

ASSURED GUARANTY LTD  
Form DEF 14A  
March 22, 2017  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**SCHEDULE 14A**  
**Proxy Statement Pursuant to Section 14(a) of**  
**the Securities Exchange Act of 1934**  
**(Amendment No.      )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

**Assured Guaranty Ltd.**

**(Name of Registrant as Specified In Its Charter)**

**(Name of Person(s) Filing Proxy Statement, if other than the Registrant)**

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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**DEAR SHAREHOLDERS:**

March 23, 2017

It is with great pleasure that we invite you to our 2017 Annual General Meeting of shareholders on Wednesday, May 3, 2017, at 6 Bevis Marks in London. Whether or not you plan to attend the meeting in person, please vote your shares; your vote is important to us.

Assured Guaranty's 2016 financial performance was excellent. Our shareholders' equity per share, non-GAAP operating shareholder's equity per share and non-GAAP adjusted book value per share<sup>1</sup> all reached record levels, at \$50.82, \$49.89 and \$66.46, respectively. Our net income, at \$881 million, was at its third highest level since we went public in 2004, while our operating income (non-GAAP)<sup>1</sup>, at \$895 million, was at its highest level since we went public. These records reflect the great strides we continued to make on our four main strategies:

*Growing our new business production.* Our gross written premium, at \$154 million, was the second highest in four years, while our premium production (PVP)<sup>1</sup>, a non-GAAP financial measure we use to measure our new business production, was at \$214 million and the highest it has been in that period. All three of our business lines again contributed to our premium production. As the leading financial guarantor in the market today, we believe we are well positioned for growth when interest rates normalize.

*Managing capital efficiently.* During 2016, we returned to our shareholders approximately \$375 million through purchases of our common shares and dividend payments. We also obtained regulatory approval for our subsidiary Assured Guaranty Municipal Corp. to redeem \$300 million of its common stock from its parent; we will use those funds predominantly to repurchase more of our common shares.

*Alternative strategies.* In 2016, we purchased the parent of financial guaranty insurer CIFG Assurance North America, Inc., resulting in an initial net gain of \$259 million. We agreed to purchase the European operating subsidiary of MBIA Insurance Corporation, and we closed that acquisition in 2017. We also formed a group to evaluate alternative investments in order to locate opportunities we believe to be accretive for our shareholders.

*Proactive loss mitigation.* We continued to manage our exposure to the Commonwealth of Puerto Rico and its related authorities and public corporations, including by actively lobbying Congress on the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) legislation. We also continued to manage all other risks within our insured portfolio and reduced our below investment grade exposure by 14%.

We provide further detail about our accomplishments and plans for the future in the Letter to Shareholders accompanying our 2016 Annual Report. We encourage you to review that letter and our 2016 Annual Report, as well as the Proxy Statement that follows this letter.

We look forward to seeing you at the meeting.

Sincerely,

Francisco L. Borges  
Chairman of the Board

Dominic J. Frederico  
President and Chief Executive Officer

<sup>1</sup> Non-GAAP operating shareholder's equity per share, non-GAAP adjusted book value per share, operating income (non-GAAP) and PVP are non-GAAP financial measures. An explanation of these measures, which are considered when setting executive compensation, and a reconciliation to the most comparable GAAP measures, may be found

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on pages 94 to 98 of our Annual Report on Form 10-K for the year ended December 31, 2016.

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March 23, 2017

Hamilton, Bermuda

**NOTICE OF ANNUAL**

**GENERAL MEETING**

TO THE SHAREHOLDERS OF ASSURED GUARANTY LTD.:

The Annual General Meeting of Assured Guaranty Ltd., which we refer to as AGL, will be held on Wednesday, May 3, 2017, at 8:00 a.m. London Time, at 6 Bevis Marks, London, EC3A 7BA, United Kingdom, for the following purposes:

- 1. To elect our board of directors;**
- 2. To approve, on an advisory basis, the compensation paid to AGL's named executive officers;**
- 3. To approve, on an advisory basis, the frequency of the advisory vote on the compensation paid to AGL's named executive officers;**
- 4. To appoint PricewaterhouseCoopers LLP as AGL's independent auditor for the fiscal year ending December 31, 2017, and to authorize the Board of Directors, acting through its Audit Committee, to set the fees for the independent auditor;**
- 5. To direct AGL to vote for directors of, and the appointment of the independent auditor for, its subsidiary Assured Guaranty Re Ltd.; and**
- 6. To transact such other business, if any, as lawfully may be brought before the meeting.**

Shareholders of record are being mailed a Notice Regarding the Availability of Proxy Materials on or around March 24, 2017, which provides shareholders with instructions on how to access the proxy materials and our 2016 annual report on the Internet, and if they prefer, how to request paper copies of these materials.

