



EMBRACE POSSIBILITIES, INVEST IN CERTAINTIES

**Equity Investor Presentation**

**September 30, 2014**

**ASSURED  
GUARANTY®**

# Forward-Looking Statements and Safe Harbor Disclosure



- This presentation contains information that includes or is based upon forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward looking statements give the expectations or forecasts of future events of Assured Guaranty Ltd. ("AGL" and, together with its subsidiaries, "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 materially 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 Assured Guaranty or any of its subsidiaries and/or of transactions that Assured Guaranty'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 shortfalls or other factors will result in credit losses or impairments on obligations of state and local governments that the Company insures or reinsures; (5) the failure of Assured Guaranty to realize insurance loss recoveries or damages through loan putbacks, settlement negotiations or litigation; (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 the Company's investment portfolio and in collateral posted by and to the Company; (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 and tax laws; (14) other governmental actions; (15) difficulties with the execution of Assured Guaranty's business strategy; (16) contract cancellations; (17) loss of key personnel; (18) adverse technological developments; (19) the effects of mergers, acquisitions and divestitures; (20) natural or man-made catastrophes; (21) other risks and uncertainties that have not been identified at this time; (22) management's response to these factors; and (23) other risk factors identified in Assured Guaranty'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 other cautionary statements that are included in the Company's Form 10-K or Form 10-Q filings. 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 the Company's Form 10-K or Form 10-Q filings 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 about its financial guaranty insured portfolio (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 not 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.

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# Year-to-Date 2014 Activity

(through September 30, 2014)



- Financial strength ratings for Assured Guaranty Municipal Corp. (AGM), Assured Guaranty Corp. (AGC) and Municipal Assurance Corp. (MAC) upgraded by S&P from 'AA-' (stable) to 'AA' (stable). The ratings of Assured Guaranty were affirmed by all rating agencies in 2014; Moody's changed the outlook of AGC's rating to negative in July 2014.
- Repurchased 20.8 million common shares (\$499 million) through November 6, 2014, at an average price of \$24.01 per share. Repurchases were pursuant to November 2013 share repurchase authorization of \$400 million and August 6, 2014 incremental \$400 million share repurchase authorization.
- Assured Guaranty US Holdings Inc. sold in a public offering \$500 million of 5% Senior Notes due 2024. Proceeds used for general corporate purposes, including the purchase of AGL's common shares.
- Reached eight agreements on RMBS exposure (through November 6, 2014)
- Terminated \$3.4 billion of net par outstanding
- Purchased approximately \$290 million of insured securities for loss mitigation
- Generated \$114 million of new business production<sup>1</sup>
- Obtained license for MAC to write financial guaranty insurance in the State of California. MAC is licensed to insure municipal bonds in 49 states plus the District of Columbia, and it has applied for licensing in the remaining state of Alabama.

1. For explanations of operating shareholders' equity, adjusted book value and new business production, which are a non-GAAP financial measures, please refer to the Appendix.

# Assured Guaranty Overview





## Assured Guaranty Ltd.

(\$ in billions)	September 30, 2014	January 1, 2008 (pro-forma) <sup>1</sup>
Net par outstanding	\$418.0	\$626.6
U.S. public finance	\$329.2	\$337.3
U.S. structured finance	\$44.9	\$185.8
Non-U.S.	\$43.9	\$103.5
Total investment portfolio + cash	\$11.5	\$8.7
Net unearned premium reserve <sup>2</sup>	\$3.8	\$6.5
Claims-paying resources <sup>3</sup>	\$12.1	\$11.2
<b>Ratio of Net Par Outstanding / Claims-paying resources<sup>3</sup></b>	<b>34.5</b>	<b>55.9</b>

- **We are the leading financial guaranty franchise, with almost 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 S&P and A2 (stable) by Moody's, focuses on larger public finance and infrastructure transactions
  - Municipal Assurance Corp. (MAC), rated AA+ (stable) by Kroll 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**

1. 1/1/08 pro-forma includes Financial Security Assurance Holdings Ltd. fair values as of 7/1/09.

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

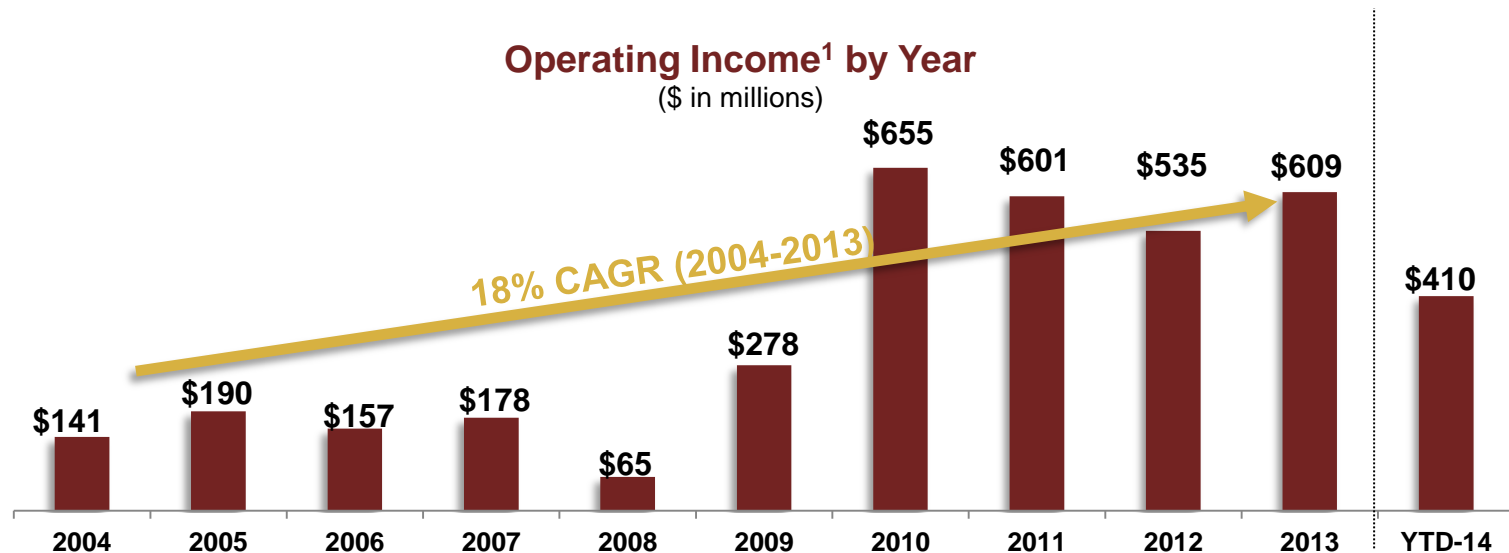
3. Based upon statutory accounting.

# Assured Guaranty Overview

## Track Record of Creating Shareholder Value



- Since our initial public offering in 2004, we have grown our operating income<sup>1</sup> from \$141 million in 2004 to \$609 million in 2013, an 18% compounded annual growth rate (CAGR)
- Operating income<sup>1</sup> has grown through acquisitions (acquired AGM on July 1, 2009), new business production and other strategic activities
  - Recapture of previously ceded business
  - Acceleration of premiums through terminations



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



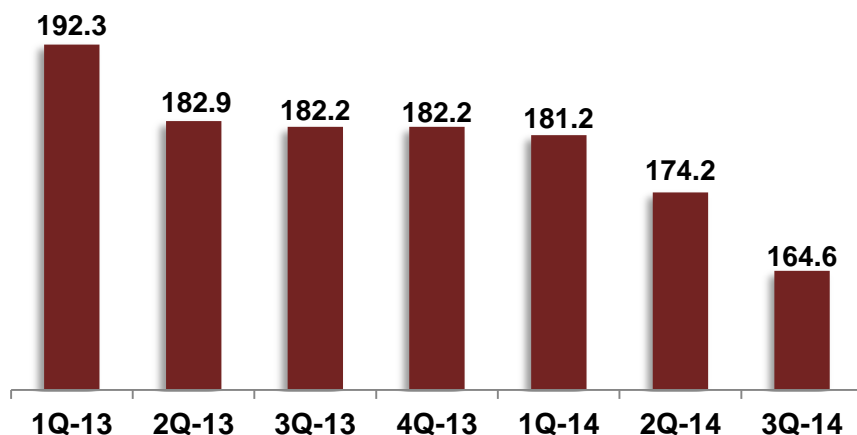
# Assured Guaranty Overview

## Track Record of Creating Shareholder Value

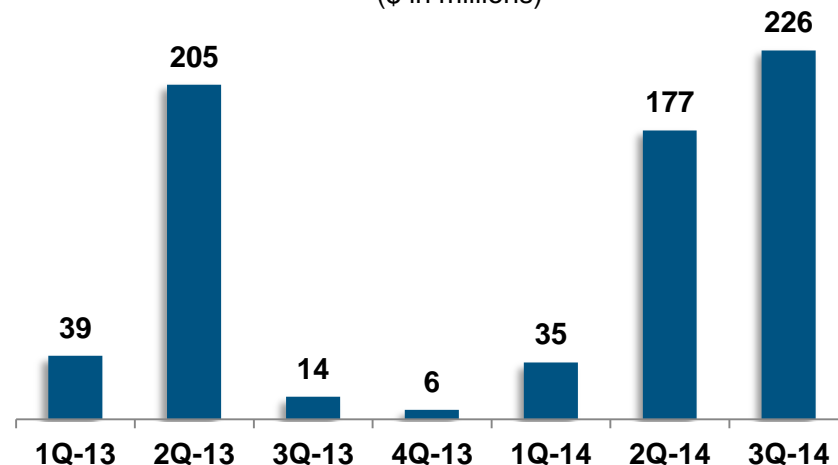


- **We have returned excess capital to shareholders by distributing dividends and repurchasing our common shares**
  - Since the 2004 IPO, we have more than tripled our quarterly dividend, reaching \$0.10 per share in 2013. On February 5, 2014, the Board approved an \$0.11 per share quarterly dividend, a 10% increase over that of the previous quarter.
  - Under the \$400 million share repurchase authorization approved in November 2013 and the incremental \$400 million authorization in August 2014, the Company repurchased 9.6 million common shares in Third Quarter 2014 for \$226 million at an average price of \$23.47 per share. Year-to-date through November 6, 2014, the Company has repurchased a total of 20.8 million common shares for \$499 million at an average price of \$24.01 per share.
  - 3Q-14 repurchase of 9.6 million common shares represents the largest quarterly share repurchase in the Company's history

**Ending Share Count by Quarter**  
(\$ in millions)



**Total Share Repurchase Amounts by Quarter**  
(\$ in millions)

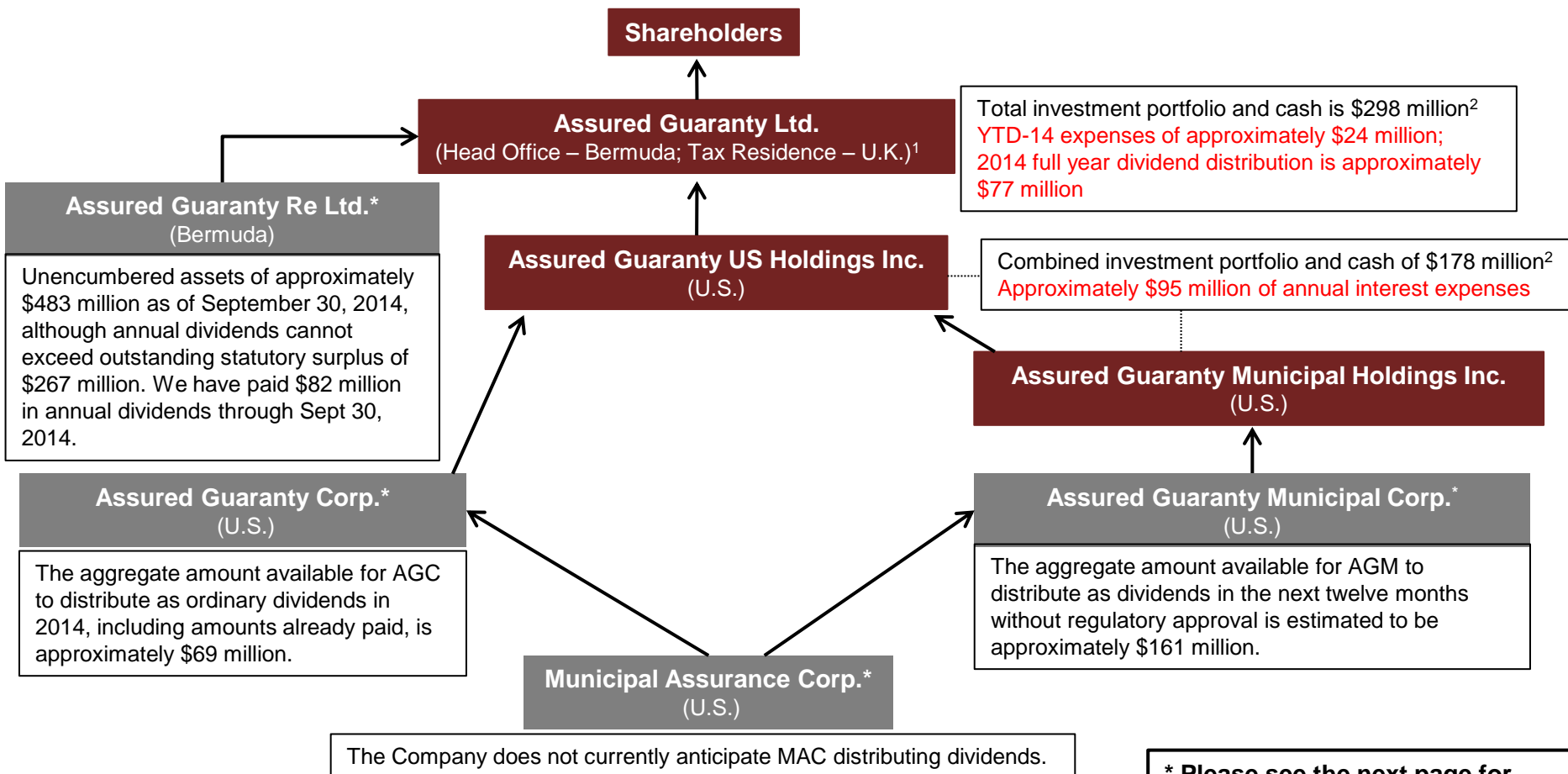


# Assured Guaranty Overview

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



### Current Corporate Structure



1. In November 2013, AGL became tax resident in the United Kingdom. As a U.K. tax resident, AGL does not expect any material change in the Assured Guaranty group's overall tax charge. Dividends from Assured Guaranty US Holdings Inc. to AGL will be subject to a reduced withholding tax of 0% to 5% under the U.S.-U.K. double tax treaty.
2. As of September 30, 2014

**\* Please see the next page for more information on the operating subsidiaries' insurance regulatory dividend limitations**

# Assured Guaranty Overview

## Dividend Limitations<sup>1</sup>



### Assured Guaranty Re Ltd. (Bermuda)

#### Dividend Limitations<sup>1</sup>

Based on regulatory capital requirements, AG Re has \$784 million in excess capital and surplus. **However, dividends cannot exceed outstanding statutory surplus of \$267 million.** In addition, annual dividends cannot exceed 25% of total statutory capital and surplus, which is \$280 million, without AG Re certifying to the BMA that it will continue to meet required margins. As of September 30, 2014, AG Re had unencumbered assets of approximately \$483 million. Such amount fluctuates during the quarter based upon factors including the market value of previously posted assets and any additional ceded reserves.

