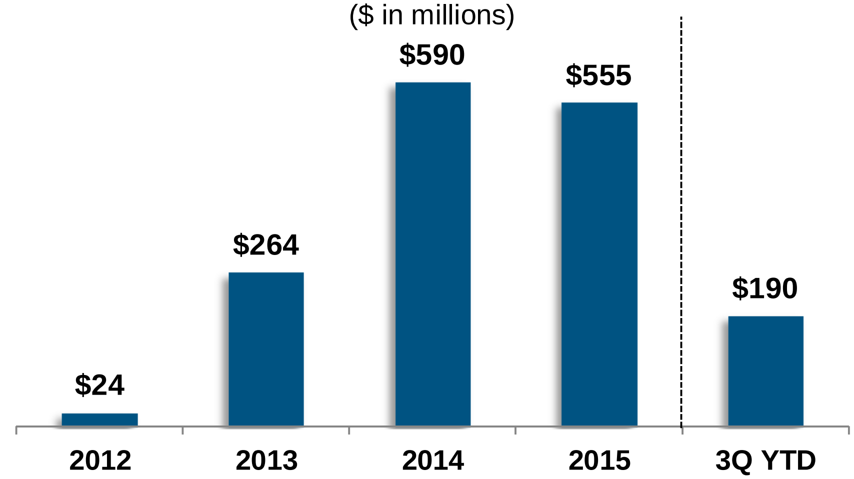
Assured Guaranty Overview
Track Record of Creating Shareholder Value

- **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 September 30, 2016, we have repurchased 65.3 million shares, or roughly 34% of our shares outstanding, for approximately $1.6 billion.
  - During the first nine months of 2016, we repurchased 7.4 million common shares for $190 million at an average price per share of $25.61. On November 2, 2016, an incremental $250 million share repurchase authorization was approved, which brings the total authorization to $345 million.
  - Since our 2004 IPO, we have more than tripled our quarterly dividend per share. In February 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)



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)
• Based on most recently filed quarterly or annual statement • Only out of "earned surplus"[1] • Cannot exceed the lesser of: (i) 10% of policyholders' surplus, and (ii) 100% of adjusted net investment income – 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.	• Based on most recently filed annual statement • Cannot exceed the lesser of: (i) 10% of policyholders' surplus, and (ii) 100% of adjusted net investment income – 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.	• Cannot exceed 25% of total statutory capital and surplus without certification to the regulator • Cannot exceed outstanding statutory surplus • Must be paid from unencumbered assets • Additionally, AG Re can make capital distributions which cannot exceed 15% of its total prior year statutory capital (total stat capital of $843 million, 15% of which is $127 million)

($ in millions)

Assured Guaranty Municipal Corp.

Policyholders' surplus	$2,466
10% of policyholders' surplus	**$247**
4Q-15 through 3Q-16 investment income	**$231**
Net investment income	
4Q-13 through 3Q-14	218
4Q-14 through 3Q-15	222
Total	**$440**
Dividends paid	
4Q-13 through 3Q-14	(170)
4Q-14 through 3Q-15	(218)
Total	**($388)**
Excess of investment income over dividends	**$52**
Adjusted net investment income ($231 + $52 = $283)	**$283**
2016 Dividend Limitation	**$247**
2016 Remaining Dividend Capacity	**$55**

Assured Guaranty Corp.

Policyholders' surplus	$1,365
10% of policyholders' surplus	**$137**
2015 investment income	**$79**
Net investment income	
2012	81
2013	66
2014	54
Total	**$201**
Dividends paid	
2013	(67)
2014	(69)
2015	(90)
Total	**($226)**
Excess of investment income over dividends	**$0**
Adjusted net investment income ($79 + 0 = $79)	**$79**
2016 Dividend Limitation	**$79**
2016 Remaining Dividend Capacity	**$41**

Assured Guaranty Re Ltd. (AG Re)

Total stat capital and surplus	$983
25% of stat capital and surplus	**$246**
Approximate outstanding statutory surplus as of September 30, 2016	**$235**
Unencumbered assets	**$625**
2016 Dividend Limitation	**$235**
2016 Remaining Dividend Capacity	**$150**

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[1]

Shareholders

Assured Guaranty Ltd.
(Head Office – Bermuda; Tax Residence – U.K.)

- Total investment portfolio and cash is $60 million[2]
- 3Q YTD annualized expenses of $31 million
- 3Q YTD annualized dividend distribution of $69 million

Assured Guaranty Re Ltd.
(Bermuda)

In 2016, AG Re has the capacity to (i) make capital distributions in an aggregate amount up to $127 million without prior regulatory approval and (ii) declare and pay dividends in an aggregate amount up to the limit of its outstanding statutory surplus, which is $235 million as of September 30, 2016. As of September 30, 2016, AG Re had unencumbered assets of approximately $625 million.

Assured Guaranty US Holdings Inc.
(U.S.)

- Combined investment portfolio and cash of $129 million[2]
- Annual debt service of $96 million in 2016

Assured Guaranty Municipal Holdings Inc.
(U.S.)

Assured Guaranty Corp.
(U.S.)

The maximum amount available during 2016 for AGC to distribute as ordinary dividends is approximately $79 million, of which approximately $41 million is available for distribution in the fourth quarter of 2016.

Assured Guaranty Municipal Corp.
(U.S.)

The maximum amount available during 2016 for AGM to distribute as dividends without regulatory approval is estimated to be approximately $247 million, of which approximately $55 million is available for distribution in the fourth quarter of 2016.

Municipal Assurance Corp.
(U.S.)

The Company does not currently anticipate MAC distributing dividends.

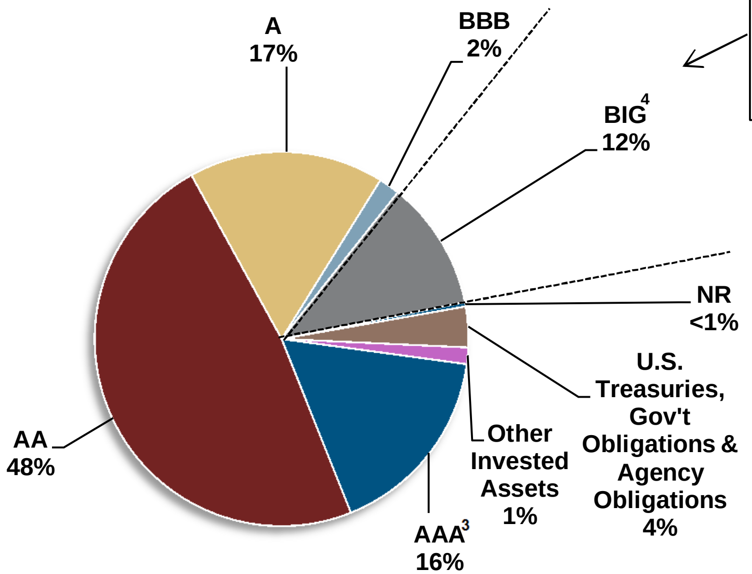
1. Represents dividend capacity as of September 30, 2016. Please see our Form 10-K for the year ended December 31, 2015 for a discussion of the dividend limitations to which we are subject under applicable U.S. and Bermuda law, including the New York Insurance Law and the Maryland Insurance Code.
2. As of September 30, 2016.

Underlying Value

Underlying Value
High-Quality Investment Portfolio

Total Invested Assets and Cash[1,2]

As of September 30, 2016



$11.6 billion, A+ average rating

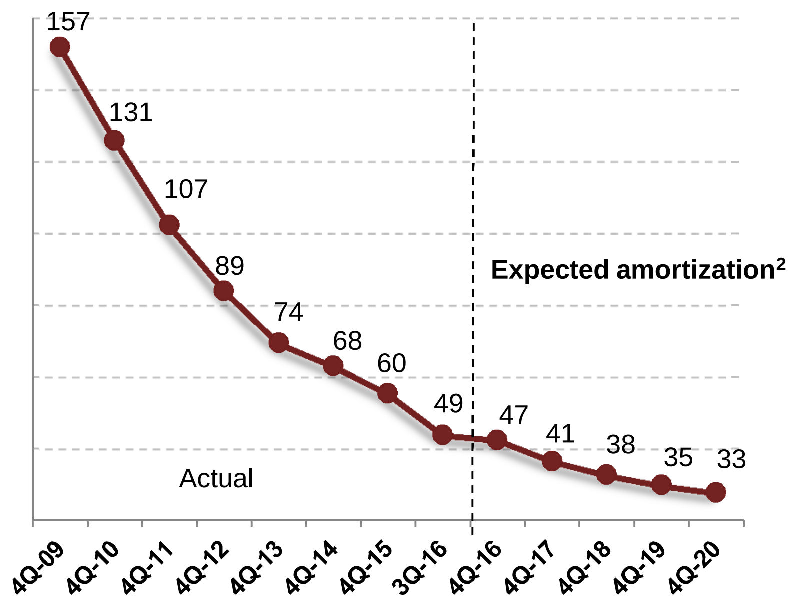
- **Highly rated fixed maturity and short-term investments, 68% rated AA or higher, and cash**
- **Approximately $622 million invested in liquid, short-term investments and cash**
- **Overall duration of portfolio is 5.2 years**

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. 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 $2,387 million in par with carrying value of $1,336 million.