Only shareholders of record, as shown by the transfer books of AGL, at the close of business on March 8, 2017, are entitled to notice of, and to vote at, the Annual General Meeting.

**SHAREHOLDERS OF RECORD MAY VOTE UP UNTIL 12:00 NOON EASTERN DAYLIGHT TIME ON MAY 2, 2017. BENEFICIAL OWNERS MUST SUBMIT THEIR VOTING INSTRUCTIONS SO THAT THEIR BROKERS WILL BE ABLE TO VOTE BY 11:59 P.M. EASTERN DAYLIGHT TIME ON MAY 1, 2017.**

**WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL GENERAL MEETING IN PERSON AND REGARDLESS OF THE NUMBER OF SHARES YOU OWN, PLEASE VOTE AS PROMPTLY AS POSSIBLE VIA THE INTERNET OR BY TELEPHONE. ALTERNATIVELY, IF YOU HAVE REQUESTED WRITTEN PROXY MATERIALS, PLEASE SIGN, DATE AND RETURN THE PROXY CARD IN THE RETURN ENVELOPE PROVIDED AS PROMPTLY AS POSSIBLE. IF YOU LATER DESIRE TO REVOKE YOUR PROXY FOR ANY REASON, YOU MAY DO SO IN THE MANNER DESCRIBED IN THE ATTACHED PROXY STATEMENT. FOR FURTHER INFORMATION CONCERNING THE INDIVIDUALS NOMINATED AS DIRECTORS, THE PROPOSALS BEING VOTED UPON, USE OF THE PROXY AND OTHER RELATED MATTERS, YOU ARE URGED TO READ THE ATTACHED PROXY STATEMENT.**

By Order of the Board of Directors,

**James M. Michener**

Secretary



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Assured Guaranty Ltd.

March 23, 2017

**SUMMARY**

This summary highlights information contained elsewhere in this proxy statement and does not contain all of the information that you should consider before voting. For more complete information about the following topics, please review the complete proxy statement and the Annual Report on Form 10-K of Assured Guaranty Ltd. (which we refer to as AGL, we, us or our; we use Assured Guaranty, our Company or the Company to refer to AGL and its subsidiaries).

We intend to begin distribution of the Notice Regarding the Availability of Proxy Materials to shareholders on or about March 24, 2017.

**ANNUAL GENERAL MEETING OF SHAREHOLDERS**

**Time and Date** 8:00 a.m. London time, May 3, 2017

**Place** 6 Bevis Marks

London, EC3A 7BA

United Kingdom

**Record Date** March 8, 2017

**Voting** Shareholders as of the record date are entitled to vote. Each Common Share is entitled to one vote for each director nominee and one vote for each of the proposals to be voted on. Shareholders of record may vote up until 12:00 noon Eastern Daylight Time on May 2, 2017. Beneficial owners must submit their voting instructions so that their broker will be able to vote by 11:59 p.m. Eastern Daylight Time on May 1, 2017. In spite of deadlines, holders who attend the Annual General Meeting will be able to vote in person.

<b>Agenda Item</b>	<b>Board Vote Recommendation</b>	<b>Page Reference (for More Detail)</b>
Election of directors	For each director nominee	Page 12
To approve, on an advisory basis, the compensation paid to AGL's named executive officers	For	Page 60
To approve, on an advisory basis, the frequency of the advisory vote on the compensation paid to AGL's named executive officers	For one year	Page 61
	For	Page 62

Appointment of PricewaterhouseCoopers as AGL's independent auditor for 2017

Direction of AGL to vote for directors of, and the appointment of the independent auditor of, AGL's subsidiary, Assured Guaranty Re Ltd.

For each director nominee and for the independent auditor

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We will also transact any other business that may properly come before the meeting.



**2017 Proxy Statement**

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The following table provides summary information about each director nominee. Each director nominee will be elected for a one-year term by a majority of votes cast.