### Assured Guaranty Corp. (U.S.)

#### Dividend Limitations<sup>1</sup>

Under Maryland insurance law, AGC may, with prior notice to the Maryland Insurance Commissioner, pay an ordinary dividend that, together with all dividends paid in the prior 12 months, does not exceed 10% of its policyholders' surplus (as of the prior December 31) or 100% of its adjusted net investment income during that period. **AGC paid \$30 million in dividends in Nine Months 2014. The aggregate amount available for AGC to distribute as ordinary dividends in 2014, including amounts already paid, is approximately \$69 million.**

### Municipal Assurance Corp. (U.S.)

#### Dividend Limitations<sup>1</sup>

MAC is a New York domiciled insurance company subject to the same dividend limitations described above for AGM. The Company does not currently anticipate that MAC will distribute any dividends.

### Assured Guaranty Municipal Corp. (U.S.)

#### Dividend Limitations<sup>1</sup>

Under New York insurance law, AGM may pay dividends only out of "earned surplus"<sup>2</sup>. AGM may pay a dividend that, together with all dividends paid in the prior 12 months, does not exceed the lesser of 10% of its policyholders' surplus (as of the last annual or quarterly statement filed) or 100% of its adjusted net investment income during that period. **AGM paid \$105 million in dividends in Nine Months 2014. The aggregate amount available for AGM to distribute as dividends in the next twelve months without regulatory approval is estimated to be approximately \$161 million.**

#### Other Considerations:

- **Standard & Poor's: Assured Guaranty is \$1,450-\$1,550 million above the AAA capital level<sup>3</sup> as of December 31, 2013**
- **Moody's: Has not provided the Company a capital adequacy model, but believes AGM has a strong capital profile and ability to organically generate capital<sup>4</sup>**
- **Dividend distribution of approximately \$77 million in 2014**
- **Approximately \$95 million of annual interest expense including 2014 debt issuance of \$500 million with a 5% coupon)**

1. Represents dividend capacity as of September 30, 2014. Please see our Form 10-K for the year ended December 31, 2013 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 Code of Maryland Regulations.  
2. Please see our Form 10-K for the year ended December 31, 2013 for the definition of earned surplus.  
3. S&P's "Assured Guaranty Ltd. And Its Insurance Operating Companies" released July 2, 2014.  
4. Moody's "Moody's affirms Assured Guaranty's ratings; outlook remains stable for AGM; AGC's outlook changed to negative" released July 2, 2014.

A photograph of three construction workers wearing white hard hats and safety gear, working on a large, rusted metal rebar grid. They are positioned on a wooden platform, and the background shows more of the grid and some construction materials. The scene is brightly lit, suggesting an outdoor or well-lit indoor environment.

Underlying Value



# Underlying Value

## Selected Company Assets and Liabilities



### Selected Company Assets and Liabilities

As of September 30, 2014  
(\$ in millions, except per share)

Total investment portfolio	\$11,449
Cash	\$82
Premiums receivable, net of commissions on assumed business <sup>1</sup>	\$801
Net unearned premium reserve	\$3,843
Expected loss to be paid, net of expected recoveries to be collected	\$933
Debt	\$1,303
<b>Total investment portfolio and cash, per share</b>	<b>\$70.05</b>
<b>Expected loss to be paid, net of expected recoveries, per share</b>	<b>\$5.67</b>
<b>Debt, per share</b>	<b>\$7.92</b>

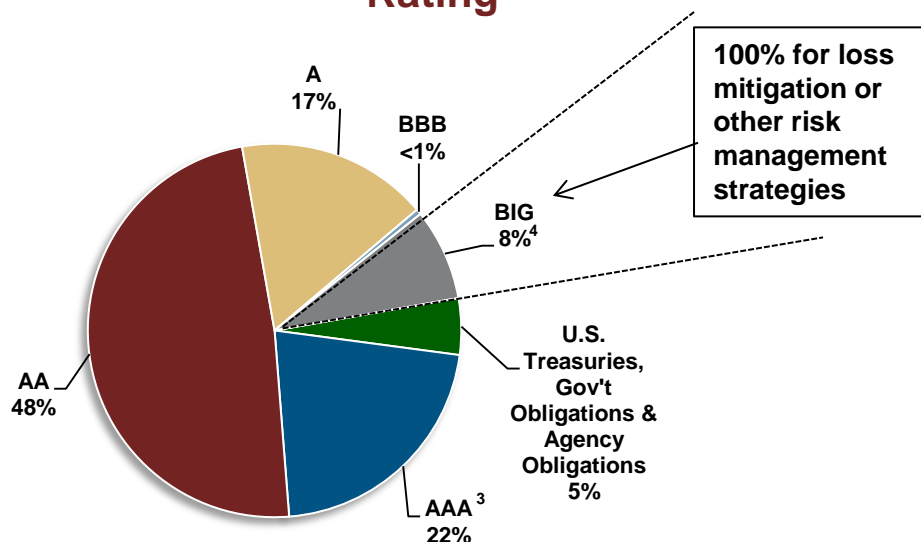
- Our investment portfolio is 92% invested in fixed income securities
- Gross premiums receivable of \$801 million consisting of financial guaranty insurance payments to be received in installments, discounted at the risk free rate
- Deferred revenue is our largest liability
  - Liability diminishes over time as the portfolio amortizes and may be recognized as income

1. Net of assumed commissions payable of \$21 million

# Underlying Value

## High Quality Investment Portfolio

### Investments and Cash Available for Sale by Rating<sup>1,2</sup>



**\$11.5 billion, AA- average rating**

- **Highly rated, with 73% of fixed maturity and short-term investments rated AA or higher**
- **Very liquid, with approximately \$1 billion invested in short-term investments and cash**
- **Overall duration of portfolio is 5.0 years**
- **100% of BIG investments are part of loss-mitigation strategy**

1. Includes fixed maturity securities, short-term investments and cash and excludes other invested assets. Also includes securities purchased or obtained as part of loss mitigation or other risk management strategies, some of which were issued by entities that were subsequently consolidated as 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 risk management strategies, which use internal ratings classifications.
3. Included in the AAA category are short-term securities and cash.
4. Includes BIG securities that were purchased or obtained as part of loss mitigation or other risk management strategies of \$1,815 million in par with carrying value of \$910 million



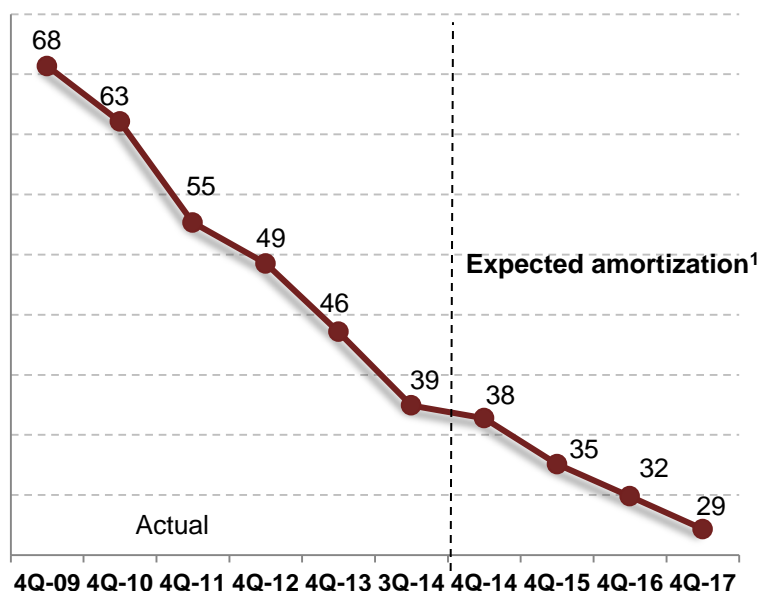
# Underlying Value

## Deleveraging While Maintaining Total Invested Assets

- Our net par outstanding to total invested assets and cash net of losses expected to be paid has declined from 68:1 in 4Q-09 to 39:1 as of 3Q-14, putting us in a stronger capital position
  - Deleveraging should continue in the near term as new business is not expected to replace the amortization of the structured finance portfolio
- Deleveraging has occurred while year-end total invested assets and cash has remained comparable to those of prior years

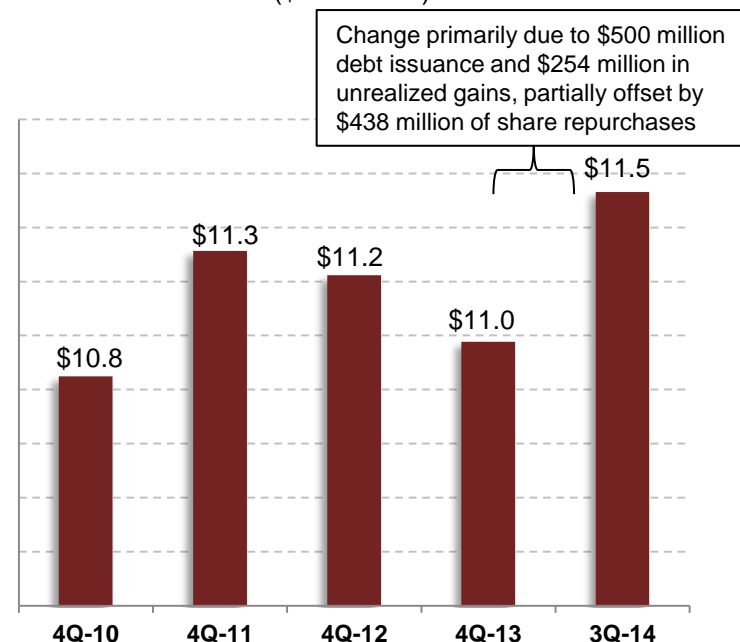
### Portfolio Leverage

Net Par Outstanding /  
Total Invested Assets + Cash – Losses to be paid



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

(\$ in billions)



1. Assumes no new business production and calculates estimated amortization divided by current total invested assets and cash, less current losses to be paid.  
 2. As reported on the balance sheet.

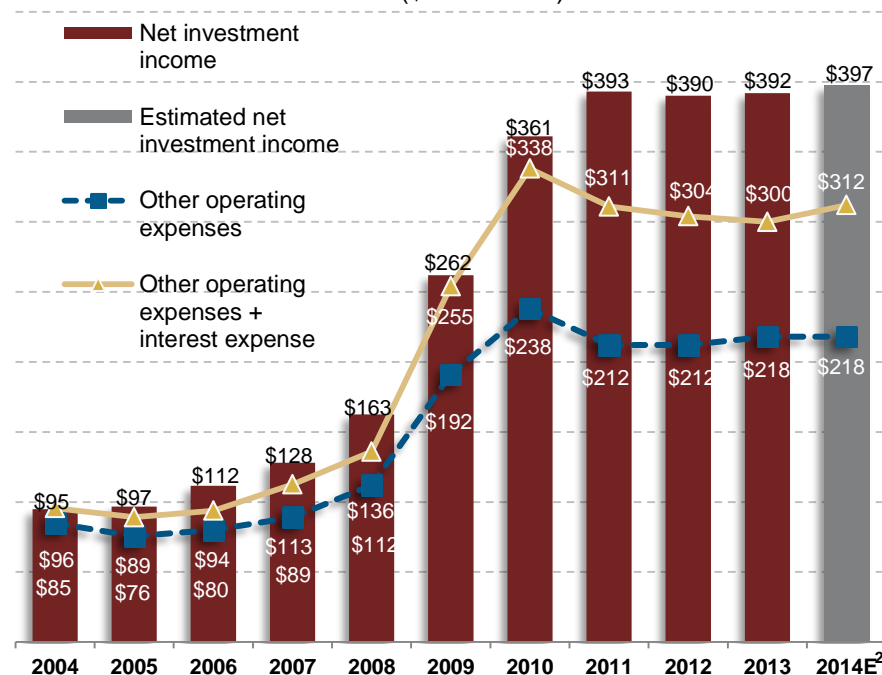
# Underlying Value

## Investment Income Generates Capital

- Investment income<sup>1</sup> is higher than the combination of operating and interest expenses, a spread that fosters capital growth
- Other operating expenses plus interest expenses have consistently been lower than in 2010

### Investment Income<sup>1</sup>

(\$ in millions)

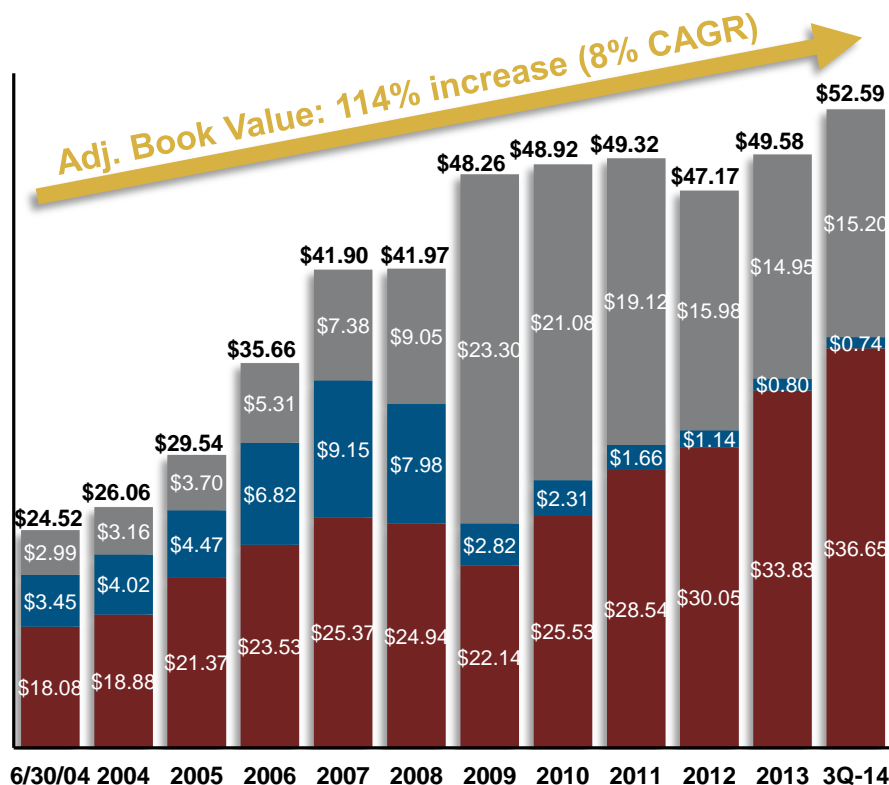


- Investment income is used in calculating operating income, a non-GAAP financial measure. For an explanation of operating income, which is a non-GAAP financial measure, please refer to the Appendix.
- Estimated 2014 values based on YTD-14 net investment income of \$298 million, other operating expenses of \$165 million annualized after removing \$5 million in 1Q-14 retirement-eligible expenses. Also based on interest expenses of \$67 million annualized after including interest on the \$500 million 5% debt issued in June 2014.