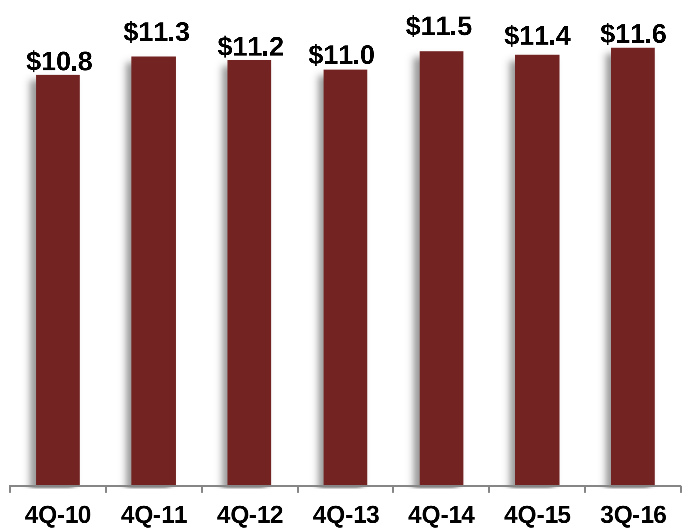
Underlying Value
Deleveraging While Maintaining Total Invested Assets

- **Our insured net par outstanding to operating shareholders' equity[1] has declined from 157:1 in 4Q-09 to 49:1 as of 3Q-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' Equity[1]



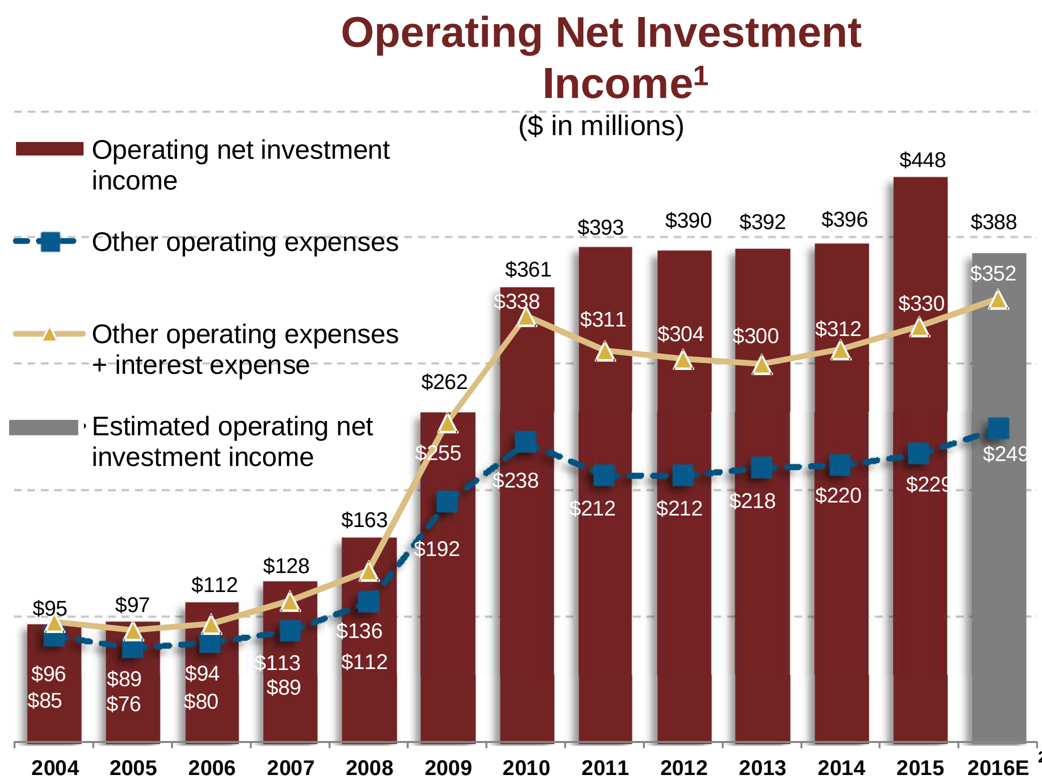
Total Invested Assets and Cash
($ in billions)



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.

Underlying Value
Operating Net Investment Income Generates Capital

- **Operating net investment income[1] is higher than the combination of operating and interest expenses, a spread that fosters capital growth**

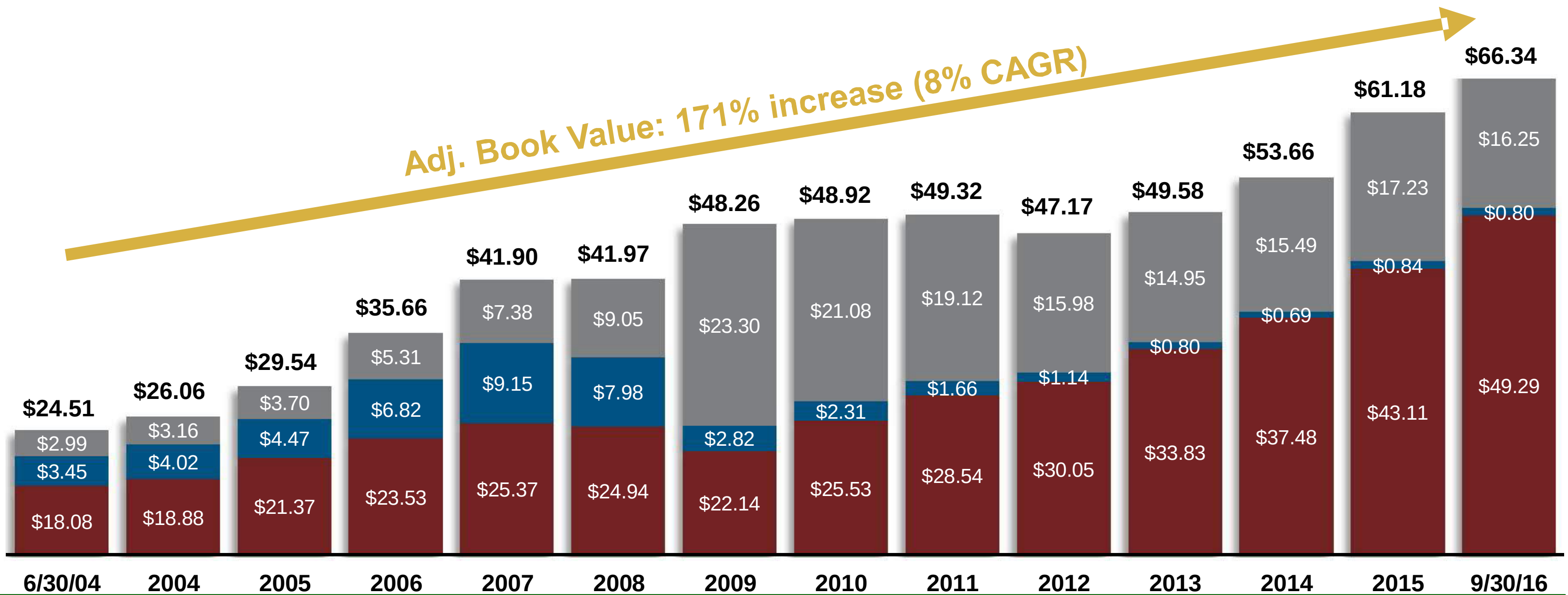


1. Operating net investment income is a non-GAAP financial measure that includes adjustments related to elimination of the effects of consolidating FG VIEs. See the Appendix for a reconciliation to GAAP net investment income.
2. Estimated 2016 values based on annualized year-to-date 2016 net operating investment income of $291 million, other operating expenses of $187 million annualized and interest expense of $77 million.

Underlying Value
Historical Growth

ASSURED GUARANTY®

Adjusted Book Value[1] per Share



Shareholders' equity (GAAP):	6/30/04	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	9/30/16
	$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	$50.70

- 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' equity[1]

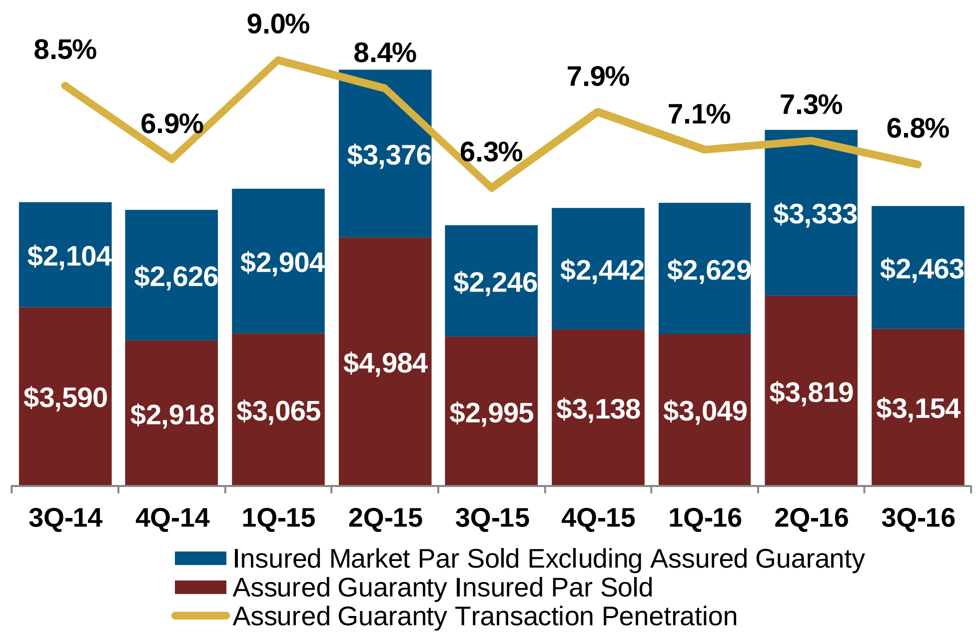
1. For explanations of adjusted book value and net present value of estimated net future credit derivative revenue and operating shareholders' equity, which are non-GAAP financial measures, please refer to the Appendix. Effective January 1, 2012, the Company adopted new guidance on acquisition costs 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 3Q-16 totaled 206 or $3,154 million
  - Secondary market policies sold in 3Q-16 totaled 104 or $249 million
- **Total market issuance increased 26% from prior-year period while insured volume increased by only 7% from prior-year period**
  - Industry par penetration for all transactions with underlying A ratings remained constant at 18% in 3Q-16, compared with 3Q-15
  - Industry penetration based on the number of transactions with underlying A ratings also remained constant at 50% in 3Q-16 compared with 3Q-15
- **Industry penetration for smaller deals (transactions under $25 million) based on the number of transactions remained constant at 16% in 3Q-16 compared with 3Q-15**