Nominee	Age	Director Since	Principal Occupation	Committees					
				A	C	F	NG	RO	E
<b>Francisco L. Borges</b>	65	2007	Chairman, Landmark Partners, LLC				«		«
<b>G. Lawrence Buhl</b>	70	2004	Former Regional Director for Insurance Services, Ernst & Young LLP	«					
<b>Dominic J. Frederico</b>	64	2004	President and Chief Executive Officer, Assured Guaranty Ltd.						
<b>Bonnie L. Howard</b>	63	2012	Former Chief Auditor and Global Head of Control and Emerging Risk, Citigroup						«
<b>Thomas W. Jones</b>	67	2015	Founder and Senior Partner of TWJ Capital, LLC						
<b>Patrick W. Kenny</b>	74	2004	Former President and Chief Executive Officer, International Insurance Society		«				
<b>Alan J. Kreczko</b>	65	2015	Former Executive Vice President and General Counsel of The Hartford Financial Services Group, Inc.						
<b>Simon W. Leathes</b>	69	2013	Independent non-executive director of HSBC Bank plc						

	<b>Michael T. O Kane</b>	71	2005	Former Senior Managing Director, Securities Division, TIAA CREF	«
	<b>Yukiko Omura</b>	61	2014	Former Undersecretary General and Vice President, International Fund for Agricultural Development	

2016 Meetings 4 5 4 4 4 1

A: Audit; C: Compensation; F: Finance; NG: Nominating and Governance; RO: Risk Oversight; E: Executive;

«: Chair; : Member

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**CORPORATE GOVERNANCE**

**OVERVIEW**

**THE BOARD OF DIRECTORS**

Our Board of Directors maintains strong corporate governance policies.

The Board and management have reviewed the rules of the Securities and Exchange Commission (which we refer to as the SEC) and the New York Stock Exchange (which we refer to as the NYSE) listing standards regarding corporate governance policies and processes, and we are in compliance with the rules and listing standards.

We have adopted Corporate Governance Guidelines covering issues such as director qualification standards (including independence), director responsibilities, Board self-evaluations, and executive sessions of the Board.

Our Corporate Governance Guidelines contain our Categorical Standards for Director Independence.

We have adopted a Code of Conduct for our employees and directors and charters for each Board committee. The full text of our Corporate Governance Guidelines, our Code of Conduct and each committee charter, are available on our website at [assuredguaranty.com/governance](http://assuredguaranty.com/governance). In addition, you may request copies of the Corporate Governance Guidelines, the Code of Conduct and the committee charters by contacting our Secretary via:

Telephone (441) 279-5702  
Facsimile (441) 279-5701  
e-mail [jmichener@agltd.com](mailto:jmichener@agltd.com)

**MEETINGS OF THE BOARD**

Our Board of Directors oversees our business and monitors the performance of management. The directors keep themselves up-to-date on our Company by discussing matters with Mr. Frederico, who is our Chief Executive Officer (and whom we refer to as our CEO), other key executives and our principal external advisors, such as outside auditors, outside legal counsel, investment bankers and other consultants, by reading the reports and other materials that we send them regularly and by participating in Board and committee meetings.

The Board usually meets four times per year in regularly scheduled meetings, but will meet more often if necessary. During 2016, the Board met five times and the Executive Committee (described below under Other Corporate Governance Highlights ) met once. All of our directors attended at least 75% of the aggregate number of meetings of the Board and committees of the Board of which they were a member held while they were in office during the year ended December 31, 2016, except for Mr. Jones, who attended 67% of such meetings due to previously scheduled business travel that conflicted with one regularly scheduled Board meeting and one special Board meeting, and Mr. Leathes, who attended 60% of such meetings due to health reasons. Mr. Jones' conflict with the regularly scheduled Board meeting was disclosed and considered before he joined the Board. Both Mr. Jones and Mr. Leathes

expect to attend all meetings in 2017.

## **DIRECTOR INDEPENDENCE**

In February 2017, our Board determined that, other than our CEO Mr. Frederico, all of our directors are independent under the listing standards of the NYSE. These independent directors constitute substantially more than a majority of our Board. In making its determination of independence, the Board applied its Categorical Standards for Director Independence and determined that no other material relationships existed between our Company and these directors. A copy of our Categorical Standards for Director Independence is available as part of our Corporate Governance Guidelines, which are available on our website at [assuredguaranty.com/governance](http://assuredguaranty.com/governance). In addition, as part of the independence determination, our Board monitors the independence of Audit and Compensation Committee members under rules of the SEC and NYSE listing standards that are applicable to members of the audit committee and compensation committee.

