



The number of registrant's Common Shares (\$0.01 par value) outstanding as of November 1, 2016 was 130,375,131 (includes 58,858 unvested restricted shares).

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ASSURED GUARANTY LTD.

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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

Assured Guaranty Ltd.

Consolidated Balance Sheets (unaudited)

(dollars in millions except per share and share amounts)

	As of September 30, 2016	As of December 31, 2015
Assets		
Investment portfolio:		
Fixed-maturity securities, available-for-sale, at fair value (amortized cost of \$10,219 and \$10,275)	\$ 10,752	\$ 10,627
Short-term investments, at fair value	528	396
Other invested assets	165	169
Total investment portfolio	11,445	11,192
Cash	98	166
Premiums receivable, net of commissions payable	608	693
Ceded unearned premium reserve	213	232
Deferred acquisition costs	108	114
Reinsurance recoverable on unpaid losses	87	69
Salvage and subrogation recoverable	455	126
Credit derivative assets	28	81
Deferred tax asset, net	459	276
Current income tax receivable	—	40
Financial guaranty variable interest entities' assets, at fair value	877	1,261
Other assets	291	294
Total assets	\$ 14,669	\$ 14,544
Liabilities and shareholders' equity		
Unearned premium reserve	\$ 3,668	\$ 3,996
Loss and loss adjustment expense reserve	1,091	1,067
Reinsurance balances payable, net	71	51
Long-term debt	1,304	1,300
Credit derivative liabilities	509	446
Current income tax payable	26	—
Financial guaranty variable interest entities' liabilities with recourse, at fair value	832	1,225
Financial guaranty variable interest entities' liabilities without recourse, at fair value	153	124
Other liabilities	375	272
Total liabilities	8,029	8,481
Commitments and contingencies (See Note 14)		
Common stock (\$0.01 par value, 500,000,000 shares authorized; 130,972,620 and 137,928,552 shares issued and outstanding)	1	1
Additional paid-in capital	1,166	1,342
Retained earnings	5,110	4,478
Accumulated other comprehensive income, net of tax of \$144 and \$104	358	237
Deferred equity compensation (320,193 and 320,193 shares)	5	5

Total shareholders' equity	6,640	6,063
Total liabilities and shareholders' equity	\$ 14,669	\$ 14,544

The accompanying notes are an integral part of these consolidated financial statements.

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Assured Guaranty Ltd.

Consolidated Statements of Operations (unaudited)

(dollars in millions except per share amounts)

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
Revenues				
Net earned premiums	\$231	\$213	\$628	\$574
Net investment income	94	112	291	311
Net realized investment gains (losses):				
Other-than-temporary impairment losses	(4 )	(18 )	(32 )	(34 )
Less: portion of other-than-temporary impairment loss recognized in other comprehensive income	1	0	(6 )	3
Net impairment loss	(5 )	(18 )	(26 )	(37 )
Other net realized investment gains (losses)	3	(9 )	21	17
Net realized investment gains (losses)	(2 )	(27 )	(5 )	(20 )
Net change in fair value of credit derivatives:				
Realized gains (losses) and other settlements	15	6	47	35
Net unrealized gains (losses)	6	80	(23 )	265
Net change in fair value of credit derivatives	21	86	24	300
Fair value gains (losses) on committed capital securities	(23 )	(15 )	(50 )	10
Fair value gains (losses) on financial guaranty variable interest entities	(11 )	2	11	0
Bargain purchase gain and settlement of pre-existing relationships	259	—	259	214
Other income (loss)	(3 )	(3 )	49	43
Total revenues	566	368	1,207	1,432
Expenses				
Loss and loss adjustment expenses	(9 )	112	183	318
Amortization of deferred acquisition costs	4	5	13	15
Interest expense	26	25	77	76
Other operating expenses	65	54	188	176
Total expenses	86	196	461	585
Income (loss) before income taxes	480	172	746	847
Provision (benefit) for income taxes				
Current	18	41	80	78
Deferred	(17 )	2	(18 )	142
Total provision (benefit) for income taxes	1	43	62	220
Net income (loss)	\$479	\$129	\$684	\$627
Earnings per share:				
Basic	\$3.63	\$0.88	\$5.10	\$4.16
Diluted	\$3.60	\$0.88	\$5.06	\$4.13
Dividends per share	\$0.13	\$0.12	\$0.39	\$0.36

The accompanying notes are an integral part of these consolidated financial statements.





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Assured Guaranty Ltd.

Consolidated Statements of Comprehensive Income (unaudited)

(in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income (loss)	\$479	\$129	\$684	\$627
Unrealized holding gains (losses) arising during the period on:				
Investments with no other-than-temporary impairment, net of tax provision (benefit) of \$(14), \$17, \$48 and \$(36)	(33 )	41	146	(77 )
Investments with other-than-temporary impairment, net of tax provision (benefit) of \$8, \$(9), \$(5) and \$(12)	13	(15 )	(10 )	(23 )
Unrealized holding gains (losses) arising during the period, net of tax	(20 )	26	136	(100 )
Less: reclassification adjustment for gains (losses) included in net income (loss), net of tax provision (benefit) of \$(1), \$(6), \$(1) and \$(4)	0	(12 )	(1 )	(7 )
Change in net unrealized gains on investments	(20 )	38	137	(93 )
Other, net of tax provision	(5 )	(4 )	(16 )	(4 )
Other comprehensive income (loss)	\$(25 )	\$34	\$121	\$(97 )
Comprehensive income (loss)	\$454	\$163	\$805	\$530

The accompanying notes are an integral part of these consolidated financial statements.

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Assured Guaranty Ltd.

Consolidated Statement of Shareholders' Equity (unaudited)

For the Nine Months Ended September 30, 2016

(dollars in millions, except share data)

	Common Shares Outstanding	Common Stock Par Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Deferred Equity Compensation	Total Shareholders' Equity
Balance at December 31, 2015	137,928,552						