New Issue U.S. Public Finance
Insured Par Sold and Transaction Penetration[1]
($ in millions)



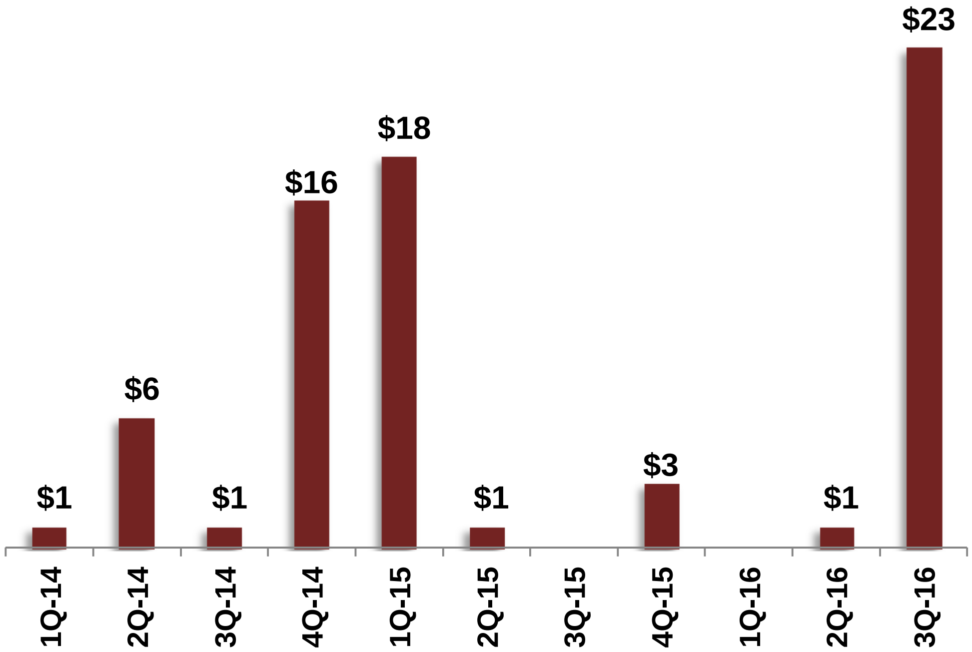
Total U.S. Public Finance New Issuance	**2Q-14**	**3Q-14**	**4Q-14**	**1Q-15**	**2Q-15**	**3Q-15**	**4Q-15**	**1Q-16**	**2Q-16**	**3Q-16**
Par Issued ($ in billions)	$83.1	$72.3	$99.3	$104.0	$111.0	$86.0	$76.4	$96.5	$119.4	$108.4
Transactions Issued	2,964	2,376	2,871	3,059	3,783	2,665	2,558	2,787	3,635	3,048

1. Source: SDC database. As of September 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

- **Closed three transactions, the largest of which was a Triple-X excess of loss life reinsurance 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 PVP[1]
($ in millions)

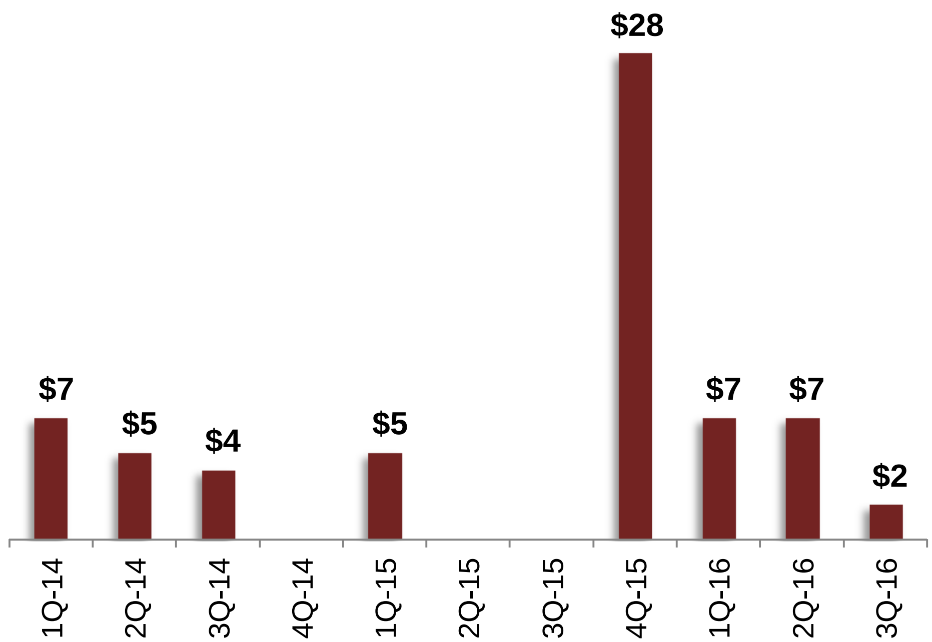


1. For an explanation of new business production, or "PVP", which is a non-GAAP financial measure, please refer to the Appendix.

Creating Value
New Business Production
Non-U.S. Business Activity

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

Non-U.S. PVP[1] 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.**
  - 3Q-16 PVP also increased from 2Q-2016
  - AAA municipal yields fell below 2% for the first time before somewhat recovering by month end.

Gross Par Written

	Quarter Ended September 30, 2016		Quarter Ended September 30, 2015	
Sector:	**Gross Par Written**	**Avg. Rating[1]**	**Gross Par Written**	**Avg. Rating[1]**
U.S. public finance	$3,459	A-	$4,703	A-
Non-U.S. public finance	164	BBB+	-	-
Total public finance	**$3,623**	**A-**	**$4,703**	**A-**
U.S. structured finance	$1,064	AA	$-	-
Non-U.S. structured finance	-	-	-	-
Total structured finance	**$1,064**	**AA**	**$-**	**-**
Total gross par written	**$4,687**	**A**	**$4,703**	**A-**
Total PVP	**$50**		**$41**	
PVP to gross par written	**1.07%**		**0.87%**	

1. Average internal rating.

Creating Value
Alternative Strategies
MBIA UK Acquisition

- **Assured Guaranty announced on September 29 that AGC had entered into an agreement to purchase MBIA UK. According to the agreement, AGC will exchange the Zohar II 2005-1, class A-2 and A-3 notes it owns (which had an outstanding par of $347 million as of September 30, 2016) to MBIA UK (Holdings) Limited in exchange for the outstanding shares of MBIA UK plus $23 million.**

- **The acquisition is expected to be accretive to Assured Guaranty's earning per share[1], operating shareholders' equity[1] and adjusted book value[1].**

- **The Zohar II transaction is a structured finance transaction wholly insured by MBIA Corp. with insured balance par outstanding of $772 million as of June 30, 2016. AGC owns approximately 45% of the Zohar II notes.**

- **The acquisition is expected to close in early January 2017, subject to receipt of regulatory approvals and the satisfaction of other customary closing conditions. There can be no assurance that regulatory approvals will be obtained.**

- **This acquisition fits within the Company's strategy of acquiring high-quality portfolios from inactive financial guaranty insurance companies:**
  - Radian Asset Assurance acquisition closed on April 1, 2015
  - CIFG acquisition closed on July 1, 2016

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

Creating Value
Commutations

- **Reassumption of previously ceded business has increased the unearned premium reserve and adjusted book value[1]**

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
Total	**$40.2**	**$334**	**$206**

Ceded Par Outstanding by Reinsurer[2]
As of September 30, 2016

($ in millions)	Net Par Outstanding
American Overseas Re	$4,052
Tokio Marine	$3,681
Syncora	$2,185
Mitsui	$1,394
Others	$819
Total	$12,131

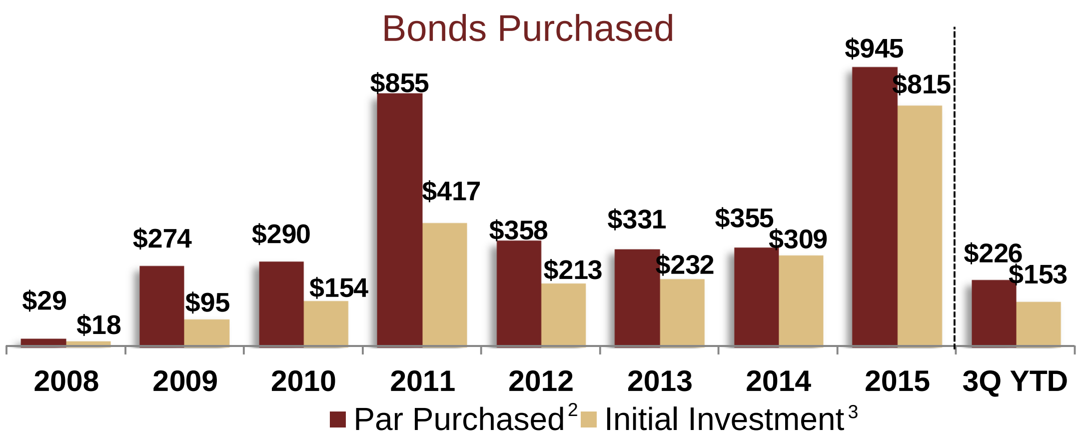
1. For an explanation of adjusted book value, which is a non-GAAP financial measure, please refer to the Appendix.
2. Includes par related to insured credit derivatives.