As part of its independence determinations, the Board considered the other directorships held by the independent directors and determined that none of these directorships constituted a material relationship with our Company.

## **DIRECTOR EXECUTIVE SESSIONS**

The independent directors meet at regularly scheduled executive sessions without the participation of management. The Chairman of the Board is the presiding director for executive sessions of independent directors.



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**OTHER CORPORATE GOVERNANCE HIGHLIGHTS**

Our Board has a substantial majority of independent directors.

All members of the Audit, Compensation, Nominating and Governance, Finance, and Risk Oversight Committees are independent directors.

Our Audit Committee recommends to the Board, which recommends to the shareholders, the annual appointment of our independent auditor. Each year our shareholders are asked to authorize the Board, acting through its Audit Committee, to determine the compensation of, and the scope of services performed by, our independent auditor. The Audit Committee also has the authority to retain outside advisors.

No member of our Audit Committee simultaneously serves on the audit committee of more than one other public company.

Our Compensation Committee has engaged a compensation consultant, Frederic W. Cook & Co., Inc., which we refer to as Cook, to assist it in evaluating the compensation of our CEO, based on corporate goals and objectives and, with the other independent directors, setting his compensation based on this evaluation. Cook has also assisted us in designing our executive compensation program. The Compensation Committee has conducted an assessment of Cook's independence and has determined that Cook does not have any conflict of interest.

We established an Executive Committee to exercise certain authority of the Board in the management of company affairs between regularly scheduled meetings of the Board when it is determined that a specified matter should not be postponed to the next scheduled meeting of the Board. Our Executive Committee met once in 2016, to approve our purchase of the parent of CIFG Assurance North America, Inc.

We have adopted a Code of Conduct applicable to all directors, officers and employees that sets forth basic principles to guide their day-to-day activities. The Code of Conduct addresses, among other things, conflicts of interest, corporate opportunities, confidentiality, fair dealing, protection and proper use of company assets, compliance with laws and regulations, including insider trading laws, and reporting illegal or unethical behavior. In addition to AGL's quarterly Board meetings, our Board has an annual business review meeting to assess specific areas of our Company's operations and to learn about general trends affecting the financial guaranty industry. We also provide our directors with the opportunity to attend continuing education programs.

**HOW ARE DIRECTORS NOMINATED?**

In accordance with its charter, the Nominating and Governance Committee identifies potential nominees for directors from various sources. The Nominating and Governance Committee:

Reviews the qualifications of potential nominees to determine whether they might be good candidates for membership on the Board of Directors

Reviews the potential nominees' judgment, experience, independence, understanding of our business or other related industries and such other factors as it determines are relevant in light of the needs of the Board of Directors and our Company

Selects qualified candidates and reviews its recommendations with the Board of Directors, which will decide whether to nominate the person for election to the Board of Directors at an Annual General Meeting of Shareholders (which we refer to as an Annual General Meeting). Between Annual General Meetings, the Board, upon the recommendation of the Nominating and Governance Committee, can fill vacancies on the Board by appointing a director to serve until the next Annual General Meeting.

The Nominating and Governance Committee has the authority to retain search firms to be used to identify director candidates and to approve the search firm's fees and other retention terms. The Nominating and Governance Committee may also retain other advisors.

We believe that diversity among members of the Board is an important consideration and is critical to the Board's ability to perform its duties and various roles. Accordingly, in recommending nominees, the Board considers a wide range of individual perspectives and backgrounds in addition to diversity in professional experience and training. Our Board is currently composed of individuals from different disciplines, including lawyers, accountants and individuals who have industry, finance, executive and international experience, and is composed of both men and women and citizens of the United States, the United Kingdom and Japan. Our Corporate Governance Guidelines address diversity of experience, requiring the Nominating and Governance Committee to review annually the skills and attributes of Board members within the context of the current make-up of the full Board. Our Corporate Governance Guidelines also provide that Board members should have individual backgrounds that when combined provide a portfolio of experience and knowledge that will serve our governance and strategic needs. The Nominating and Governance Committee will consider Board candidates on the basis of a range of criteria including broad-based business knowledge and contacts, prominence and sound reputation in their fields as well as having a global business perspective and commitment to good corporate citizenship. Our Corporate Governance Guidelines specify that directors should represent all shareholders and not any

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How are Directors Nominated?

special interest group or constituency. The Nominating and Governance Committee annually reviews its own performance. In connection with such evaluation, the Nominating and Governance Committee assesses whether it effectively nominates candidates for director in accordance with the above described standards specified by the Corporate Governance Guidelines. See each nominee's biography appearing later in this proxy statement for a description of the specific experience that each such individual brings to our Board.