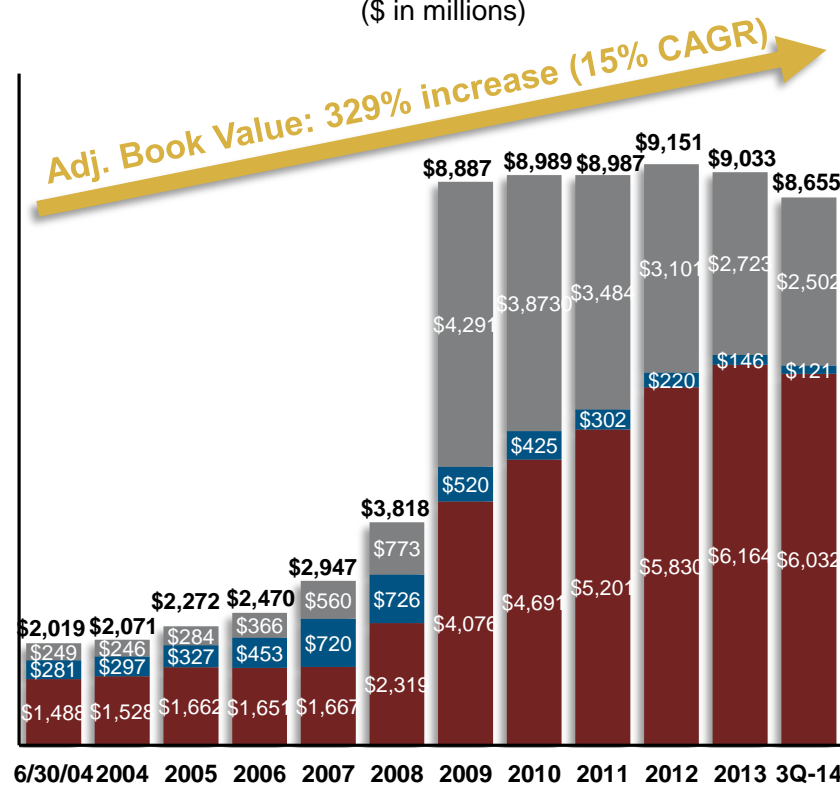
# Underlying Value Historical Growth



## Adjusted Book Value<sup>1</sup> per Share



## Adjusted Book Value<sup>1</sup> (\$ in millions)



■ 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 per share

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 variable interest entities (FG 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

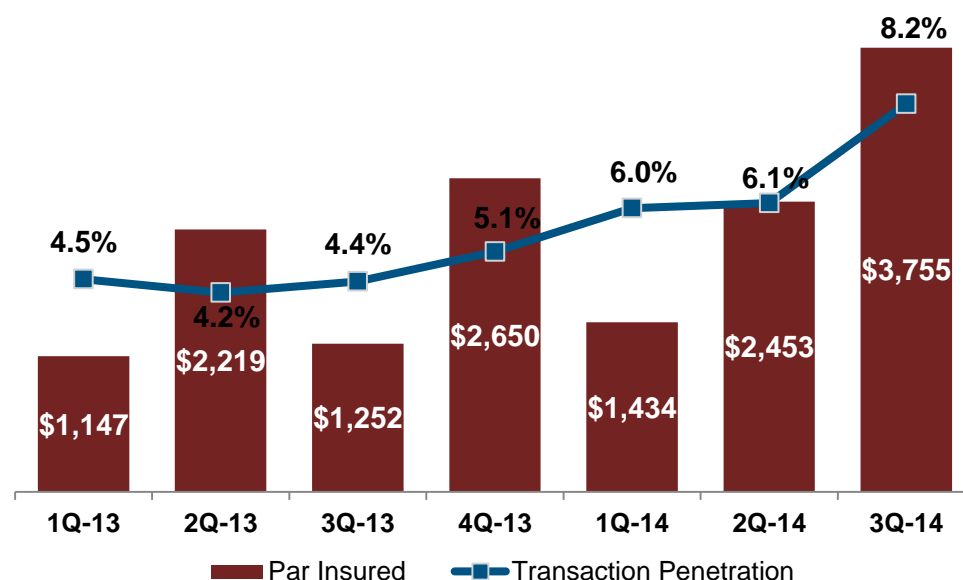
### Penetration in the U.S. Public Finance Market



- **We are focused on building demand for our guaranties, both in the primary and the secondary markets**
  - Secondary market policies totaled 109 in 3Q-14
- **Lower market issuance and a challenging market environment have put pressure on market penetration by the financial guaranty insurance industry**
  - Industry penetration of the number of transactions with underlying A ratings increased to 51.5% in 3Q-14, up from 31.6% in 3Q-13
  - Industry par penetration for all transactions with underlying A ratings increased to 24.0% in 3Q-14, up from 9.7% in 3Q-13
- **Industry penetration for smaller deals remains strong at 16.5% of all transactions under \$25 million in 3Q-14**

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

(\$ in millions)



U.S. Public Finance New Issuance	1Q-13	2Q-13	3Q-13	4Q-13	1Q-14	2Q-14	3Q-14
Total Par Issued (\$ in billions)	\$80.9	\$89.2	\$68.3	\$73.7	\$60.6	\$83.4	\$72.3
Total Transactions Issued	2,783	3,352	2,160	2,287	1,947	2,967	2,518

1. Source: SDC database. As of September 30, 2014.

# Creating Value

## New Business Production

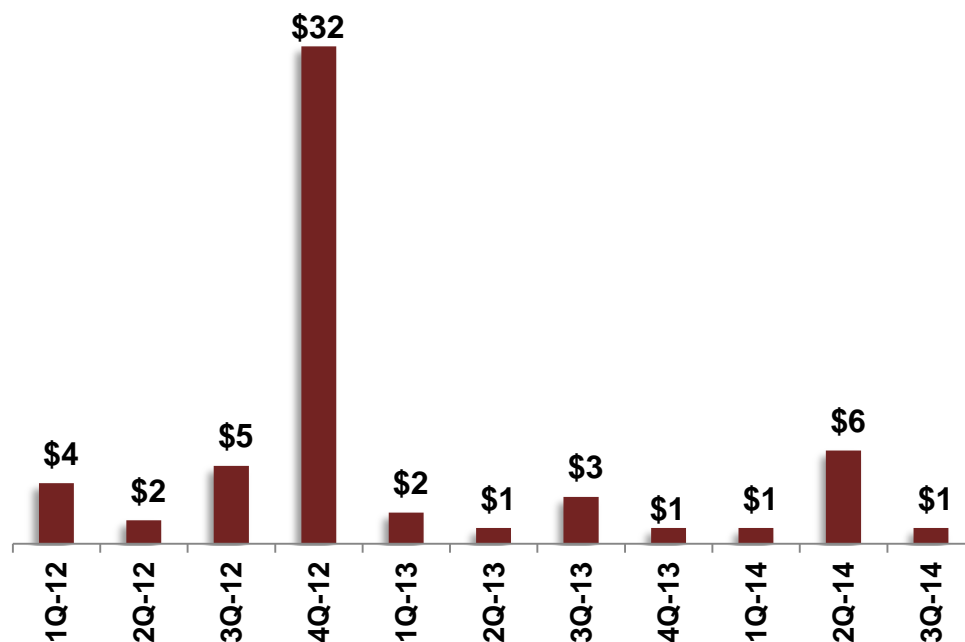
### U.S. Structured Finance Business Activity



- 3Q-14 U.S. structured finance PVP<sup>1</sup> was \$1 million
- New business production tends to fluctuate as large, complex transactions require a long time frame
- Our future pipeline should benefit from new regulations, such as the implementation of Solvency II and Basel III, which may limit the lending ability of banks

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

(\$ in millions)



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



# Creating Value

## New Business Production

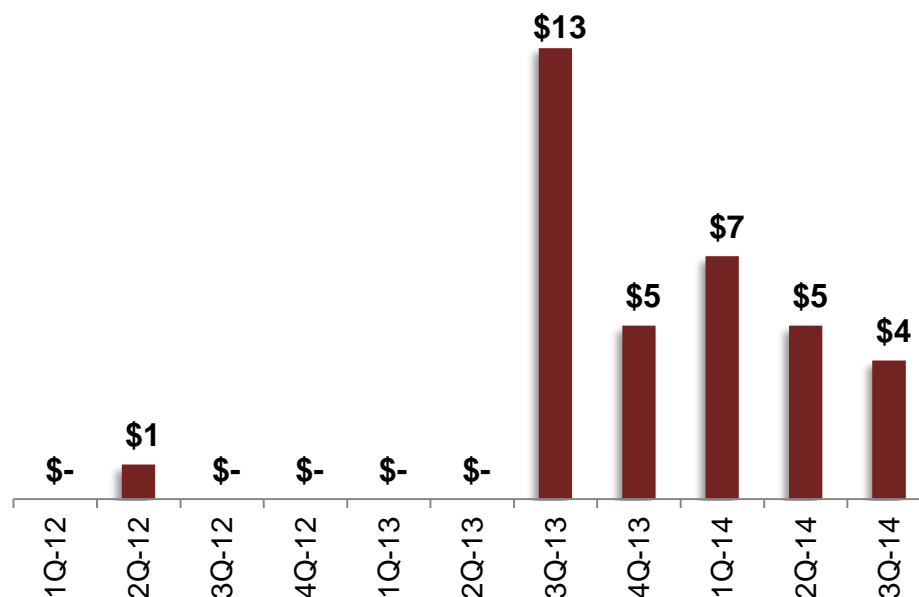
### Non-U.S. Business Activity



- During 3Q-14, we insured an non-U.S. diversified payment rights transaction
- During 2Q-14, we closed a non-U.S. diversified payment rights structured finance transaction
  - \$200 million 2014-C notes are backed by future dollar, euro and pound-denominated remittances due to Türkiye Garanti Bankası A.Ş. (Garanti) from various U.S. and European correspondent banks
- During 1Q-14, we guaranteed a U.K. infrastructure bond
  - £77 million bond issued by Solutions 4 North Tyneside (Finance) PLC, to finance the development and refurbishment of social housing in the U.K.
- In 2013, closed the first three wrapped bond issues for U.K. PPP infrastructure financings issued since 2008

### Non-U.S. Finance PVP<sup>1</sup> by Quarter

(\$ in millions)



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

- Continued focus on underwriting discipline
- New business written reflects the current economic environment
  - Tighter credit spreads in the bond market

### Gross Par Written for 3Q-14 and 3Q-13

Sector:	Quarter Ended September 30, 2014		Quarter Ended September 30, 2013	
	Gross Par Written	Avg. Rating <sup>1</sup>	Gross Par Written	Avg. Rating <sup>1</sup>
U.S. public finance	\$4,018	A-	\$2,072	A-
Non-U.S. public finance	-	-	270	BBB-
<b>Total public finance</b>	<b>\$4,018</b>	<b>A-</b>	<b>\$2,342</b>	<b>A-</b>
U.S. structured finance	\$9	A-	\$273	AA
Non-U.S. structured finance	150	BBB	-	-
<b>Total structured finance</b>	<b>\$159</b>	<b>BBB</b>	<b>\$273</b>	<b>AA</b>
<b>Total gross par written</b>	<b>\$4,177</b>	<b>A-</b>	<b>\$2,615</b>	<b>A-</b>

1. Average internal rating.

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

Year	Reassumed Par (\$ in billions)	Reassumed UPR (\$ in millions)	Commutation Gain / (Loss) (\$ in millions)
2009	\$2.9	\$65	(\$11)
2010	15.5	104	50
2011	0.3	2	32
2012	19.2	109	82
2013	0.2	11	2
YTD-2014	0.9	19	19
<b>Total</b>	<b>\$39.0</b>	<b>\$310</b>	<b>\$174</b>

- High-quality portfolios from inactive companies are of interest
  - Public finance as well as high-quality structured finance business, such as performing pooled corporate and commercial receivables

## Ceded Par Outstanding by Reinsurer<sup>2</sup>

As of September 30, 2014

(\$ in millions)	Net Par Outstanding
<b>American Overseas Re</b> (formerly RAM Re)	\$7,233
<b>Tokio Marine</b>	5,653
<b>Radian</b>	4,307
<b>Syncora</b>	3,940
<b>Mitsui</b>	2,062
<b>Others</b>	1,993
<b>Total</b>	<b>\$25,188</b>

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

2. Includes \$2,540 million in ceded par outstanding related to insured credit derivatives.

- The cumulative total (gross of reinsurance) of settlement receipts and commitments and R&W putback receipts was approximately \$3.8 billion<sup>1,2</sup>.
- Favorable ruling in Flagstar trial was a positive development for ongoing and future R&W litigation
- Our largest agreement was with Bank of America / Countrywide, which was signed in April 2011. We have also signed agreements with Deutsche Bank in May 2012, with UBS in May 2013, with Flagstar in June 2013 as well as parties to other confidential agreements.

(\$ in millions)	Future Net R&W Benefit as of		
	September 30, 2014	December 31, 2013	December 31, 2012
R&W pursuant to agreements <sup>1</sup>	\$284	\$413	\$367
R&W not pursuant to agreements	294	299	843
<b>Total</b>	<b>\$578</b>	<b>\$712</b>	<b>\$1,370</b>

1. As of September 30, 2014. Includes future benefits covered under our agreements with Bank of America/Countrywide, Deutsche Bank, UBS and agreements with certain other parties. Bank of America, Deutsche Bank AG and UBS have collateralized their future reimbursement obligations with eligible assets placed in trust. The amount of assets required to be posted may increase or decrease from time to time, as determined by rating agency requirements.