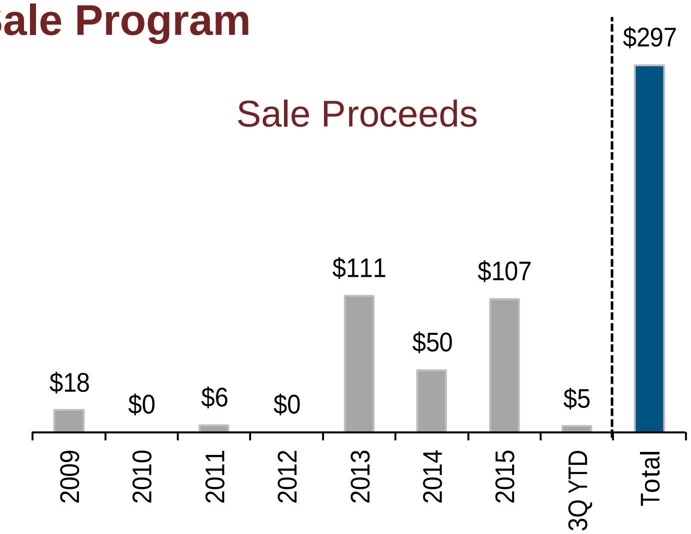
Creating Value
Loss Mitigation
Bond Purchases

- **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 value[1]**
  - The amount of reserves released and the ongoing principal and interest from the bonds are expected to be greater than the purchase price
  - We have purchased approximately $3.7 billion of par on insured securities through September 30, 2016 with an initial purchase price of approximately $2.3 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)





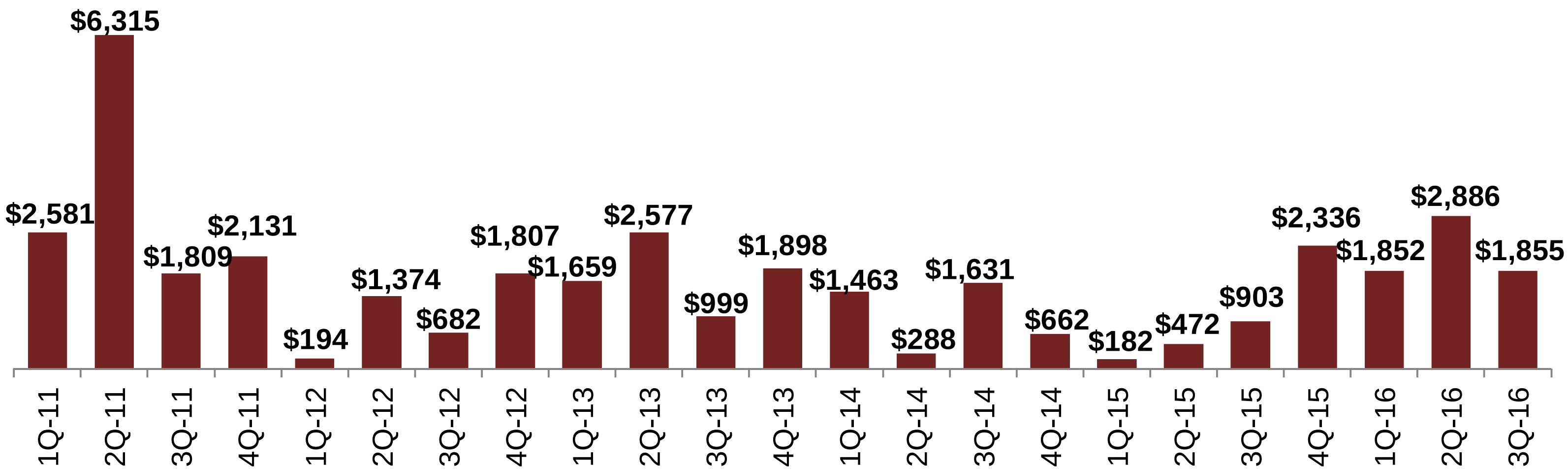
1. For an explanation of adjusted book value, which is a non-GAAP financial measure, please refer to the Appendix.
2. Par at the time of purchase.
3. Cost of purchase.

Creating Value
Loss Mitigation
Agreements to Terminate Contracts

- **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 $39 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

September 30, 2016

Third Quarter 2016 Results
Select Financial Items

ASSURED GUARANTY

($ in millions, except per share data)	Quarter Ended September 30,		% Change vs. 3Q-15
	2016	**2015**	
Operating net earned premiums and credit derivative revenues[1]	$249	$252	(1)%
Operating net investment income[2]	95	114	(17)%
Operating loss and LAE[3]	(17)	68	(125)%
Operating income[4]	508	164	210%
Operating income per diluted share[4]	**$3.83**	**$1.12**	**242%**
Operating ROE[4,5]	**32.6%**	**11.0%**	**21.6 pp**
Net income (loss)[4]	479	129	271%
Net income (loss) per diluted share[4]	**$3.60**	**$0.88**	**310%**

NM = Not meaningful pp = percentage points

1. Included $4 million and $6 million of adjustments to GAAP reported amounts that were eliminated during the quarters ended September 30, 2016 and 2015, respectively.
2. Included $1 million and $2 million of adjustments to GAAP reported amounts that were eliminated during the quarters ended September 30, 2016 and 2015, respectively.
3. Included $(8) million and $(44) million of adjustments to GAAP reported amounts that were eliminated during the quarters ended September 30, 2016 and 2015, respectively.
4. In 3Q 2016, the acquisition of CIFG resulted in an after-tax bargain purchase gain. Combined with the settlement of pre-existing relationships, there was an after-tax gain of $293 million, or $2.21 per share.
5. ROE calculations represent annualized returns.

Third 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, and
  - 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)	3Q-16		3Q-15	
Financial Guaranty	**Amount**	**Per Diluted Share**	**Amount**	**Per Diluted Share**
Loss and LAE	$(9)	$(0.06)	$112	$0.61
Non-GAAP Adjustments:				
Operating loss and LAE for credit derivative and FG VIE contracts	(8)	(0.03)	(44)	(0.27)
Total operating loss and LAE	(17)	(0.09)	68	0.34

Portfolio Overview

September 30, 2016

Capital Base
(U.S. Statutory Basis)

ASSURED GUARANTY

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

($ in millions)	AGUS Consolidated	AG Re[1]	AGL Consolidated
Policyholders' surplus	$3,936	$1,069	$5,005
Contingency reserve	2,364	-	2,364
Qualified statutory capital	**6,300**	**1,069**	**7,369**
Unearned premium reserve	1,911	704	2,615
Loss and loss adjustment expense reserves	498	296	794
Total policyholders' surplus and reserves	**8,709**	**2,069**	**10,778**
Present value of installment premium	386	128	514
Committed Capital Securities	400	-	400
Excess of loss reinsurance facility[2]	360	-	360
Total claims-paying resources	**$9,855**	**$2,197**	**$12,052**
Statutory net par outstanding[3]	$203,810	$76,884	$280,694
Net debt service outstanding[3]	$307,401	$120,574	$427,975
Net par outstanding to qualified statutory capital	32:1	72:1	38:1
Capital ratio[4]	49:1	113:1	58:1
Financial resources ratio[5]	31:1	55:1	36:1

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

($ in millions)	Policyholders' Surplus	Qualified Statutory Capital	Claims-Paying Resources
AGM, excluding investment in MAC	$2,211	$3,450	$5,748
AGC, excluding investment in MAC	1,545	2,364	3,616
MAC	420	726	1,451
Eliminations	(240)	(240)	(960)
AGUS Consolidated	**3,936**	**6,300**	**9,855**
AG Re	1,069	1,069	2,197
AGL Consolidated	**$5,005**	**$7,369**	**$12,052**

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

ASSURED GUARANTY

Consolidated Statutory-Basis Claims-Paying Resources and Exposures

($ in millions)	As of September 30, 2016					
	AGM	AGC	MAC	AG Re[8]	Eliminations[3]	Consolidated
Claims-paying resources						
Policyholders' surplus	$2,466	$1,710	$420	$1,069	$(660)	$5,005
Contingency reserve[1]	1,425	939	306	-	(306)	2,364
Qualified statutory capital	**3,891**	**2,649**	**726**	**1,069**	**(966)**	**7,369**
Unearned premium reserve[1]	1,378	533	363	704	(363)	2,615
Loss and loss adjustment expense reserves[1]	364	134	-	296	-	794
Total policyholders' surplus and reserves	**5,633**	**3,316**	**1,089**	**2,069**	**(1,329)**	**10,778**
Present value of installment premium[1]	217	169	2	128	(2)	514
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)	**$6,410**	**$4,045**	**$1,451**	**$2,197**	**$(2,051)**	**$12,052**
Adjustment for MAC[4]	**662**	**429**	**-**	**-**	**(1,091)**	**-**
Total claims-paying resources (excluding MAC adjustment for AGM and AGC)	**$5,748**	**$3,616**	**$1,451**	**$2,197**	**$(960)**	**$12,052**
Statutory net par outstanding[5]	$119,358	$38,859	$46,752	$76,884	$(1,159)	$280,694
Equity method adjustment[4]	28,378	18,374	-	-	(46,752)	-
Adjusted statutory net par outstanding[1]	$147,736	$57,233	$46,752	$76,884	$(47,911)	$280,694
Net debt service outstanding[5]	$183,943	$57,369	$68,838	$120,574	$(2,749)	$427,975
Equity method adjustment[4]	41,785	27,053	-	-	(68,838)	-
Adjusted net debt service outstanding[1]	$225,728	$84,422	$68,838	$120,574	$(71,587)	$427,975
Ratios:						
Adjusted net par outstanding to qualified statutory capital	38:1	22:1	64:1	72:1		38:1
Capital ratio[6]	58:1	32:1	95:1	113:1		58:1
Financial resources ratio[7]	35:1	21:1	47:1	55:1		36:1