Our Corporate Governance Guidelines additionally specify that directors should be able and prepared to provide wise and thoughtful counsel to top management on the full range of potential issues facing us. Directors must possess the highest personal and professional integrity. Directors must have the time necessary to fully meet their duty of due care to the shareholders and be willing to commit to service over the long term.

The Nominating and Governance Committee will consider a shareholder's recommendation for director but has no obligation to recommend such candidates for nomination by the Board of Directors. Assuming that appropriate biographical and background material is provided for candidates recommended by shareholders, the Nominating and Governance Committee will evaluate those candidates by following substantially the same process and applying substantially the same criteria as for candidates recommended by other sources. If a shareholder has a suggestion for candidates for election, the shareholder should send it to: Secretary, Assured Guaranty Ltd., 30 Woodbourne Avenue, Hamilton HM 08, Bermuda. No person recommended by a shareholder will become a nominee for director and be included in a proxy statement unless the Nominating and Governance Committee recommends, and the Board approves, such person.

If a shareholder desires to nominate a person for election as director at an Annual General Meeting, that shareholder must comply with Article 14 of AGL's By-Laws, which requires notice no later than 90 days prior to the anniversary date of the immediately preceding Annual General Meeting. This time period has passed with respect to the 2017 Annual General Meeting. With respect to the 2018 Annual General Meeting, AGL must receive such written notice on or prior to February 2, 2018. Such notice must describe the nomination in sufficient detail to be summarized on the agenda for the meeting and must set forth:

the shareholder's name as it appears in AGL's books

a representation that the shareholder is a record holder of AGL's shares and intends to appear in person or by proxy at the meeting to present such proposal

the class and number of shares beneficially owned by the shareholder

the name and address of any person to be nominated

a description of all arrangements or understandings between the shareholder and each nominee and any other person or persons, naming such other person or persons, pursuant to which the nomination or nominations are to be made by the shareholder

such other information regarding each nominee proposed by such shareholder as would be required to be included in a proxy statement filed pursuant to the SEC's proxy regulations

the consent of each nominee to serve as a director of AGL, if so elected

## COMMITTEES OF THE BOARD

The Board of Directors has established an Audit Committee, a Compensation Committee, a Finance Committee, a Nominating and Governance Committee, a Risk Oversight Committee and an Executive Committee.

### The Audit Committee

Chairman: G. Lawrence Buhl / 4 meetings during 2016

Other Audit Committee members: Thomas W. Jones, Alan J. Kreczko, Michael T. O Kane

The Audit Committee provides oversight of the integrity of our Company's financial statements and financial reporting process, our compliance with legal and regulatory requirements, the system of internal controls, the audit process, the performance of our internal audit program and the performance, qualification and independence of the independent auditor.

The Audit Committee is composed entirely of directors who are independent of our Company and management, as defined by the NYSE listing standards.

The Board has determined that each member of the Audit Committee satisfies the financial literacy requirements of the NYSE and, except for Mr. Kreczko, is an audit committee financial expert, as that term is defined under Item 407(d) of the SEC's Regulation S-K. For additional information about the qualifications of the Audit Committee members, see their respective biographies set forth in Proposal No. 1: Election of Directors.

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**The Compensation Committee**

Chairman: Patrick W. Kenny / 5 meetings during 2016

Other Compensation Committee members: G. Lawrence Buhl, Simon W. Leathes

The Compensation Committee has responsibility for evaluating the performance of the CEO and senior management and determining executive compensation in conjunction with the independent directors. The Compensation Committee also works with the Nominating and Governance Committee and the CEO on succession planning.

The Compensation Committee is composed entirely of directors who are independent of our Company and management, as defined by the NYSE listing standards.