2. The R&W putbacks flow through the transaction waterfalls and do not necessarily benefit us dollar-for-dollar.

# Creating Value

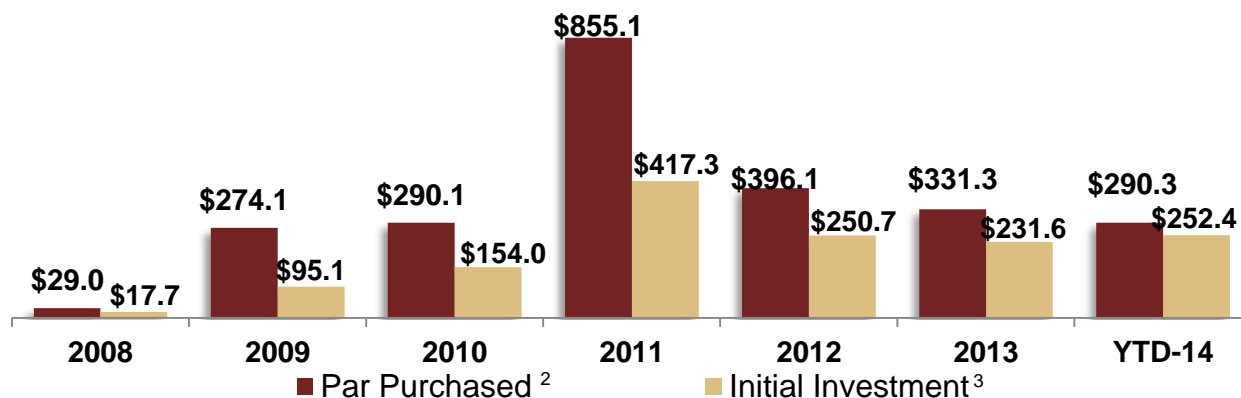
## Loss Mitigation Bond Purchases



- **We have a program to purchase securities we have insured in order to reduce our losses and potentially relieve rating agency capital charges, enhance yield and increase future investment income**
  - We have purchased approximately \$2.5 billion of par on insured securities through September 30, 2014 with an initial purchase price of approximately \$1.4 billion; \$1.5 billion of par remains outstanding
- **Targeted purchases are BIG securities on which claims are expected to be paid**
  - 79% of all purchases have been for RMBS securities
- **Purchasing wrapped bonds has increased adjusted book value<sup>1</sup> because the amount of reserves released and the ongoing principal and interest from the bonds are expected to be greater than the purchase price**

### Loss Mitigation Bond Purchase 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

## Agreements to Terminate Guaranties



- **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, we have agreed with beneficiaries of our policies to terminate insurance coverage on over \$27 billion of net par outstanding to reduce our leverage and potentially relieve rating agency capital charges**
- **In addition, AGC and a CDS counterparty agreed to terminate \$622 million of U.S. RMBS net par outstanding in 4Q-14**

### Completed<sup>1</sup> Terminations Since January 1, 2011

(\$ in millions)

	<u># of</u> <u>Terminations</u>	<u>Net Par</u>	<u>Estimated Rating</u> <u>Agencies' Model Benefit</u>
Pooled Corporates and Other Structured Finance	121	\$14,596	\$100-\$200
RMBS	72	3,627	20-100
CMBS and Commercial Receivables	109	3,253	60-400
Regulated Utilities	36	2,876	50-150
Infrastructure	19	1,762	100-180
Muni	<u>31</u>	<u>1,293</u>	<u>10-20</u>
<b>Totals</b>	<b><u>388</u></b>	<b><u>\$27,407</u></b>	<b><u>\$340-\$1,050</u></b>

1. Through September 30, 2014.



# Financial Results

September 30, 2014



# Third Quarter 2014 Operating Results



(\$ in millions, except per share data)	Quarter Ended September 30,		% Change vs. 3Q-13
	2014	2013	
<b>Net earned premiums and credit derivative revenues<sup>1</sup></b>	\$166	\$198	(16)%
<b>Net investment income<sup>2</sup></b>	102	97	5%
<b>Total revenues included in operating income</b>	274	297	(8)%
<b>Loss expense<sup>3</sup></b>	(51)	56	NM
<b>Total expenses included in operating income</b>	30	135	(78)%
<b>Operating income</b>	177	117	51%
<b>Operating income per diluted share</b>	<b>\$1.05</b>	<b>\$0.64</b>	<b>64%</b>
<b>Operating ROE<sup>4</sup></b>	<b>11.7%</b>	<b>7.8%</b>	<b>3.9 pp</b>
<b>After-tax gain (loss) on derivatives</b>	\$161	\$233	(31)%
<b>Net income (loss)</b>	355	384	(8)%
<b>Net income (loss) per diluted share</b>	<b>\$2.09</b>	<b>\$2.09</b>	<b>0%</b>

NM = Not meaningful pp = percentage points

1. Included \$5 million and \$14 million of adjustments to GAAP reported amounts that were eliminated during the quarters ended September 30, 2014 and 2013, respectively.

2. Included \$0 million and \$(2) million of adjustments to GAAP reported amounts that were eliminated during the quarters ended September 30, 2014 and 2013, respectively.

3. Loss and LAE and incurred losses on credit derivatives includes \$15 million and \$10 million of adjustments to GAAP reported amounts that were eliminated during the quarters ended September 30, 2014 and 2013, respectively.

4. ROE calculations represent annualized returns.

# Loss Expense Accounting and Economic Loss Development

- **Loss expense included in operating income<sup>1</sup> does not necessarily represent the Company's economic loss development in a period**
  - All losses must be calculated on a transaction by transaction basis, and each transaction's expected loss estimate plus contra-pays, net of estimated recoveries ("total losses"), is compared with the deferred premium reserve of that transaction. When the total losses exceed the deferred premium revenue, a loss is recognized in operating income for the amount of such excess
  - A portion of loss expense is the recognition of previous economic loss development that had not previously breached unearned premium reserve
- **Management uses economic loss development to evaluate credit impairments or improvements**
  - Economic loss development calculates the expected change in future losses due to change in delinquencies, interest rates, changes in discount rates, loss severities and loss mitigation and other factors that affect ultimate loss experience, excluding 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

(\$ in millions, except per share data)	3Q-14	3Q-13
<b>Loss expense (benefit) on FG and CDS included in operating income:</b>		
Before tax	\$(51)	\$56
After tax	\$(29)	49
Per diluted share	\$(0.17)	0.27
<b>Economic loss development unfavorable (favorable)</b>		
Before tax	\$(63)	\$(22)
After tax	\$(37)	2
Per diluted share	\$(0.22)	0.01

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

# Portfolio Overview

September 30, 2014



## Claims-Paying Resources (as of September 30, 2014)

(\$ in millions)	AGUS Consolidated	AG Re <sup>1</sup>	AGL Consolidated
Policyholders' surplus	\$1,848	\$1,045	\$2,893
Contingency reserve <sup>2</sup>	3,467	-	3,467
<b>Qualified statutory capital</b>	<b>5,315</b>	<b>1,045</b>	<b>6,360</b>
Unearned premium reserve <sup>2</sup>	2,479	909	3,388
Loss and loss adjustment expense reserves <sup>2,3</sup>	390	324	714
<b>Total policyholders' surplus and reserves</b>	<b>8,184</b>	<b>2,278</b>	<b>10,462</b>
Present value of installment premium <sup>2</sup>	581	177	758
Committed Capital Securities	400	-	400
Excess of loss reinsurance facility <sup>4</sup>	450	-	450
<b>Total claims-paying resources</b>	<b>\$9,615</b>	<b>\$2,455</b>	<b>\$12,070</b>
Statutory net par outstanding <sup>5</sup>	\$290,423	\$105,242	\$395,665
Net debt service outstanding <sup>5</sup>	\$440,359	\$166,809	\$607,168
Adjusted net par outstanding to qualified statutory capital	55:1	101:1	62:1
Capital ratio <sup>6</sup>	83:1	160:1	95:1
Financial resources ratio <sup>7</sup>	46:1	68:1	50:1

## Contribution by Company to AGUS (as of September 30, 2014)

(\$ in millions)	Qualified Statutory Capital	Policyholders' Surplus	Claims-Paying Resources
AGM, excluding investment in MAC	\$3,101	\$1,242	\$5,827
AGC, excluding investment in MAC	1,590	334	2,997
MAC	894	542	1,961
Eliminations <sup>2</sup>	(270)	(270)	(1,170)
<b>AGUS Consolidated</b>	<b>5,315</b>	<b>1,848</b>	<b>9,615</b>
AG Re	1,045	1,045	2,455
<b>AGL Consolidated</b>	<b>\$6,360</b>	<b>\$2,893</b>	<b>\$12,070</b>

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.
2. 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.
3. Reserves are reduced by approximately \$0.5 billion for benefit related to representation and warranty recoverables.
4. Represents an aggregate \$450 million excess-of-loss reinsurance facility for the benefit of AGC, AGM and MAC, which became effective January 1, 2014. The facility terminates on January 1, 2016, unless AGC, AGM and MAC choose to extend it.
5. Net par outstanding and net debt service outstanding are presented on a separate company statutory basis. Under statutory accounting, such amounts would be reduced both when an outstanding issue is legally defeased (i.e., an issuer has legally discharged its obligations with respect to a municipal security by satisfying conditions set forth in defeasance provisions contained in transaction documents and is no longer responsible for the payment of debt service with respect to such obligations) and when such issue is economically defeased (i.e., transaction documents for a municipal security do not contain defeasance provisions but the issuer establishes an escrow account with U.S. government securities in amounts sufficient to pay the refunded bonds when due; the refunded bonds are not considered paid and continue to be outstanding under the transaction documents and the issuer remains responsible to pay debt service when due to the extent monies on deposit in the escrow account are insufficient for such purpose).
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).



# Four Discrete Operating Companies with Separate Capital Bases



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

(\$ in millions)	As of September 30, 2014					
	AGM	AGC	MAC	AG Re <sup>10</sup>	Eliminations <sup>4</sup>	Consolidated
<b>Claims-paying resources</b>						
Policyholders' surplus	\$ 1,610	\$ 508	\$ 542	\$ 1,045	\$ (812)	\$ 2,893
Contingency reserve <sup>1</sup>	2,073	1,394	352	-	(352)	3,467
<b>Qualified statutory capital</b>	<b>3,683</b>	<b>1,902</b>	<b>894</b>	<b>1,045</b>	<b>(1,164)</b>	<b>6,360</b>
Unearned premium reserve <sup>1</sup>	1,811	668	613	909	(613)	3,388
Loss and loss adjustment expense reserves <sup>1, 2</sup>	294	96	-	324	-	714
<b>Total policyholders' surplus and reserves</b>	<b>5,788</b>	<b>2,666</b>	<b>1,507</b>	<b>2,278</b>	<b>(1,777)</b>	<b>10,462</b>
Present value of installment premium <sup>1</sup>	345	236	4	177	(4)	758
Committed Capital Securities	200	200	-	-	-	400
Excess of loss reinsurance facility <sup>3</sup>	450	450	450	-	(900)	450
<b>Total claims-paying resources (including MAC adjustment for AGM and AGC)</b>	<b>\$ 6,783</b>	<b>\$ 3,552</b>	<b>\$ 1,961</b>	<b>\$ 2,455</b>	<b>\$ (2,681)</b>	<b>\$ 12,070</b>
Adjustment for MAC <sup>5</sup>	956	555	-	-	(1,511)	-
<b>Total claims-paying resources (excluding MAC adjustment for AGM and AGC)</b>	<b>\$ 5,827</b>	<b>\$ 2,997</b>	<b>\$ 1,961</b>	<b>\$ 2,455</b>	<b>\$ (1,170)</b>	<b>\$ 12,070</b>
Statutory net par outstanding <sup>6</sup>	\$156,927	\$48,514	\$86,744	\$105,242	\$(1,762)	\$395,665
Equity method adjustment <sup>7</sup>	52,654	34,090	-	-	(86,744)	-
Adjusted statutory net par outstanding	\$209,581	\$82,604	\$86,744	\$105,242	\$(88,506)	\$395,665
Net debt service outstanding <sup>6</sup>	\$242,665	\$71,377	\$129,905	\$166,809	\$(3,588)	\$607,168
Equity method adjustment <sup>7</sup>	78,852	51,053	-	-	(129,905)	-
Adjusted net debt service outstanding	\$321,517	\$122,430	\$129,905	\$166,809	\$(133,493)	\$607,168
<b>Ratios:</b>						
Adjusted net par outstanding to qualified statutory capital	57:1	43:1	97:1	101:1		62:1
Capital ratio <sup>8</sup>	87:1	64:1	145:1	160:1		95:1
Financial resources ratio <sup>9</sup>	47:1	34:1	66:1	68:1		50:1

- 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.
- Reserves are reduced by approximately \$0.5 billion for benefit related to representation and warranty recoverables.
- Represents an aggregate \$450 million excess-of-loss reinsurance facility for the benefit of AGC, AGM and MAC, which became effective January 1, 2014. The facility terminates on January 1, 2016, unless AGC, AGM and MAC choose to extend it.
- Eliminations are primarily for (i) intercompany surplus notes between AGM and AGC, and between AGM and MAC, (ii) MAC amounts, whose proportionate share are included in AGM and AGC based on ownership percentages. Net par and net debt service outstanding eliminations relate to second-to-pay policies under which an Assured Guaranty insurance subsidiary guarantees an obligation already insured by another Assured Guaranty insurance subsidiary, and net par related to intercompany cessions from AGM and AGC to MAC.
- Represents adjustment for AGM's and AGC's interest and indirect ownership of MAC's total policyholders' surplus and loss reserves and present value of installment premium.
- Net par outstanding and net debt service outstanding are presented on a separate company statutory basis. Under statutory accounting, such amounts would be reduced both when an outstanding issue is legally defeased (i.e., an issuer has legally discharged its obligations with respect to a municipal security by satisfying conditions set forth in defeasance provisions contained in transaction documents and is no longer responsible for the payment of debt service with respect to such obligations) and when such issue is economically defeased (i.e., transaction documents for a municipal security do not contain defeasance provisions but the issuer establishes an escrow account with U.S. government securities in amounts sufficient to pay the refunded bonds when due; the refunded bonds are not considered paid and continue to be outstanding under the transaction documents and the issuer remains responsible to pay debt service when due to the extent monies on deposit in the escrow account are insufficient for such purpose).
- Equity method adjustment is an adjustment made to reflect AGM's and AGC's net exposure to MAC, as determined by their indirect equity ownership, and 100% ownership of their U.K. subsidiaries.
- The capital ratio is calculated by dividing adjusted net debt service outstanding by qualified statutory capital.
- The financial resources ratio is calculated by dividing adjusted net debt service outstanding by total claims-paying resources (including MAC adjustment for AGM and AGC).
- Assured Guaranty Re Ltd. (AG Re) numbers represent the Company's estimate of U.S. statutory accounting practices prescribed or permitted by insurance regulatory authorities.