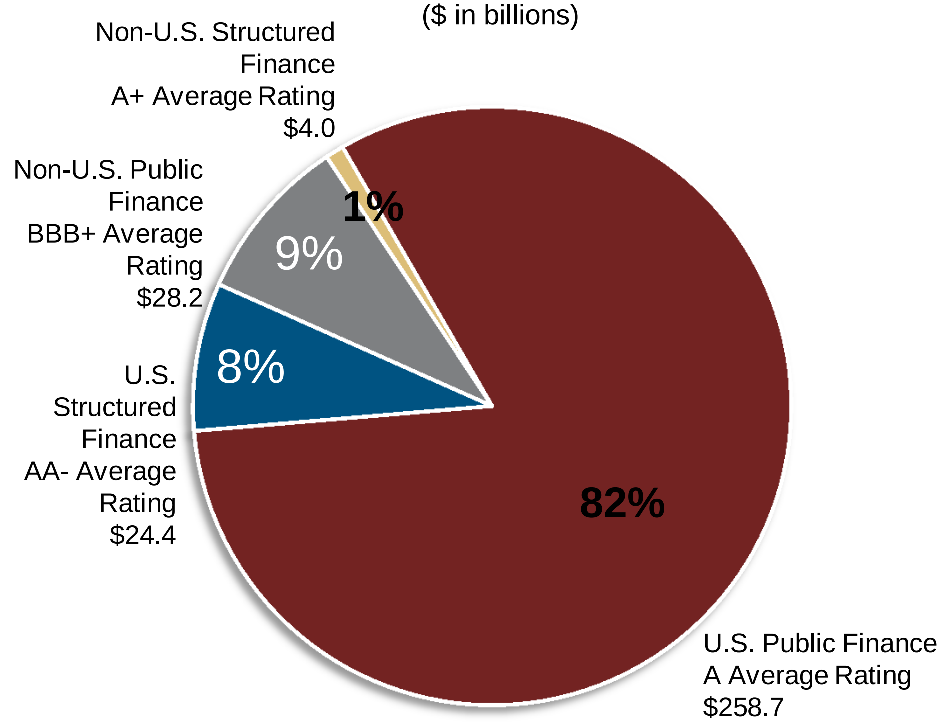
1. The numbers shown for Assured Guaranty Municipal Corp. (AGM) and Assured Guaranty Corp. (AGC) have been adjusted to include (i) their 100% share of their respective U.K. insurance subsidiaries and (ii) their indirect share of Municipal Assurance Corp. (MAC). AGM and AGC own 60.7% and 39.3%, respectively, 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 insured portfolio is largely concentrated in U.S. public finance[1]**
  - 82% U.S. public finance
  - 8% U.S. structured finance
  - 9% Non-U.S. public finance
  - 1% Non-U.S. structured finance
- **Our insured portfolio has an A average internal credit rating**
  - 4.4% below investment grade
- **U.S. public finance is the sector with the largest BIG exposure**
  - $7.6 billion of par exposure (55% of our total BIG)
  - Out of this $7.6 billion, $4.8 billion of net par exposure relates to Puerto Rico

Consolidated Net Par Outstanding[1]

As of September 30, 2016
($ in billions)



$315.3 billion, A average rating

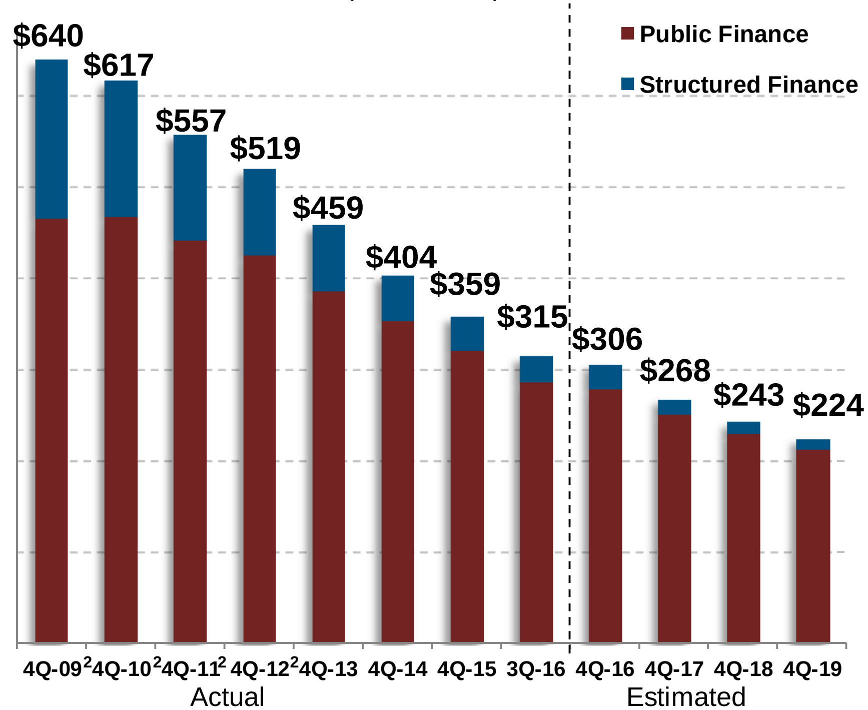
Net Par Outstanding Amortization

- **Amortization of the existing portfolio reduces rating agency capital charges, but also embedded future earned premiums**
- **New direct or assumed business originations, reassumptions and acquisitions will increase future premiums**
- **Public finance existing exposure amortizes at a steady rate**
  - $287 billion outstanding
  - 3% expected to amortize by the end of 2016; 12% by the end of 2017; 20% by the end of 2018
- **Structured finance existing exposure amortizes quickly**
  - $28 billion outstanding
  - 6% expected to amortize by the end of 2016; 45% by the end of 2017; 53% by the end of 2018

Consolidated Net Par Outstanding Amortization[1]

As of September 30, 2016

($ in billions)



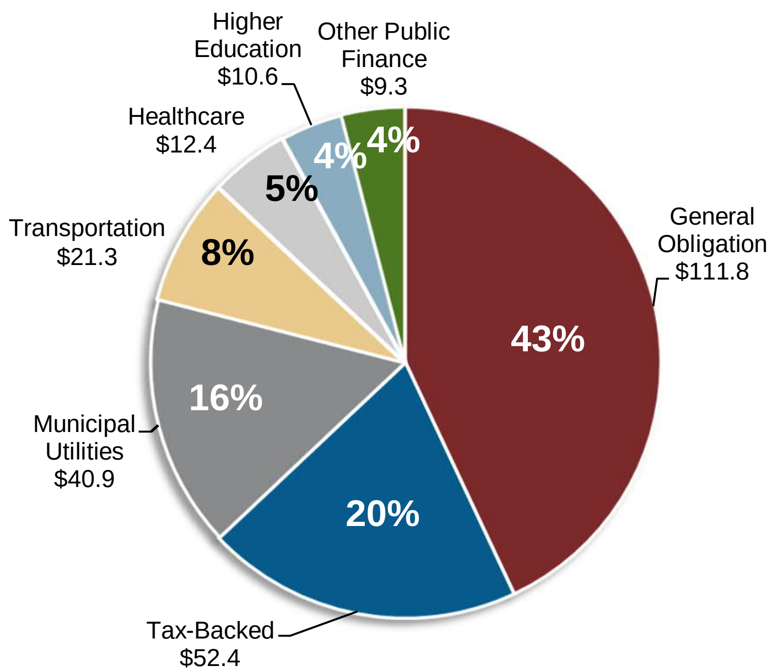
1. Represents the future expected amortization of existing net par outstanding as of September 30, 2016. Actual amortization of the existing portfolio will differ from the expected shown here because, for example, (1) some obligors may call, prepay or defease guaranteed obligations (e.g., in the context 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

U.S. Public Finance

As of September 30, 2016

($ in billions)



$258.7 billion, A average rating

- **U.S. public finance net par outstanding is $258.7 billion and makes up 82% of our total insured portfolio as of September 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 9,500 direct U.S. public finance obligors. We expect future losses to be paid, net of recoveries, on less than a dozen exposures[1].
  - 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**
  - 65% 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 September 30, 2016

	($ in millions)	Net Par Outstanding[2,5]	Gross Par Outstanding
Commonwealth Constitutionally Guaranteed	Commonwealth of Puerto Rico - General Obligation Bonds[4]	$1,476	$1,577
	Puerto Rico Public Buildings Authority (PBA)[4]	169	175
	Subtotal	**$1,645**	**$1,752**
Public Corporations – Certain Revenues Potentially Subject to Clawback	Puerto Rico Highways and Transportation Authority (PRHTA) (Transportation Revenue Bonds)[3]	$918	$950
	Puerto Rico Highways and Transportation Authority (PRHTA) (Highways Revenue Bonds)[3]	350	556
	Puerto Rico Convention Center District Authority (PRCCDA)[3]	152	152
	Puerto Rico Infrastructure Financing Agency (PRIFA)[3,4]	18	18
	Subtotal	**$1,438**	**$1,676**
Other Public Corporations	Puerto Rico Electric Power Authority (PREPA)	724	876
	Puerto Rico Aqueduct and Sewer Authority (PRASA)	373	373
	Puerto Rico Municipal Finance Agency (MFA)	334	488
	Puerto Rico Sales Tax Finance Corp. (COFINA)	271	271
	University of Puerto Rico (U of PR)	1	1
	Subtotal	**$1,703**	**$2,009**
	Total[1]	**$4,786**	**$5,437**

1. AGL's consolidated net par outstanding is divided between its subsidiaries as follows: $2.0 billion at AGM, $1.7 billion at AGC, $1.1 billion at AG Re, and $0 at MAC. A portion of the subsidiary level exposure is eliminated upon consolidation due to instances where one subsidiary's insured bonds were previously insured by another subsidiary.
2. Includes exposure to Capital Appreciation Bonds with a current aggregate net par outstanding of $31 million and a fully accreted net par at maturity of $63 million. Of these amounts, current net par of $18 million and fully accreted net par at maturity of $50 million relate to Puerto Rico Sales Tax Financing Corporation, current net par of $7 million and fully accreted net par at maturity of $7 million relate to the PRHTA, and current net par of $5 million and fully accreted net par at maturity of $5 million relate to the Commonwealth General Obligation Bonds.
3. The Governor of Puerto Rico issued executive orders on November 30, 2015, and December 8, 2015, directing the Puerto Rico Department of Treasury and the Puerto Rico Tourism Company to retain or transfer certain taxes and revenues pledged to secure the payment of bonds issued by PRHTA, PRIFA and PRCCDA. On January 7, 2016, the Company sued various Puerto Rico governmental officials in the United States District Court, District of Puerto Rico asserting that this attempt to “claw back” pledged tax revenues is not needed to pay General Obligation debt service and therefore unconstitutional.
4. As of the date of the Company's third 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 Agencies[1]
As of September 30, 2016

($ in millions)	4Q 2016	1Q 2017	2Q 2017	3Q 2017	4Q 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	$0	$0	$0	$93	$0	$75	$82	$136	$16	$37	$15	$73	$68	$255	$480	$146	$-	$-	**$1,476**
PBA	-	0	0	28	0	-	3	5	13	0	6	0	7	52	39	16	-	-	**169**
Subtotal	**$0**	**$0**	**$0**	**$121**	**$0**	**$75**	**$85**	**$141**	**$29**	**$37**	**$21**	**$73**	**$75**	**$307**	**$519**	**$162**	**$-**	**$-**	**$1,645**
Public Corporations – Certain Revenues Potentially Subject to Clawback																			
PRHTA (Transportation Revenue)	$0	$0	$0	$36	$0	$38	$32	$25	$18	$28	$34	$4	$29	$162	$227	$240	$45	$-	**$918**
PRHTA (Highways Revenue)	-	0	0	10	0	10	21	22	25	6	8	8	8	28	167	37	-	-	**350**
PRCCDA	-	-	-	-	-	-	-	-	-	-	-	-	-	19	104	29	-	-	**152**
PRIFA	-	-	-	-	-	2	-	-	-	-	2	-	-	-	-	-	4	-	**18**
Subtotal	**$0**	**$0**	**$0**	**$46**	**$0**	**$50**	**$53**	**$47**	**$43**	**$34**	**$44**	**$12**	**$37**	**$209**	**$498**	**$306**	**$49**	**$-**	**$1,438**
Other Public Corporations																			
PREPA	$0	$0	$0	$5	$0	$4	$25	$42	$22	$22	$81	$78	$52	$309	$84	$0	$-	$-	**$724**
PRASA	-	-	-	-	-	-	-	-	-	-	-	2	25	84	-	2	92	168	**373**
MFA	-	0	0	48	0	47	44	37	33	33	16	12	12	52	-	-	-	-	**334**
COFINA	0	0	0	0	0	(1)	(1)	(1)	(2)	(3)	1	0	(2)	(6)	32	99	155	-	**271**
U of PR	-	0	0	0	0	0	0	0	0	0	0	0	0	0	1	-	-	-	**1**
Subtotal	**$0**	**$0**	**$0**	**$53**	**$0**	**$50**	**$68**	**$78**	**$53**	**$52**	**$98**	**$92**	**$87**	**$439**	**$117**	**$101**	**$247**	**$168**	**$1,703**
Total	**$0**	**$0**	**$0**	**$220**	**$0**	**$175**	**$206**	**$266**	**$125**	**$123**	**$163**	**$177**	**$199**	**$955**	**$1,134**	**$579**	**$296**	**$168**	**$4,786**

1. Includes exposure to Capital Appreciation Bonds with a current aggregate net par outstanding of $31 million and a fully accreted net par at maturity of $63 million. Of these amounts, current net par of $18 million and fully accreted net par at maturity of $50 million relate to Puerto Rico Sales Tax Financing Corporation, current net par of $7 million and fully accreted net par at maturity of $7 million relate to the PRHTA, and current net par of $5 million and fully accreted net par at maturity of $5 million relate to the Commonwealth General Obligation Bonds.

Public Finance

Puerto Rico Exposure

Scheduled Net Debt Service Amortization of Exposure to the Commonwealth and its Agencies[1]

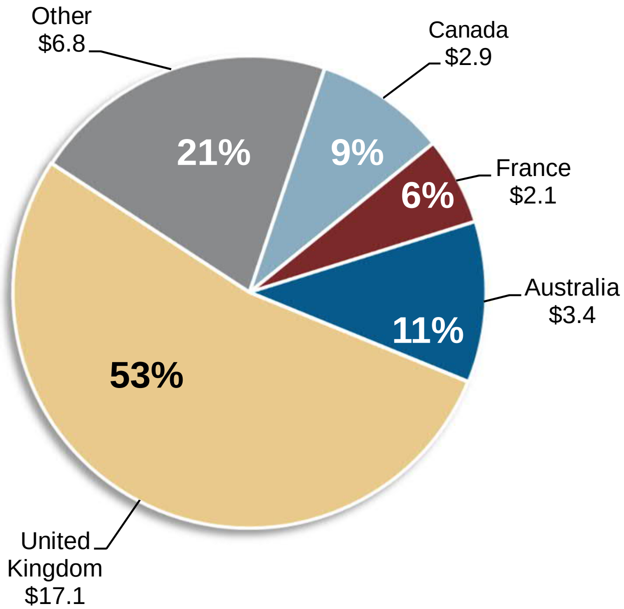
As of September 30, 2016

($ in millions)	4Q 2016	1Q 2017	2Q 2017	3Q 2017	4Q 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	$0	$38	$0	$131	$0	$146	$150	$200	$73	$93	$69	$127	$118	$461	$611	$161	$-	$-	**$2,378**
PBA	-	4	0	32	0	7	10	13	20	6	13	6	13	71	49	17	-	-	**261**
Subtotal	**$0**	**$42**	**$0**	**$163**	**$0**	**$153**	**$160**	**$213**	**$93**	**$99**	**$82**	**$133**	**$131**	**$532**	**$660**	**$178**	**$-**	**$-**	**$2,639**
Public Corporations – Certain Revenues Potentially Subject to Clawback																			
PRHTA (Transportation Revenue)	$0	$24	$0	$60	$0	$84	$77	$67	$58	$68	$73	$41	$66	$322	$348	$288	$47	$-	**$1,623**
PRHTA (Highways Revenue)	-	10	0	19	0	29	39	39	42	20	21	21	21	88	203	38	-	-	**590**
PRCCDA	-	3	-	4	-	7	7	7	7	7	7	7	7	51	127	30	-	-	**271**
PRIFA	-	0	-	-	-	3	1	1	1	1	3	1	1	3	3	13	4	-	**35**
Subtotal	**$0**	**$37**	**$0**	**$83**	**$0**	**$123**	**$124**	**$114**	**$108**	**$96**	**$104**	**$70**	**$95**	**$464**	**$681**	**$369**	**$51**	**$-**	**$2,519**
Other Public Corporations																			
PREPA	$2	$15	$2	$20	$2	$37	$58	$74	52	50	109	102	72	366	92	0	-	-	**1,053**
PRASA	-	10	0	10	-	19	19	19	19	19	19	21	44	160	68	70	159	181	**837**
MFA	-	8	0	57	0	62	56	47	40	39	21	16	15	57	-	-	-	-	**418**
COFINA	0	6	0	6	0	13	13	13	13	13	16	14	13	68	103	164	171	-	**626**
U of PR	-	0	0	0	0	0	0	0	0	0	0	0	0	0	1	-	-	-	**1**
Subtotal	**$2**	**$39**	**$2**	**$93**	**$2**	**$131**	**$146**	**$153**	**$124**	**$121**	**$165**	**$153**	**$144**	**$651**	**$264**	**$234**	**$330**	**$181**	**$2,935**
Total	**$2**	**$118**	**$2**	**$339**	**$2**	**$407**	**$430**	**$480**	**$325**	**$316**	**$351**	**$356**	**$370**	**$1,647**	**$1,605**	**$781**	**$381**	**$181**	**$8,093**

1. Includes exposure to Capital Appreciation Bonds with a current aggregate net par outstanding of $31 million and a fully accreted net par at maturity of $63 million. Of these amounts, current net par of $18 million and fully accreted net par at maturity of $50 million relate to Puerto Rico Sales Tax Financing Corporation, current net par of $7 million and fully accreted net par at maturity of $7 million relate to the PRHTA, and current net par of $5 million and fully accreted net par at maturity of $5 million relate to the Commonwealth General Obligation Bonds.

Consolidated Non-U.S. Exposure
Non-U.S. Public and Structured Finance

Non-U.S. Exposure
As of September 30, 2016
($ in billions)



$32.3 billion, BBB+ average rating

- **87% of non-U.S. exposure is public finance**
  - Direct sovereign debt is limited to Poland ($240 million outstanding)
- **13% of non-U.S. exposure is structured finance**
  - Approximately 58% of that is to pooled corporates
  - 68% of non-U.S. pooled corporates are rated A or higher

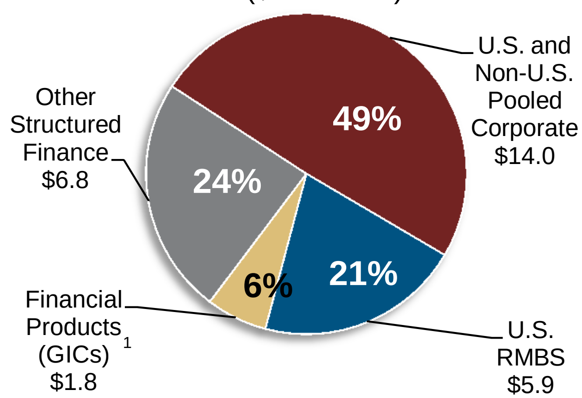
Structured Finance Exposures

Net Par Outstanding

By Type

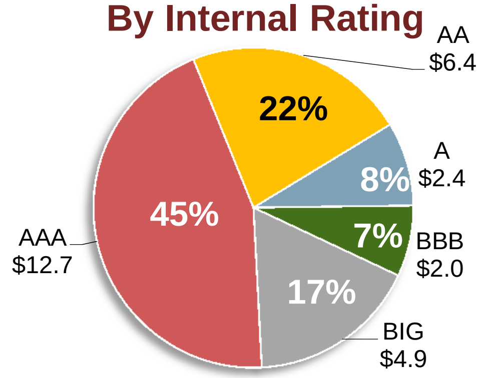
As of September 30, 2016

($ in billions)