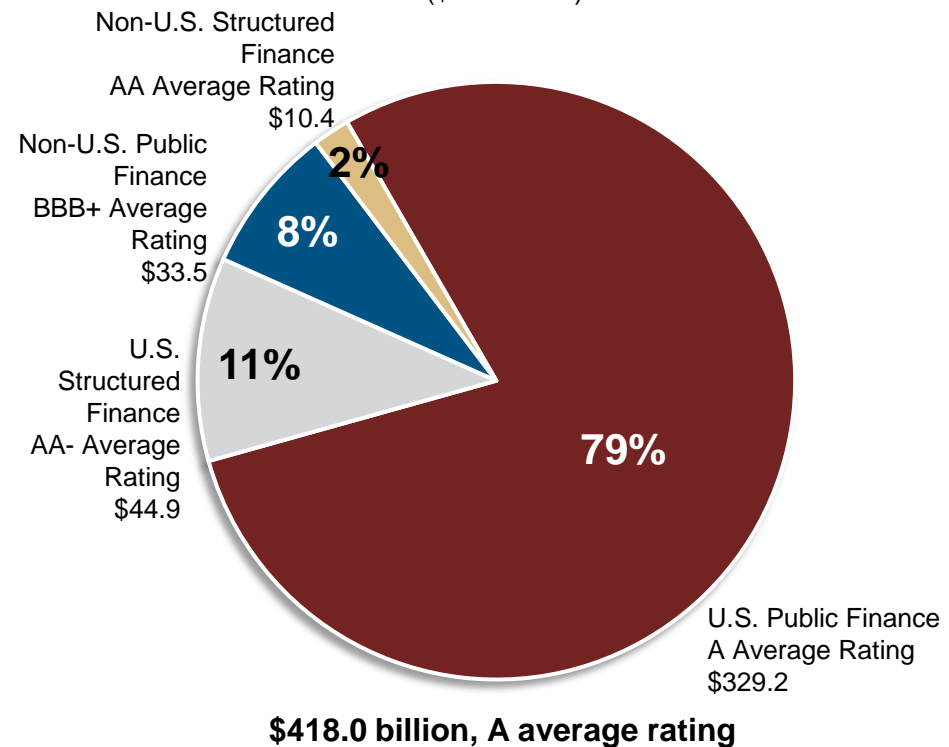


# Net Par Outstanding By Sector

- **Assured Guaranty's portfolio is largely concentrated in U.S. public finance**
  - 79% U.S. public finance
  - 11% U.S. structured finance
  - 10% Non-U.S. public and structured finance
- **Our portfolio has an A average internal credit rating**
  - 4.7% below investment grade
- **U.S. RMBS is our largest BIG exposure**
  - \$5.9 billion (30% of total BIG) is U.S. RMBS (excludes \$845 million purchased for loss mitigation)
  - Plus \$598 million of triple-X life securitization transactions with assets invested in RMBS (excludes \$325 million purchased for loss mitigation)

## Consolidated Net Par Outstanding

As of September 30, 2014  
(\$ in billions)

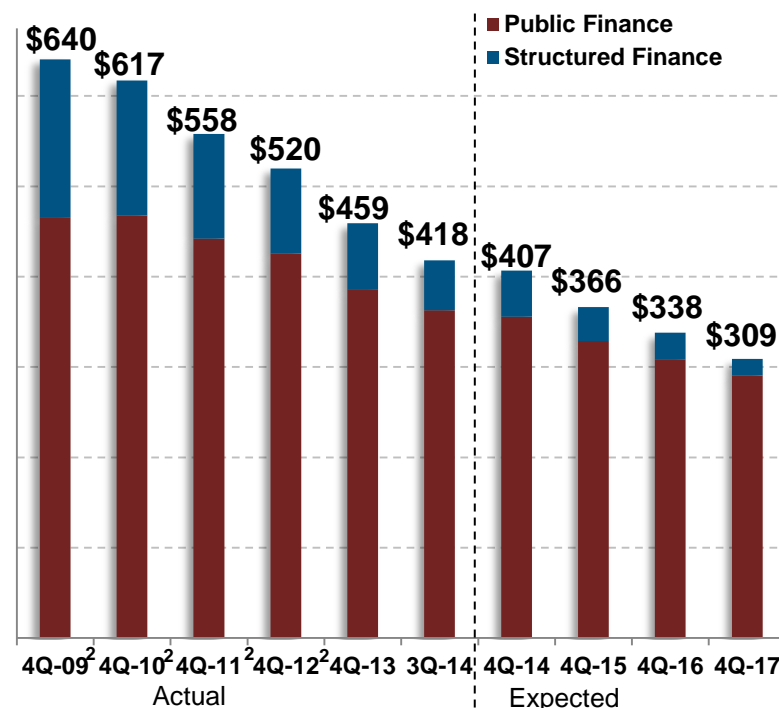


# Net Par Outstanding Amortization

- **Amortization of the portfolio reduces rating agency capital charges, but also embedded future earned premiums**
- **Public finance exposure amortizes at a steady rate**
  - \$363 billion outstanding
  - 2% expected to amortize by the end of 2014; 9% by the end of 2015; 15% by the end of 2016
- **Structured finance exposure amortizes quickly**
  - \$55 billion outstanding
  - 8% expected to amortize by the end of 2014; 32% by the end of 2015; 47% by the end of 2016
- **New direct or assumed business originations, and reassumptions, will increase future premiums**

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

As of September 30, 2014  
(\$ in billions)



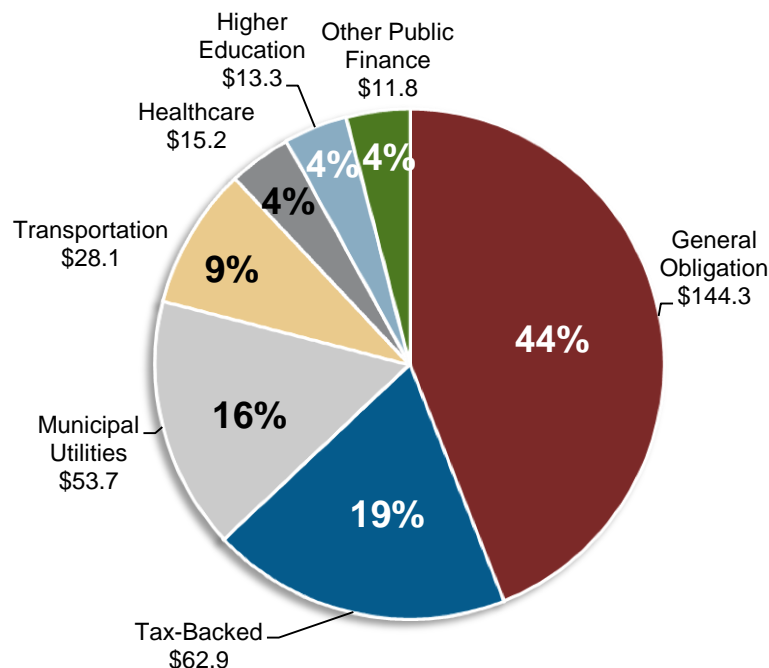
1. Represents the future expected amortization of current net par outstanding as of September 30, 2014. Actual amortization of the existing portfolio will differ from the expected shown here because, for example, (1) some obligors may call, prepay or defease guaranteed obligations (e.g., in the context 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, 2014  
(\$ in billions)



**\$329.2 billion, A average rating**

- **U.S. public finance net par outstanding is \$329.2 billion, which is 79% of our total as of September 30, 2014**
- **Our U.S. public finance portfolio has performed well despite increased financial pressure on municipal obligors caused by the recession**
  - Out of approximately 9,600 direct U.S. public finance obligors, we expect future losses to be paid, net of recoveries, on less than a dozen. In 3Q-14, we made payments on only two.
- **General obligation, tax-backed and municipal utilities represent 79% of U.S. public finance net par outstanding**
  - 62% of total net par outstanding

# Public Finance

## Puerto Rico Exposure



- June 2014, the Commonwealth enacted the Puerto Rico Public Corporations Debt Enforcement and Recovery Act, a legislative framework for certain financially stressed public corporations to restructure their debt through agreements with creditors or court-mandated arrangements with creditors. The Recovery Act is currently being challenged in court.
- In August 2014, PREPA entered into a forbearance agreement (that will terminate March 31, 2015 unless terminated earlier in accordance with its terms) with certain creditors and bond insurers (including Assured Guaranty) that collectively control more than 60% of the outstanding bonds
- On October 30, 2014, the GDB introduced Bill 2212, which is designed to provide funding to operate Puerto Rico's highways network as well as other support for the Highway and Transportation Authority. Assured Guaranty and other insurers support efforts to put PRHTA on a path toward long-term fiscal and operational stability.

### Par Exposure to the Commonwealth and its Agencies As of September 30, 2014

(\$ in millions)		Net Par Outstanding	Gross Par Outstanding	Internal Rating
Eligible under Recovery Act	Puerto Rico Highways and Transportation Authority (Transportation Revenue Bonds)	\$844	\$912	BB-
	Puerto Rico Electric Power Authority	772	1,006	B-
	Puerto Rico Aqueduct and Sewer Authority	384	384	BB-
	Puerto Rico Highways and Transportation Authority (Highway Revenue Bonds)	273	582	BB
	Puerto Rico Convention Center District Authority	174	174	BB-
	<b>Subtotal</b>	<b>\$2,447</b>	<b>\$3,058</b>	<b>B+</b>
Ineligible under Recovery Act	Commonwealth - General Obligation Bonds	\$1,672	\$1,844	BB
	Puerto Rico Municipal Finance Agency	400	656	BB-
	Puerto Rico Sales Tax Finance Corp. (COFINA)	268	268	BBB
	Puerto Rico Public Buildings Authority	101	157	BB
	Government Development Bank for Puerto Rico	33	33	BB
	Puerto Rico Infrastructure Financing Agency	18	18	BB-
	University of Puerto Rico	1	1	BB-
	<b>Subtotal</b>	<b>\$2,493</b>	<b>\$2,977</b>	<b>BB</b>
	<b>Total<sup>1</sup></b>	<b>\$4,940</b>	<b>\$6,035</b>	<b>BB-</b>

1. AGL's consolidated net par outstanding is divided between its subsidiaries as follows: \$2.2 billion at AGM, \$1.4 billion at AGC, \$1.4 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 insured bonds that were previously insured by another subsidiary.

# Public Finance

## Puerto Rico Exposure



### Scheduled Net Par Amortization of Exposure to the Commonwealth and its Agencies

As of September 30, 2014

(\$ in millions)		4Q- 14	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024- 2028	2029- 2033	2034- 2038	2039- 2043	2044- 2047	Total
Eligible under Recovery Act	Highways and Transportation Authority (Transportation Revenue Bonds)	\$-	\$22	\$29	\$32	\$39	\$26	\$21	\$16	\$17	\$17	\$86	\$94	\$288	\$157	\$-	\$844
	Electric Power Authority	-	73	19	4	4	24	40	20	19	78	347	136	8	-	-	772
	Aqueduct and Sewer Authority	-	14	15	-	-	-	-	-	-	-	109	-	-	-	246	384
	Highways and Transportation Authority (Highway Revenue Bonds)	-	6	10	5	5	11	12	15	6	7	20	95	81	-	-	273
	Convention Center District Authority	-	11	11	-	-	-	-	-	-	-	19	50	83	-	-	174
	<b>Subtotal</b>	<b>\$-</b>	<b>\$126</b>	<b>\$84</b>	<b>\$41</b>	<b>\$48</b>	<b>\$61</b>	<b>\$73</b>	<b>\$51</b>	<b>\$42</b>	<b>\$102</b>	<b>\$581</b>	<b>\$375</b>	<b>\$460</b>	<b>\$157</b>	<b>\$246</b>	<b>\$2,447</b>
Ineligible under Recovery Act	Commonwealth - GO	\$-	\$109	\$127	\$95	\$64	\$82	\$137	\$16	\$37	\$14	\$282	\$310	\$399	\$-	\$-	\$1,672
	Municipal Finance Agency	-	51	48	41	43	39	35	30	30	16	60	7	-	-	-	400
	Sales Tax Finance Corp. (COFINA)	-	(1)	(1)	(1)	(1)	(1)	(1)	(2)	(2)	1	(8)	20	10	255	-	268
	Public Buildings Authority	-	12	8	30	-	5	10	12	-	8	9	2	5	-	-	101
	Government Development Bank	-	33	-	-	-	-	-	-	-	-	-	-	-	-	-	33
	Infrastructure Financing Agency	-	-	-	-	2	-	-	-	-	2	-	-	1	13	-	18
	University of Puerto Rico	0	0	0	0	0	0	0	0	0	0	0	1	-	-	-	1
	<b>Subtotal</b>	<b>\$-</b>	<b>\$204</b>	<b>\$182</b>	<b>\$165</b>	<b>\$108</b>	<b>\$125</b>	<b>\$181</b>	<b>\$56</b>	<b>\$65</b>	<b>\$41</b>	<b>\$343</b>	<b>\$340</b>	<b>\$416</b>	<b>\$268</b>	<b>\$-</b>	<b>\$2,493</b>
<b>Total<sup>1</sup></b>		<b>\$-</b>	<b>\$329</b>	<b>\$266</b>	<b>\$206</b>	<b>\$156</b>	<b>\$186</b>	<b>\$254</b>	<b>\$107</b>	<b>\$108</b>	<b>\$143</b>	<b>\$924</b>	<b>\$715</b>	<b>\$876</b>	<b>\$425</b>	<b>\$246</b>	<b>\$4,940</b>

# Public Finance

## Puerto Rico Exposure



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

As of September 30, 2014

(\$ in millions)		4Q- 14	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024- 2028	2029- 2033	2034- 2038	2039- 2043	2044- 2047	Total
Eligible under Recovery Act	Highways and Transportation Authority (Transportation Revenue Bonds)	\$-	\$66	\$72	\$73	\$79	\$64	\$57	\$51	\$51	\$51	\$242	\$219	\$360	\$171	\$-	1,556
	Electric Power Authority	2	109	51	36	35	55	70	48	47	104	427	155	10	-	-	1,149
	Aqueduct and Sewer Authority	-	34	34	18	18	18	18	18	18	18	191	63	63	63	284	858
	Highways and Transportation Authority (Highway Revenue Bonds)	-	21	24	19	19	24	24	27	17	18	70	134	89	-	-	486
	Convention Center District Authority	-	19	18	7	7	7	7	7	7	7	53	79	91	-	-	309
	<b>Subtotal</b>	<b>\$2</b>	<b>\$249</b>	<b>\$199</b>	<b>\$153</b>	<b>\$158</b>	<b>\$168</b>	<b>\$176</b>	<b>\$151</b>	<b>\$140</b>	<b>\$198</b>	<b>\$983</b>	<b>\$650</b>	<b>\$613</b>	<b>\$234</b>	<b>\$284</b>	<b>\$4,358</b>
Ineligible under Recovery Act	Commonwealth - GO	\$1	\$195	\$208	\$170	\$133	\$149	\$200	\$71	\$91	\$67	\$512	\$475	\$449	\$-	\$-	\$2,721
	Municipal Finance Agency	-	70	66	57	56	50	44	38	36	20	70	7	-	-	-	514
	Sales Tax Finance Corp. (COFINA)	-	13	13	13	13	13	13	13	13	16	65	95	76	295	-	651
	Public Buildings Authority	-	17	12	34	3	7	13	14	1	9	12	4	6	-	-	132
	Government Development Bank	0	35	-	-	-	-	-	-	-	-	-	-	-	-	-	35
	Infrastructure Financing Agency	0	1	1	1	3	1	1	1	1	3	3	3	4	15	-	38
	University of Puerto Rico	0	0	0	0	0	0	0	0	0	0	0	1	-	-	-	1
	<b>Subtotal</b>	<b>\$1</b>	<b>\$331</b>	<b>\$300</b>	<b>\$275</b>	<b>\$208</b>	<b>\$220</b>	<b>\$271</b>	<b>\$137</b>	<b>\$142</b>	<b>\$115</b>	<b>\$662</b>	<b>\$585</b>	<b>\$535</b>	<b>\$310</b>	<b>\$-</b>	<b>\$4,092</b>
<b>Total<sup>1</sup></b>		<b>\$3</b>	<b>\$580</b>	<b>\$499</b>	<b>\$428</b>	<b>\$366</b>	<b>\$388</b>	<b>\$447</b>	<b>\$288</b>	<b>\$282</b>	<b>\$313</b>	<b>\$1,645</b>	<b>\$1,235</b>	<b>\$1,148</b>	<b>\$544</b>	<b>\$284</b>	<b>\$8,450</b>



# Select U.S. Municipal Exposures

## Detroit & Stockton Exposure



### Assured Guaranty's Exposure to Detroit and Stockton

As of September 30, 2014

(\$ in millions)

#### Water / Sewer

Exposure	Net Par Outstanding	Internal Rating
Water	\$ 882	BBB
Sewer	\$ 1,063	BBB
<b>Total</b>	<b>\$ 1,945</b>	<b>BBB</b>

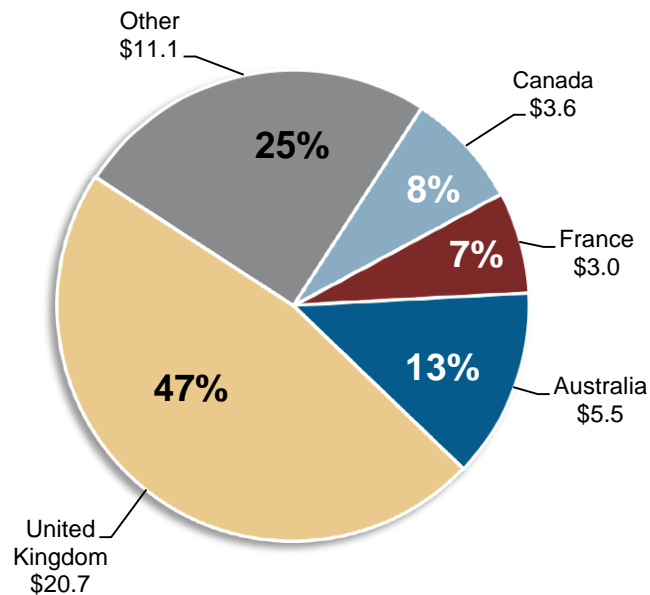
#### General Obligation / General Fund

Exposure	Net Par Outstanding	Internal Rating
General Obligation Unlimited Tax	\$ 128	D
Certificates of Participation (see below)	\$ 175	D
<b>Total</b>	<b>\$ 303</b>	<b>D</b>

- **Municipal utilities exposure is \$882 million of water revenue bonds and \$1,063 million of sewer revenue bonds. Both the water and sewer systems provide services to areas that extend significantly beyond the City of Detroit boundaries.**
  - In September 2014, approximately \$677 million of the Company's then combined net par exposure to Detroit's sewer revenue and water revenue bonds was purchased by the City as part of a tender offer and refunding. The Company insured approximately \$841 million gross par of new sewer revenue and water revenue bonds, the proceeds of which funded the tender offer and refunding. Under the City's amended plan of adjustment, the proposed impairment of all outstanding sewer revenue and water revenue bonds was removed, including those provisions which provided for the impairment of interest rates and call protection on such bonds.
- **General obligation unlimited tax exposure is \$128 million**
  - In 3Q-14, the settlement between the Company and Detroit regarding unlimited tax general obligation bonds was finalized to provide for an ultimate recovery of approximately 74%. The settlement is subject to a number of conditions, including confirmation of the City's plan of adjustment.
- **General fund exposure is \$175 million of certificates of participation**
  - On October 26, 2014, AG Re and FGIC entered into a commutation agreement pursuant to which FGIC will commute all the reinsurance AG Re provides to FGIC with respect to the Certificates of Participation. The effectiveness of the commutation agreement is subject to the occurrence of the effective date of the City's plan of adjustment.
- **Net par exposure to Stockton is \$117 million of pension obligation bonds**
  - On October 3, 2013, the Company reached a settlement with the City of Stockton regarding the treatment of the obligations insured by the Company. Under the terms of the settlement, the Company will continue to receive net revenues from an office building and an option to take title to that building, and will be entitled to certain fixed payments and certain variable payments contingent on the City's revenue growth. On October 30, 2014, the bankruptcy court confirmed the plan of adjustment, which includes the terms of such settlement. The Company expects the City's plan of adjustment to become effective by the end of 2014.

### Non-U.S. Finance

As of September 30, 2014  
(\$ in billions)



**\$43.9 billion, A- average rating**

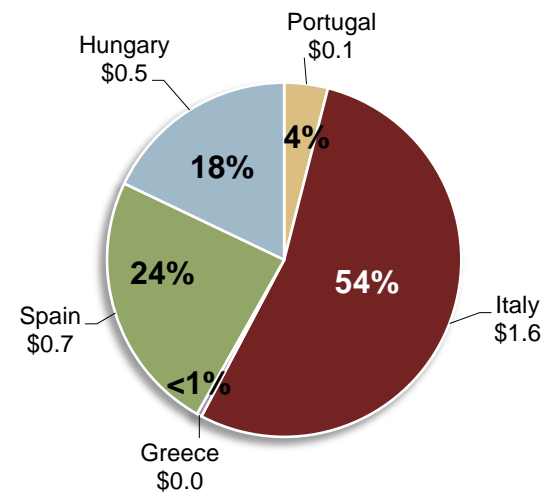
- **Non-U.S. exposure is 76% public finance and 24% structured finance**
- **Approximately 74% of non-U.S. structured exposure is to pooled corporates**
  - 80% are rated A or higher
- **Direct sovereign debt is limited to:**
  - Poland \$219 million

# Insured Obligations Within Troubled Eurozone Countries<sup>1</sup>

- Approximately 33%, or \$1.0 billion, of net par outstanding of exposure to troubled Eurozone countries is to structured finance transactions
- M6 Toll Road is a 58km dual carriage motorway from Budapest south towards the Croatian border
  - 100% availability paid by the Minister of Economy and Transport, representing the Hungarian government
- Spanish exposures are linked to the regional governments of Valencia, Castile La Mancha, Catalunya and Barcelona

## Insured Obligations Within Troubled Eurozone Countries<sup>1</sup>

As of September 30, 2014  
(\$ in billions)



**\$3.0 billion, BBB average rating**

### BIG Exposures to Troubled Eurozone Countries

(\$ in millions)				
<u>Name or Description</u>	<u>Country</u>	<u>Internal Rating</u>	<u>Expected Maturity</u>	<u>Net Par Outstanding</u>
M6 (Hungary) - Refinancing – Senior	Hungary	BB-	2025	\$327
Valencia Fair	Spain	BB-	2026, 2027	239
Autovia de la Mancha, S.A.	Spain	BB-	2031, 2033	133
FHB 8.95% 2016	Hungary	B+	2016, 2019	113
OTP 10.0% 2012	Hungary	BB	2019	79
Metro de Porto, Portugal	Portugal	B+	2028, 2030	56
Metro Lisboa Rail Equip Lease	Portugal	B+	2025	24
Metropolitano De Lisboa	Portugal	B+	2016	15
Caminhos de Ferro Portugueses, EP	Portugal	B+	2015	11
Catalunya, Generalitat De (Spain)	Spain	BB-	2015	10
OTP Mortgage Bank Ltd.	Hungary	BB	2019	5
Universidades De Generalidad De Valencia	Spain	BB-	2017, 2020, 2022	4
CACSA	Spain	BB-	2019, 2021, 2025	3
Ayuntamiento De Barcelona	Spain	BB-	2016	<1
<b>Total</b>				<b>\$1,019</b>

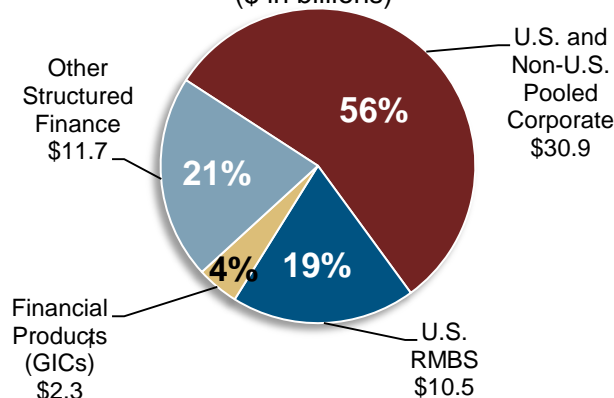
1. Exposure to insured obligations in troubled Eurozone countries refers to the economies of Portugal, Italy, Greece, Spain and Hungary.

# Structured Finance Exposures

## Net Par Outstanding

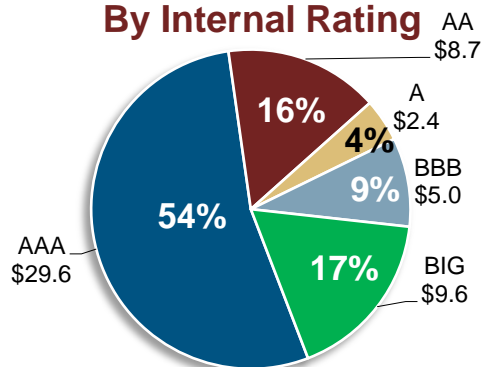
### By Type

As of September 30, 2014  
(\$ in billions)



**\$55.3 billion, AA- average rating**

### By Internal Rating



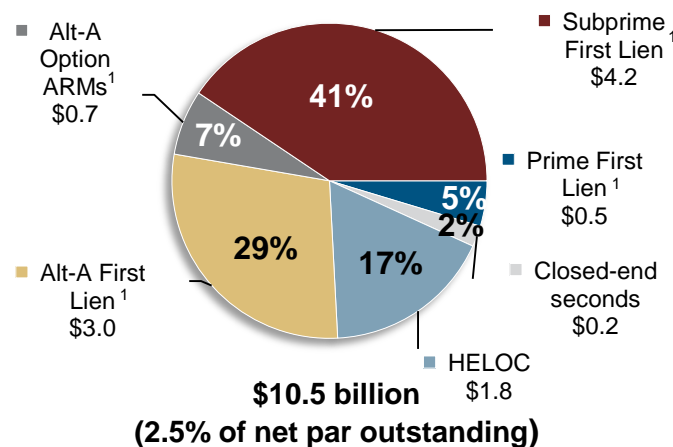
- **We expect Assured Guaranty's global structured finance insured portfolio (\$55.3 billion as of September 30, 2014) to amortize rapidly — 8% by year-end 2014 and 47% by year-end 2016**
  - \$30.9 billion in global pooled corporate obligations expected to be reduced by 12% by year-end 2014 and by 62% by year-end 2016
  - \$10.5 billion in U.S. RMBS expected to be reduced by 4% by year-end 2014 and by 34% by year-end 2016
- **Assured Guaranty and AGM's total structured finance exposures of \$240.9 billion at December 31, 2007 have declined by \$185.6 billion to \$55.3 billion through September 30, 2014, a 77% reduction, or approximately \$27 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 September 30, 2014, the aggregate accreted balance of the guaranteed investment contracts (GICs) was approximately \$2.3 billion. As of the same date, with respect to the assets supporting the GIC business, the aggregate accreted principal balance was approximately \$3.5 billion, the aggregate market value was approximately \$3.3 billion and the aggregate market value after agreed reductions was approximately \$2.4 billion. Cash and positive derivative value roughly offset the negative derivative values and other projected costs.