$28.4 billion, AA- average rating

By Internal Rating



- **We expect Assured Guaranty's global structured finance insured portfolio ($28.4 billion as of September 30, 2016) to amortize rapidly — 45% expected to amortize by the end of 2017 and 53% by the end of 2018**
  - $14.0 billion in global pooled corporate obligations expected to be reduced by 75% by year-end 2017 and by 83% by year-end 2018
  - $5.9 billion in U.S. RMBS expected to be reduced by 21% by year-end 2017 and by 33% by year-end 2018
- **Assured Guaranty's total structured finance exposure of $240.9 billion at December 31, 2007 has declined by $212.5 billion to $28.4 billion through September 30, 2016, an 88% reduction**

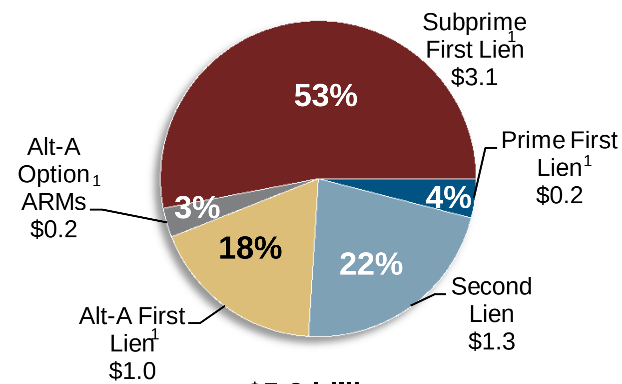
1. Assured Guaranty did not acquire Financial Security Assurance Holdings Ltd.'s financial products segment. Assured Guaranty and its subsidiaries are indemnified against exposure to such segment by Dexia. As of September 30, 2016, the aggregate accreted balance of the guaranteed investment contracts (GICs) was approximately $1.6 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 $5.9 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 $5.9 billion at September 30, 2016, a $23.3 billion or 80% reduction
  - U.S. RMBS exposure excludes $1.2 billion outstanding par of loss mitigation RMBS securities held in investments at September 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
  - Termination of insurance on BIG credits

U.S. RMBS by Exposure Type

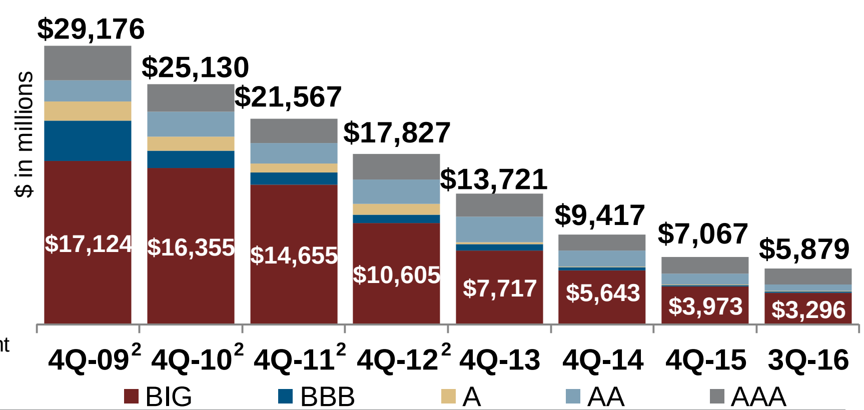
As of September 30, 2016
($ in billions)



$5.9 billion
(1.9% of total net par outstanding)

U.S. RMBS by Rating

Net Par Outstanding from December 31, 2009 to September 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

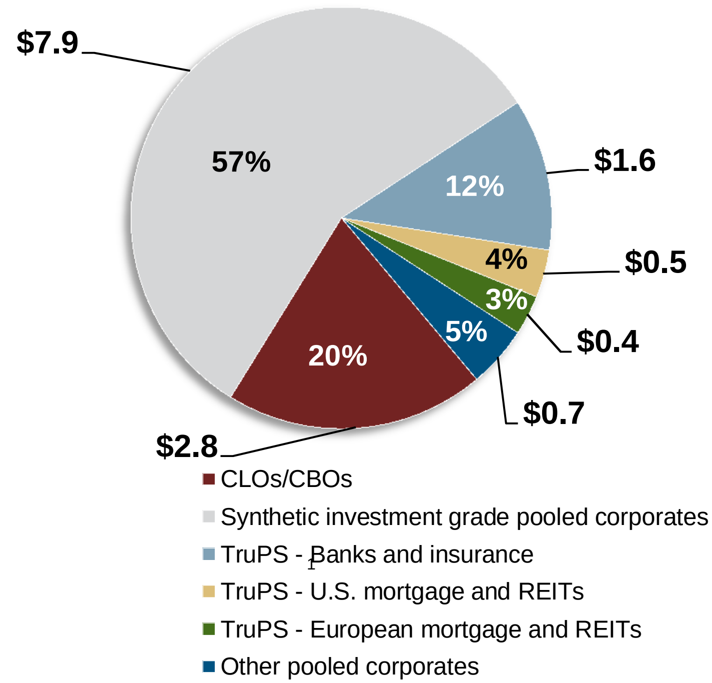
Direct Pooled Corporate Obligations Exposures

- **Most of our direct pooled corporate exposure is highly rated and well protected**
  - 73% rated AAA
  - Average credit enhancement of 30%

- **Within direct pooled corporate exposures, our $2.6 billion of Trust Preferred Securities (TruPS) CDO exposure is diversified by region and collateral type**
  - Includes more than 1,100 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[2] of 46%

Direct Pooled Corporate Obligations By Asset Class[1]

As of September 30, 2016



$13.9 billion, AAA 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[1]

- **As of September 30, 2016, approximately $5.2 billion (37%) 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**

- **The Company downgraded from BIG 1 to BIG 3 $1,803 million net par outstanding of Puerto Rico Commonwealth constitutionally guaranteed exposure.**

Financial Guaranty Insurance and Credit Derivatives Surveillance Categories

($ in millions)	September 30, 2016	December 31, 2015
Category 1		
U.S. public finance	$2,632	$4,765
Non-U.S. public finance	1,370	875
U.S. structured finance	755	1,874
Non-U.S. structured finance	453	509
Total Category 1	$5,210	$8,023
Category 2		
U.S. public finance	$3,107	$2,883
Non-U.S. public finance	60	503
U.S. structured finance	798	700
Non-U.S. structured finance	95	43
Total Category 2	$4,060	$4,129
Category 3		
U.S. public finance	$1,855	$136
Non-U.S. public finance	-	-
U.S. structured finance	2,788	2,895
Non-U.S. structured finance	-	-
Total Category 3	$4,643	$3,031
BIG Total	**$13,913**	**$15,183**

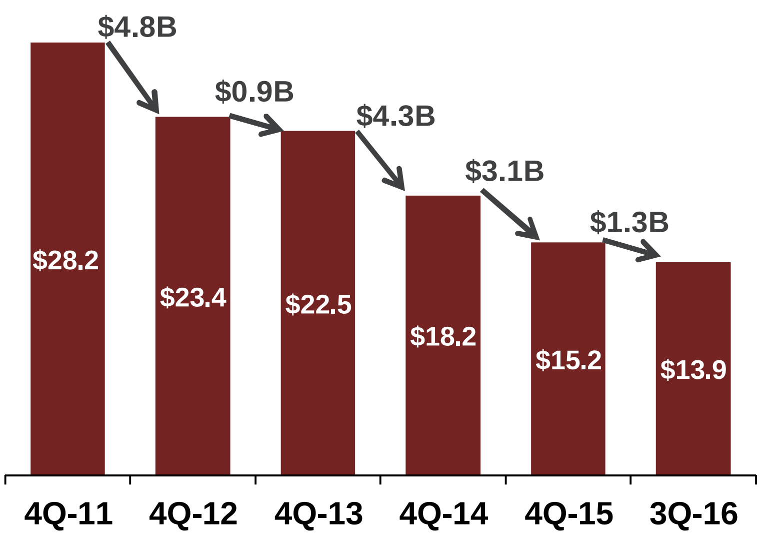
1. Assured Guaranty's surveillance department is responsible for monitoring our portfolio of credits and maintains a list of BIG credits. BIG Category 1: Below-investment-grade transactions showing sufficient deterioration to make future losses possible, but for which none are currently expected. BIG 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 $14.3 billion[1]**
- **The largest components of our BIG exposure are Puerto Rico at 34% and U.S. RMBS at 24%**

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	1Q-3Q 2016
Beginning BIG par	**$28,214**	**$23,392**	**$22,537**	**$18,247**	**$15,183**
Amortization / Claim Payments	(4,049)	(2,660)	(2,126)	(1,801)	(1,408)
R&W RMBS Settlement Reclassifications	(1,782)	(531)	-	-	-
FX Change	48	(98)	(185)	(153)	42
Terminations	-	(452)	(922)	(1,951)	(388)
Removals / Upgrades	(711)	(1,346)	(1,003)	(2,983)	(394)
Additions / Downgrades	1,672	5,746	261	4,234	1,094
Adjustments[1]	-	(1,513)	(315)	(411)	(216)
Total Decrease / Increase	**(4,822)**	**(854)**	**(4,290)**	**(3,065)**	**(1,270)**
Ending BIG par	**$23,392**	**$22,537**	**$18,247**	**$15,183**	**$13,913**

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 September 30, 2016

Type[1]	Name or Description	Net Par Outstanding	Internal Rating
PF	Puerto Rico General Obligation, Appropriations and Guarantees of the Commonwealth	$ 1,663	CCC-
PF	Puerto Rico Highways and Transportation Authority	1,268	CC-
PF	Puerto Rico Electric Power Authority	724	CC
PF	Reliance Rail Finance Pty. Limited	528	BB
PF	Puerto Rico Aqueduct & Sewer Authority	373	CCC
PF	Oyster Bay, New York	365	BB+
PF	Louisville Arena Authority Inc.	337	BB
PF	Puerto Rico Municipal Finance Agency	334	CCC-
PF	Puerto Rico Sales Tax Financing Corporation	271	CCC+
PF	M6 Duna Autopalya Koncesszios Zartkoruen Mukodo Reszvenytarsasag	252	BB-
	Total	**$6,115**	