- **Our \$10.5 billion U.S. RMBS portfolio is amortizing 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 \$10.5 billion at September 30, 2014, a \$18.7 billion or 64% reduction
- **Our loss reserving methodology is driven by our assumptions on several factors with a key variable on new delinquencies:**
  - Conditional default rate
  - Conditional prepayment rate
  - Loss severity
- **We have significantly mitigated ultimate losses**
  - R&W putbacks, litigation and agreements
  - Wrapped bond purchases
  - Terminations of below investment grade credits

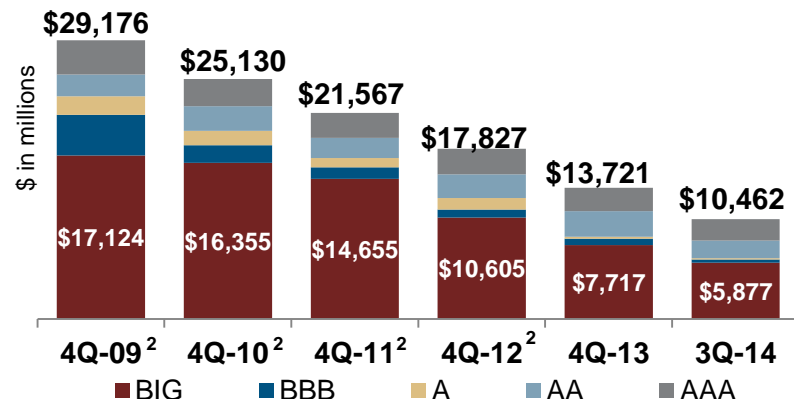
## U.S. RMBS by Exposure Type

As of September 30, 2014  
(\$ in billions)



## U.S. RMBS by Internal Rating

Net Par Outstanding from December 31, 2009 to September 30, 2014



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

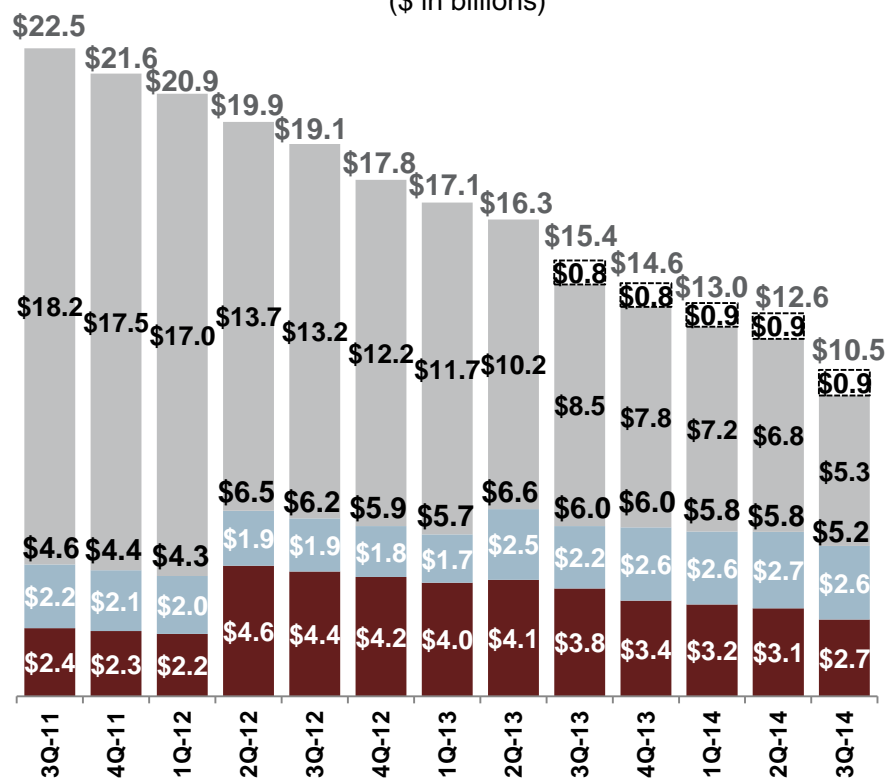


# U.S. RMBS Exposure

## Loss-Sharing Arrangements

### Net Par Outstanding by Quarter

(\$ in billions)



□ Repurchase adjustments

■ Total U.S. RMBS not included in R&W agreements

■ Settled net par outstanding without a loss-sharing component

■ Settled net par outstanding with a loss-sharing component

- **50% of total U.S. RMBS is included in R&W agreements**
  - 67% of our exposure to troubled U.S. RMBS transactions (below investment grade plus reclassified par due to loss-sharing arrangements) is included in R&W agreements
- **26% of total U.S. RMBS is included in loss-sharing arrangements**
  - 34% of our exposure to troubled U.S. RMBS transactions (below investment grade plus reclassified par due to loss-sharing arrangements) is covered by ongoing loss-sharing agreements
- **Counterparties include Bank of America, Deutsche Bank, UBS, Flagstar, as well as parties to other confidential agreements**
  - UBS agreed to reimburse 85% of future claims with no ceiling
  - Flagstar agreed to reimburse 100% of future losses



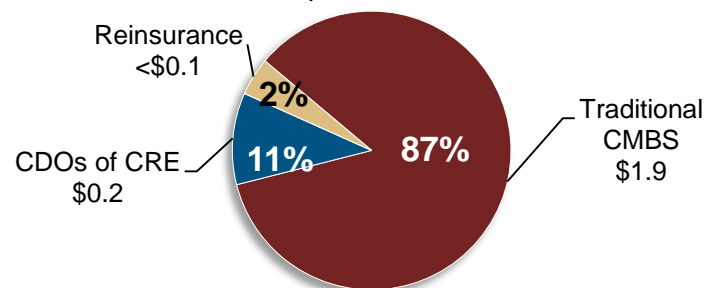
# U.S. CMBS & Direct Pooled Corporate Obligations Exposures

- **We have maintained a conservative underwriting stance on CMBS**
  - Focus on senior exposures and whole loans
- **Our CMBS portfolio was largely triple-A at underwriting and remains highly rated as of September 30, 2014**
  - Approximately 99% of traditional direct U.S. CMBS exposure had internal rating of AAA as of September 30, 2014
- **Our direct pooled corporate exposure is highly rated and well protected**
  - 78.4% rated AAA
  - Average credit enhancement (CE) of 30.5%
- **Within our direct pooled corporate exposure, our \$4.5 billion of Trust Preferred Securities (TruPS) CDO is diversified by region and collateral type**
  - Includes more than 1,400 underlying issuers
  - All our exposure at the CDO level is to the most senior debt tranche
  - Weighted average rating of BBB-, weighted average adjusted current CE<sup>2</sup> of 38.6%

1. CLOs are collateralized loan obligations. CBOs are collateralized bond obligations.  
 2. Adjusted current CE (Credit Enhancement) 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.

## U.S. CMBS by Exposure Type

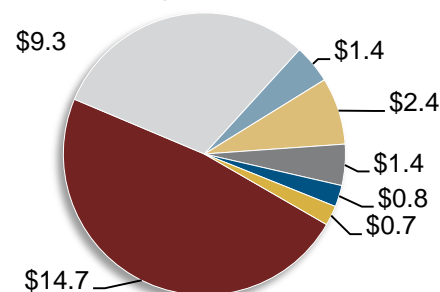
As of September 30, 2014



**\$2.2 billion, AAA average rating**

## Direct Pooled Corporate Obligations By Asset Class

As of September 30, 2014



**\$30.6 billion, AAA average rating**

- CLOs/CBOs<sup>1</sup>
- Synthetic investment grade pooled corporates
- Market value CDOs of corporates
- TruPS - Banks and insurance
- TruPS - U.S. mortgage and REITs
- TruPS - European mortgage and REITs
- Other pooled corporates

# Below Investment Grade Exposures

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

- The majority of our BIG exposures in categories 2 and 3 are in structured finance – specifically RMBS
- Category 1 BIG, which are transactions that show sufficient deterioration to make future losses possible but for which none are currently expected, totaled \$12.3 billion at September 30, 2014

### Financial Guaranty Insurance and Credit Derivatives Surveillance Categories

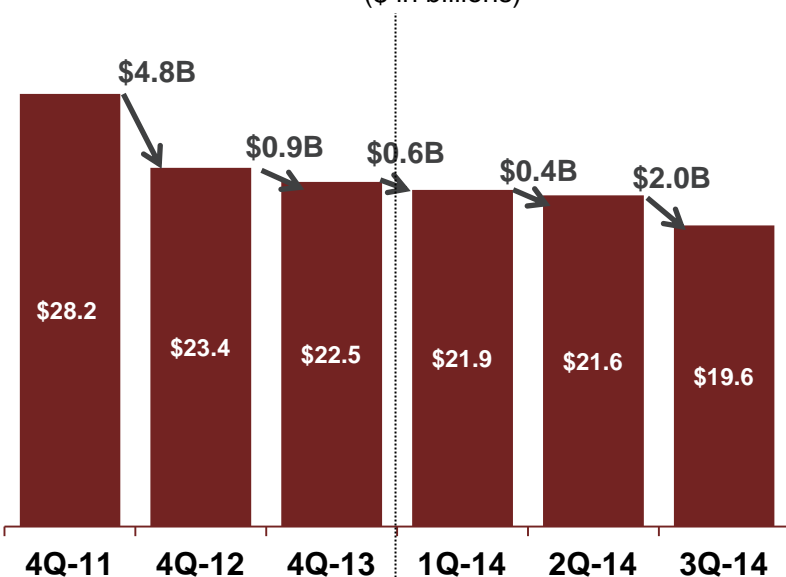
(\$ in millions)	September 30, 2014	December 31, 2013
<b>Category 1</b>		
U.S. public finance	\$6,934	\$8,205
Non-U.S. public finance	891	1,009
U.S. structured finance	3,724	4,513
Non-U.S. structured finance	792	1,024
Total Category 1	\$12,341	\$14,751
<b>Category 2</b>		
U.S. public finance	\$1,188	\$440
Non-U.S. public finance	587	599
U.S. structured finance	1,938	2,862
Non-U.S. structured finance	161	48
Total Category 2	\$3,874	\$3,949
<b>Category 3</b>		
U.S. public finance	\$420	\$449
Non-U.S. public finance	-	-
U.S. structured finance	3,011	3,389
Non-U.S. structured finance	-	-
Total Category 3	\$3,431	\$3,838
<b>BIG Total</b>	<b>\$19,646</b>	<b>\$22,538</b>

1. Assured Guaranty's surveillance department is responsible for monitoring our portfolio of credits and maintains a list of BIG credits. BIG Category 1: Below investment grade transactions showing sufficient deterioration to make lifetime losses possible, but for which none are currently expected. Transactions on which claims have been paid but are expected to be fully reimbursed (other than investment grade transactions on which only liquidity claims have been paid) are in this category. BIG Category 2: Below investment grade transactions for which lifetime losses are expected but for which no claims (other than liquidity claims) have yet been paid. BIG Category 3: Below investment grade transactions for which lifetime losses are expected and on which claims (other than liquidity claims) have been paid. Transactions remain in this category when claims have been paid and only a recoverable remains.

# BIG Exposure Decline

- Since 4Q-11, BIG net par outstanding has declined by \$8.6 billion<sup>1</sup>
- U.S. RMBS remains the largest component of our BIG exposure at 30%; Puerto Rico is 24%
- R&W agreements help decrease our BIG net par outstanding by reinsuring poorly performing transactions with collateralized trust accounts, thereby enabling Assured Guaranty to reclassify large percentages into AA rated policies

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



**Changes in BIG Net Par Outstanding**

(\$ in millions)	Full Year 2012	Full Year 2013	1Q-14	2Q-14	3Q-14
<b>Beginning BIG par</b>	<b>\$28,214</b>	<b>\$23,392</b>	<b>\$22,537</b>	<b>\$21,943</b>	<b>\$21,575</b>
Amortization / Paid	(4,049)	(2,660)	(489)	(361)	(686)
R&W RMBS Settlement Reclassifications	(1,782)	(531)	-	-	-
FX Change	48	(98)	18	3	(128)
Terminations	-	(452)	-	-	(922)
Removals / Upgrades	(711)	(1,346)	(146)	(45)	(65)
Additions / Downgrades	1,672	5,746	84	38	69
Adjustments	-	(1,513)	(61)	(3)	(197)
<b>Total Decrease</b>	<b>(4,822)</b>	<b>(854)</b>	<b>(594)</b>	<b>(368)</b>	<b>(1,929)</b>
<b>Ending BIG par</b>	<b>\$23,392</b>	<b>\$22,537</b>	<b>\$21,943</b>	<b>\$21,575</b>	<b>\$19,646</b>

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

# BIG Exposures > \$250 Million

(\$ in millions)

## BIG Exposures Greater Than \$250 Million as of September 30, 2014

<u>Type<sup>1</sup></u>	<u>Name or Description</u>	<u>Net Par Outstanding (excluding loss mitigation bonds)</u>	<u>Internal Rating</u>	<u>Current Credit Enhancement<sup>3</sup></u>	<u>60+ Day Delinquencies<sup>2</sup></u>
PF	Puerto Rico General Obligation, Appropriations and Guarantees of the Commonwealth	\$ 1,823	BB	-	-
PF	Skyway Concession Company LLC	1,162	BB	-	-
PF	Puerto Rico Highways and Transportation Authority	1,117	BB-	-	-
PF	Puerto Rico Electric Power Authority	772	B-	-	-
PF	Reliance Rail Finance Pty. Limited	585	BB	-	-
SF	Orkney Re II, Plc	423	CCC	N/A	-
PF	Puerto Rico Municipal Finance Agency	400	BB-	-	-
PF	Puerto Rico Aqueduct & Sewer Authority	384	BB-	-	-
PF	Louisville Arena Authority Inc.	338	BB	-	-
PF	M6 Duna Autopalya Koncesszios Zartkoruen Mukodo Reszvenytarsasag	327	BB-	-	-
SF	Option One 2007-FXD2	313	CCC	0.0%	24.9%
PF	Detroit (City of) Michigan	303	D	-	-
SF	Deutsche Alt-A Securities Mortgage Loan 2007-2	297	BB	0.0%	23.7%
SF	MABS 2007-NCW	280	CCC	10.1%	49.2%
SF	Countrywide HELOC 2006-I	272	BB	0.0%	2.8%
SF	Taberna Preferred Funding III, LTD	253	CCC	22.7%	-
	<b>Total</b>	<b>\$9,049</b>			

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

2. 60+ day delinquencies are defined as loans that are greater than 60 days delinquent and all loans that are in foreclosure, bankruptcy or REO divided by net par outstanding.