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

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 PVP[1] 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
PVP:															
Public finance - U.S.	$16	$15	$24	$61	**$116**	$23	$16	$51	$38	**$128**	$13	$25	$41	$45	**$124**
Public finance - non-U.S.	-	-	13	5	**18**	7	-	-	-	**7**	-	-	-	27	**27**
Structured finance - U.S.	2	1	3	1	**7**	1	6	1	16	**24**	18	1	0	3	**22**
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**
Less: PVP of non-financial guaranty insurance	-	-	-	-	**-**	-	-	-	-	**-**	6	0	1	0	**7**
Less: Financial guaranty installment premium PVP	1	-	18	7	**26**	10	11	4	17	**42**	17	1	(1)	29	**46**
Plus: Installment GWP and other GAAP adjustments[2]	-	6	4	(2)	**8**	9	1	(5)	(27)	(22)	19	(3)	(1)	40	**55**
Total GWP	**$17**	**$22**	**$26**	**$58**	**$123**	**$30**	**$17**	**$47**	**$10**	**$104**	**$32**	**$22**	**$40**	**$87**	**$181**

Reconciliation of PVP to GWP
(dollars in millions)

	1Q-16	2Q-16	3Q-16	2016
PVP:				
Public finance - U.S.	$31	$33	$25	**$89**
Public finance - non-U.S.	7	7	2	**16**
Structured finance - U.S.	-	1	23	**24**
Structured finance - non-U.S.	-	-	-	**-**
Total PVP	38	41	50	**129**
Less: PVP of non-financial guaranty insurance	0	1	22	**23**
Less: Financial guaranty installment premium PVP	7	7	3	**17**
Plus: Installment GWP and other GAAP adjustments[2]	(12)	3	(9)	**(18)**
Total GWP	**$19**	**$36**	**16**	**$71**

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 Income[1] to Net Income (Loss)

Reconciliation of Operating Income to Net Income (dollars in millions, except per share amounts)	**Three Month Ended September 30,**				**Nine Month Ended September 30,**			
	2016		**2015**		**2016**		**2015**	
	Total	**Per Diluted Share**	**Total**	**Per Diluted Share**	**Total**	**Per Diluted Share**	**Total**	**Per Diluted Share**
Net income (loss)	**$479**	**$3.60**	**$129**	**$0.88**	**$684**	**$5.06**	**$627**	**$4.13**
Less pre-tax adjustments:								
Realized gains (losses) on investments	(2)	(0.01)	(35)	(0.23)	(7)	(0.05)	(31)	(0.20)
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(4)	(0.03)	4	0.03	(32)	(0.24)	105	0.69
Fair value gains (losses) on CCS	(23)	(0.18)	(14)	(0.10)	(50)	(0.38)	10	0.06
Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves	(2)	(0.02)	(10)	(0.07)	(21)	(0.16)	(10)	(0.07)
Effect of consolidating FG VIEs	(17)	(0.13)	10	0.07	(5)	(0.04)	4	0.03
Total pre-tax adjustments	(48)	(0.37)	(45)	(0.30)	(115)	(0.87)	78	0.51
Less tax effect on pre-tax adjustments	19	0.14	10	0.06	39	0.29	(33)	(0.22)
Operating income	$508	$3.83	$164	$1.12	$760	$5.64	$582	$3.84

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 Income[1] to Net Income (Loss) 2004-2015

ASSURED GUARANTY®

Operating income reconciliation (dollars in millions, except per share amounts)	**2015**		**2014**		**2013**		**2012**		**2011**		**2010**		**2009**		**2008**		**2007**		**2006**		**2005**		**2004**	
Year Ended December 31,	**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	$699	$4.69	$491	$2.83	$609	$3.25	$535	$2.81	$601	$3.24	$655	$3.46	$255	$1.97	$65	$0.73	$178	$2.57	$157	$2.12	$190	$2.55	$141	$1.88

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 Value[1] 2004-2015

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
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**
Less pre-tax adjustments:														
Effect of consolidating FG VIEs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	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
Taxes	(19)	(0.25)	(38)	(0.50)	(29)	(0.40)	(30)	(0.45)	148	1.86	102	1.13	216	1.17
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 credit derivative 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	6,195	33.64
Taxes	(232)	(3.07)	(234)	(3.09)	(138)	(1.85)	(179)	(2.65)	(283)	(3.54)	(379)	(4.17)	(1,977)	(10.74)
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

	2010		2011		2012		2013		2014		2015	
	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share
Reconciliation of shareholders' equity to adjusted book value:												
Shareholders' equity	**$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	(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	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	112	0.61	428	2.35	664	3.42	208	1.14	534	3.37	376	2.73
Taxes	463	2.52	260	1.42	356	1.84	409	2.24	65	0.41	(45)	(0.33)
Operating shareholders' equity	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	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	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	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	(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	$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 Value[1]

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

	3Q2016		2Q 2016		1Q 2016	
	Total	**Per Share**	**Total**	**Per Share**	**Total**	**Per Share**
Reconciliation of shareholders' equity to adjusted book value:						
Shareholders' equity	**$ 6,640**	**$ 50.70**	**$ 6,205**	**$ 47.06**	**$ 6,113**	**$ 45.26**
Less pre-tax adjustments:						
Effect of consolidating FG VIEs	(38)	(0.29)	(18)	(0.13)	(19)	(0.14)
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(284)	(2.17)	(265)	(2.00)	(300)	(2.22)
Fair value gains (losses) on CCS	12	0.09	35	0.26	46	0.34
Unrealized gain (loss) on investment portfolio excluding foreign exchange effect	572	4.37	598	4.50	485	3.59
Taxes	(78)	(0.59)	(111)	(0.83)	(53)	(0.39)
Operating shareholders' equity	6,456	49.29	6,011	45.26	5,954	44.08
Pre-tax adjustments:						
Less: Deferred acquisition costs	108	0.82	110	0.83	113	0.84
Plus: Net present value of estimated net future credit derivative revenue	155	1.19	93	0.70	133	0.99
Plus: Net unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed	3,062	23.37	3,073	23.14	3,230	23.91
Taxes	(876)	(6.69)	(852)	(6.41)	(910)	(6.74)
Adjusted book value	$ 8,689	$ 66.34	$ 8,215	$ 61.86	$ 8,294	$ 61.40

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	3Q-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	$315,325	$305,870	$267,620	$243,159	$224,446	$211,243
Operating Shareholders' Equity[1]	4,076	4,691	5,201	5,830	6,164	5,933	5,946	6,456	6,456	6,456	6,456	6,456	6,456
Operating Portfolio Leverage	157	131	107	89	74	68	60	49	47	41	38	35	33

Reconciliation of GAAP Net Investment Income to Operating Net Investment Income
(dollars in millions)

	1Q-3Q 16	2015	2014	2013	2012	2011
GAAP Net Investment Income	$291	$423	$403	$393	$404	$396
Less operating adjustments[2]	0	(25)	7	1	14	3
Operating Net Investment Income	$291	$448	$396	$392	$309	$393

1. See pages 51-52 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 September 30,		Nine Months Ended September 30,	
	2016	**2015**	**2016**	**2015**
Net income (loss)	**$479**	**$129**	**$684**	**$627**
Operating income	508	164	760	582
Average shareholders' equity	**6,445**	**5,813**	**6,352**	**5,789**
Average shareholders' equity, excluding unrealized gain (loss) on investment portfolio	6,232	5,546	6,222	5,457
Average operating shareholders' equity	6.234	5,998	6,201	5,959
GAAP ROE[1]	**29.7%**	**8.9%**	**14.4%**	**14.4%**
ROE, excluding unrealized gain (loss) on investment portfolio[1]	31.8%	9.3%	15.1%	15.3%
Operating ROE[1]	32.6%	11.0%	16.4%	13.0%

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 September 30, 2016			Three Months Ended September 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]	**$231**	($4)	$235	**$213**	($6)	$219
Net investment income[1]	**94**	(1)	95	**112**	(2)	114
Net realized investment gains (losses)	**(2)**	(2)	—	**(27)**	(27)	0
Net change in fair value of credit derivatives[2]:						
Realized gains (losses) and other settlements	**15**	15	—	**6**	6	—
Net unrealized gains (losses)	**6**	2	4	**80**	83	(3)
Credit derivative revenues	**—**	(14)	14	**—**	(33)	33
Net change in fair value of credit derivatives[2]	**21**	3	18	**86**	56	30
Fair value gains (losses) on CCS[3]	**(23)**	(23)	—	**(15)**	(15)	—
Fair value gains (losses) on FG VIEs[1]	**(11)**	(11)	—	**2**	2	—
Bargain purchase gain and settlement of pre-existing relationships	**259**	—	259	**—**	—	—
Other income (loss)[1,4]	**(3)**	(2)	(1)	**(3)**	(9)	6
Total revenues	**566**	(40)	606	**695**	(1)	369
Expenses:						
Loss and LAE:						
Financial guaranty insurance[1]	**(9)**	0	(9)	**112**	(10)	122
Credit derivatives[2]	**—**	8	(8)	**—**	54	(54)
Amortization of deferred acquisition costs	**4**	0	4	**5**	—	5
Interest expense	**26**	—	26	**25**	—	25
Other operating expenses	**65**	—	65	**54**	0	54
Total expenses	**86**	8	78	**196**	44	152
Income (loss) before income taxes	**480**	(48)	528	**172**	(45)	217
Provision (benefit) for income taxes[5]	**1**	(19)	20	**43**	(10)	53
Net income (loss)	**$479**	$(29)	$508	**$129**	$(35)	$164

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

September 30, 2016