3. N/A stands for not applicable.

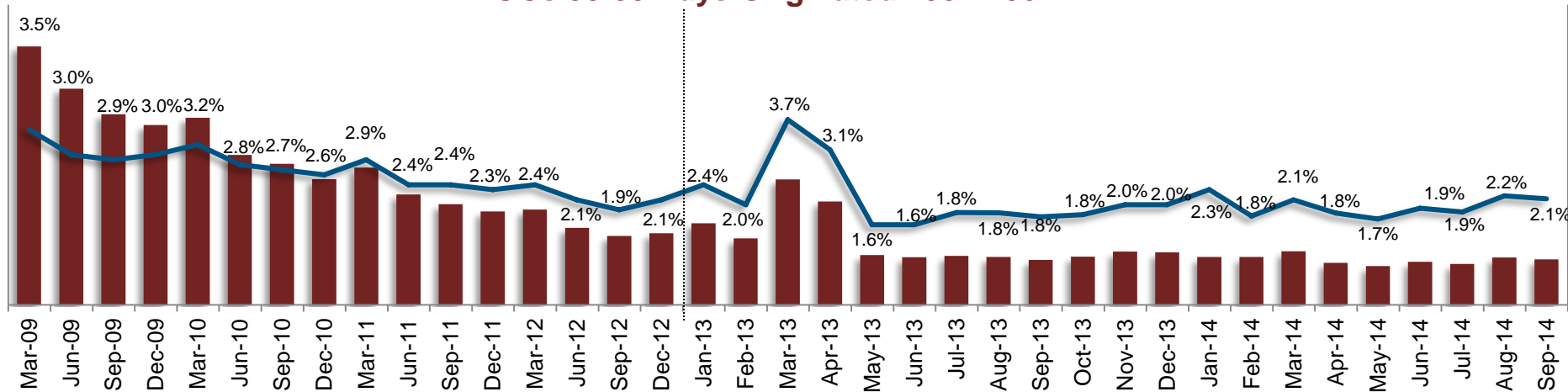


A photograph showing three construction workers wearing white hard hats and safety gear, working on a large-scale construction project. They are positioned on a dense grid of steel reinforcement bars (rebar) that has been laid out on a wooden formwork structure. The workers are focused on their task, with one worker in the foreground pointing towards the rebar. The background shows more of the construction site, including additional rebar grids and wooden forms, suggesting a multi-level building under construction.

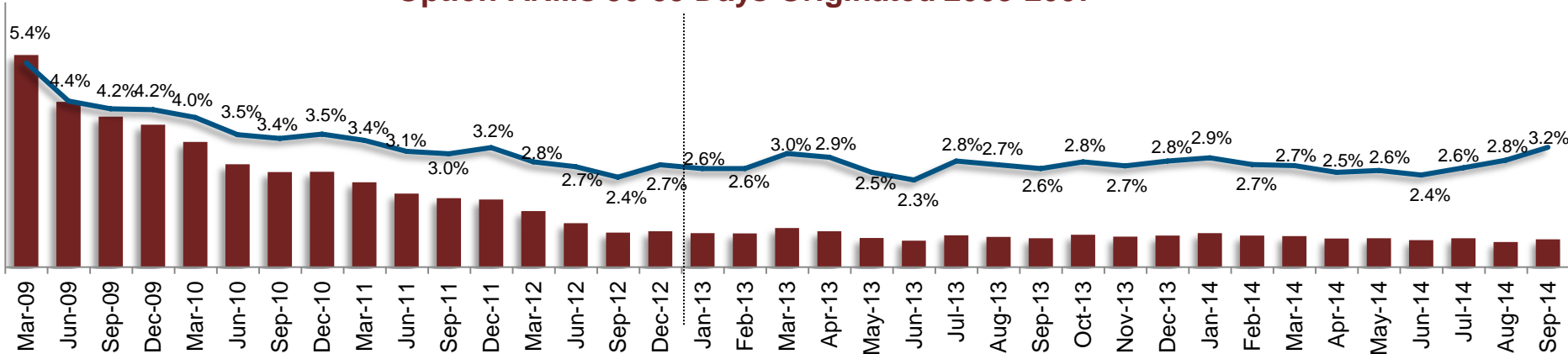
## Appendix

# HELOC and Option-ARM Delinquencies For Financial Guaranty Direct Transactions<sup>1,2</sup>

## HELOCs 30-59 Days Originated 2004-2007



## Option-ARMs 30-59 Days Originated 2003-2007



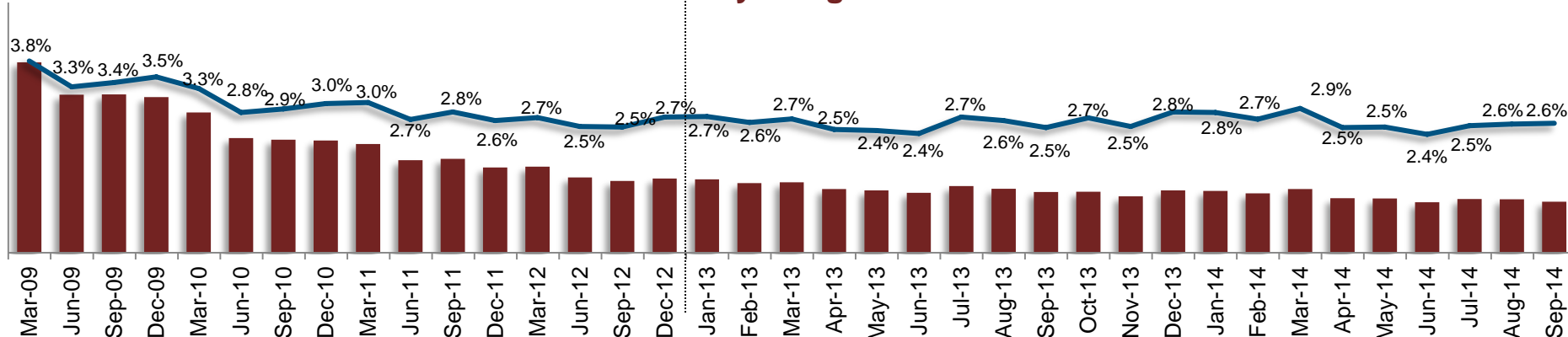
1. Assured Guaranty has not insured any U.S. RMBS since 2008.

2. Reflects actual AGC and AGM direct data.

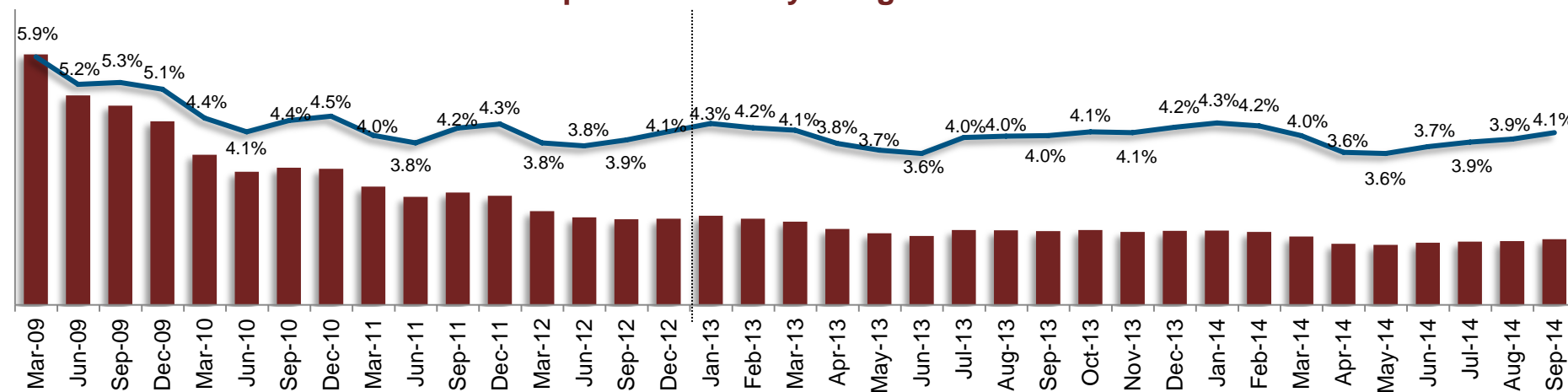


# Alt-A and Subprime 30-59 Day Delinquencies For Financial Guaranty Direct Transactions<sup>1</sup>

## Alt-A 30-59 Days Originated 2004-2007



## Subprime 30-59 Days Originated 2005-2008



1. Reflects actual AGC and AGM direct data.

# Appendix

## Explanation of Non-GAAP Financial Measures



### Endnotes related to non-GAAP financial measures discussed in the presentation:

The Company references financial measures that are not in accordance with GAAP. Assured Guaranty's management and the board of directors utilize non-GAAP financial measures in evaluating the Company's financial performance and as a basis for determining senior management incentive compensation. By providing these non-GAAP financial measures, investors, analysts and financial news reporters have access to the same information that management reviews internally. In addition, Assured Guaranty's 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.

The following paragraphs define each non-GAAP financial measure and describe why it is useful. A reconciliation of the non-GAAP financial measure and the most directly comparable GAAP financial measure, if available, is presented within this presentation. Non-GAAP financial measures should not be viewed as substitutes for their most directly comparable GAAP measures.

**Operating Income:** Management believes that operating income is a useful measure because it clarifies the understanding of the underwriting results of the Company's financial guaranty business, and also includes financing costs and net investment income, and enables investors and analysts to evaluate the Company's financial results as compared with the consensus analyst estimates distributed publicly by financial databases. Operating income is defined as net income (loss) attributable to Assured Guaranty Ltd., as reported under GAAP, adjusted for the following:

1. Elimination of the after-tax 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. Trends in the underlying profitability of the Company's business can be more clearly identified without the fluctuating effects of these transactions.
2. Elimination of the after-tax 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, such adjustments present all financial guaranty contracts on a more consistent basis of accounting, whether or not they are subject to derivative accounting rules.
3. Elimination of the after-tax fair value gains (losses) on the Company's committed capital securities. 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 the after-tax foreign exchange gains (losses) on remeasurement of net premium receivables and loss and LAE reserves. Long-dated receivables constitute a significant portion of the net premium receivable balance and represent the present value of future contractual or expected collections. 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 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.

# 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 Assured Guaranty Ltd. with all financial guaranty contracts accounted for on a more consistent basis and excludes fair value adjustments that are not expected to result in economic loss. Many investors, analysts and financial news reporters use operating shareholders' equity as the principal financial measure for valuing Assured Guaranty Ltd.'s current share price or projected share price and also as the basis of their decision to recommend, buy or sell Assured Guaranty Ltd.'s common shares. Many of the Company's fixed income investors also use operating shareholders' equity to evaluate the Company's capital adequacy. 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 Assured Guaranty Ltd., 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 the after-tax 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 the after-tax fair value gains (losses) on the Company's committed capital securities. 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 the after-tax 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.

**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 Assured Guaranty Ltd.'s share price and as the basis of their decision to recommend, buy or sell the Assured Guaranty Ltd. common shares. Quarterly and year-to-date operating ROE are calculated on an annualized basis.

# Appendix

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



**Adjusted Book Value:** 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 in addition to operating shareholders' equity. 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. Many investors, analysts and financial news reporters use adjusted book value to evaluate Assured Guaranty Ltd.'s share price and as the basis of their decision to recommend, buy or sell the Assured Guaranty Ltd. common shares. Adjusted book value is operating shareholders' equity, as defined above, further adjusted for the following:

1. Elimination of after-tax 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 after-tax net present value of estimated net future credit derivative revenue. See below.
3. Addition of the after-tax value of the unearned premium reserve 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.

**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 Assured Guaranty 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 premiums written 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<sup>1</sup> to Gross Written Premiums (GWP) & Operating Income<sup>1</sup> to Net Income (Loss)



(\$ in millions, except per share data)

### Consolidated New Business Production Analysis:

### Reconciliation of Consolidated Operating Income to Net Income (Loss)

	3Q-14	3Q-13	Δ%		3Q-14	3Q-13
Present value of new business production (PVP)				<b>Operating income</b>	<b>\$177</b>	<b>\$117</b>
Public finance - U.S.:	\$51	\$24	113%	Plus after-tax adjustments:		
Public finance - non-U.S.	-	13	NM	Realized gains (losses) on investments	(10)	(3)
Structured finance - U.S.	1	3	NM	Non-credit impairment unrealized fair value gains (losses) on credit derivatives	161	233
Structured finance - non-U.S.	4	-	NM	Fair value gains (losses) on committed capital securities	3	5
<b>Total PVP</b>	<b>\$56</b>	<b>\$40</b>	<b>40%</b>	Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves	(13)	10
PVP of financial guaranty insurance	\$56	40	40%	Effect of consolidating FG VIEs	37	22
Less: Financial guaranty installment premium PVP	4	18	(78)%	<b>Net income (loss)</b>	<b>\$355</b>	<b>\$384</b>
Total: Financial guaranty upfront gross written premiums (GWP)	52	22	136%			
Plus: Financial guaranty installment GWP and other GAAP adjustments <sup>2</sup>	(5)	4	NM	<b>Per Diluted Share</b>		
<b>Total GWP</b>	<b>\$47</b>	<b>\$26</b>	<b>81%</b>	<b>Operating income</b>	<b>\$1.05</b>	<b>\$0.64</b>
				Plus after-tax adjustments:		
				Realized gains (losses) on investments	(0.06)	(0.01)
				Non-credit impairment unrealized fair value gains (losses) on credit derivatives	0.94	1.26
				Fair value gains (losses) on committed capital securities	0.01	0.03
				Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves	(0.07)	0.06
				Effect of consolidating FG VIEs	0.22	0.11
				<b>Net income (loss)</b>	<b>\$2.09</b>	<b>\$2.09</b>

NM = Not meaningful

- For an explanation of PVP and operating income, non-GAAP financial measures, please refer to the preceding pages of the Appendix.
- Represents present value of new business on installment policies plus GWP adjustment on existing installment policies due to changes in assumptions and any cancellations of assumed reinsurance contracts.

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

(\$ in millions, except per share amounts)

	As of :			
	September 30, 2014		December 31, 2013	
	Total	Per share	Total	Per share
<b>Shareholders' equity</b>	<b>\$ 5,354</b>	<b>\$ 32.53</b>	<b>\$ 5,115</b>	<b>\$ 28.07</b>
Less after-tax adjustments:				
Effect of consolidating FG VIEs	(53)	(0.32)	(172)	(0.95)
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(978)	(5.95)	(1,052)	(5.77)
Fair value gains (losses) on committed capital securities	23	0.14	30	0.16
Unrealized gain (loss) on investment portfolio excluding foreign exchange effect	330	2.01	145	0.80
<b>Operating shareholders' equity</b>	<b>\$ 6,032</b>	<b>\$ 36.65</b>	<b>\$ 6,164</b>	<b>\$ 33.83</b>
After-tax adjustments:				
Less: Deferred acquisition costs	156	0.95	161	0.88
Plus: Net present value of estimated net future credit derivative revenue	121	0.74	146	0.80
Plus: Net unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed	2,658	16.15	2,884	15.83
<b>Adjusted book value<sup>1</sup></b>	<b>\$ 8,655</b>	<b>\$ 52.59</b>	<b>\$ 9,033</b>	<b>\$ 49.58</b>

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



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## Equity Presentation

September 30, 2014