The Compensation Committee's meetings included discussions with Cook to review executive compensation trends and peer group compensation data and to evaluate the risk of our executive compensation program.

**The Finance Committee**

Chairman: Michael T. O Kane / 4 meetings during 2016

Other Finance Committee members: Thomas W. Jones, Alan J. Kreczko, Yukiko Omura

The Finance Committee of the Board of Directors oversees management's investment of our Company's investment portfolio. The Finance Committee also oversees, and makes recommendations to the Board with respect to, our capital structure, dividends, financing arrangements, investment guidelines and any corporate development activities.

**The Nominating and Governance Committee**

Chairman: Francisco Borges / 4 meetings during 2016

Other Nominating and Governance Committee members: Bonnie L. Howard, Patrick W. Kenny

The responsibilities of the Nominating and Governance Committee include identifying individuals qualified to become Board members, recommending director nominees to the Board and developing and recommending corporate governance guidelines. The Nominating and Governance Committee also has responsibility to review and make recommendations to the full Board regarding director compensation. In addition to general corporate governance matters, the Nominating and Governance Committee assists the Board and the Board committees in their self-evaluations. The Nominating and Governance Committee is composed entirely of directors who are independent of our Company and management, as defined by the NYSE listing standards.

**The Risk Oversight Committee**

Chairman: Bonnie L. Howard / 4 meetings during 2016

Other Risk Oversight Committee members: Simon W. Leathes, Yukiko Omura

The Risk Oversight Committee oversees management's establishment and implementation of standards, controls, limits, guidelines and policies relating to risk assessment and enterprise risk management. The Risk Oversight Committee focuses on both the underwriting and surveillance of credit risks and the assessment and management of other risks, including, but not limited to, financial, legal, operational and other risks concerning our Company's reputation and ethical standards.

**The Executive Committee**

Chairman: Francisco L. Borges / 1 meeting during 2016

Other Executive Committee members: Dominic J. Frederico, Patrick W. Kenny, Simon W. Leathes

The Executive Committee was established to have, and to exercise, certain of the powers and authority of the Board in the management of the business and affairs of our Company between regularly scheduled meetings of the Board when, in the opinion of a quorum of the Executive Committee, a matter should not be postponed to the next scheduled meeting of the Board. The Executive Committee's authority to act is limited by our Company's Bye-Laws, rules of the NYSE and applicable law and regulation and the Committee's charter.

**HOW ARE DIRECTORS COMPENSATED?**

Our non-management directors receive an annual retainer of \$240,000 per year. We pay \$120,000 of the retainer in cash and \$120,000 of the retainer in restricted stock. A director may elect to receive up to his or her entire annual retainer (plus the additional amounts described below) in restricted stock.

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How are Directors Compensated?

The restricted stock vests on the day immediately prior to the next Annual General Meeting following the grant of the stock. However, if, prior to such vesting date, either (i) a change in control (as defined in the Assured Guaranty Ltd. 2004 Long-Term Incentive Plan, as amended) of Assured Guaranty Ltd. occurs before the director terminates service on the Board or (ii) the director terminates service on the Board as a result of such director's death or disability, then the restricted stock will vest on the date of such change in control or the date of the director's termination of service, whichever is applicable. Grants of restricted stock receive cash dividends and have voting rights; the cash dividends accrue during the vesting period and are paid upon vesting.

Our share ownership guidelines require that each director own the greater of (i) at least 25,000 Common Shares or (ii) Common Shares with a market value of at least three times the maximum cash portion of the annual director retainer, before being permitted to dispose of any shares acquired as compensation from our Company. Once a director has reached the share ownership guideline, for so long as he or she serves on the Board, such director may not dispose of any Common Shares if such disposition would cause the director to be below the share ownership guideline. Common Shares that had been restricted but subsequently vested and purchased Common Shares count toward the share ownership guideline. Our five longest serving directors meet our share ownership guidelines. Our five newer Board members (Ms. Howard, who joined the Board in August 2012; Mr. Leathes, who joined the Board in May 2013; Ms. Omura, who joined the Board in May 2014; and Messrs. Jones and Kreczko, who joined the Board in August 2015) are accumulating Common Shares toward their ownership goals.

In 2016, the committee fees were the same as those established by the Nominating and Governance Committee in 2015, except that Mr. Borges agreed to forgo an additional fee as the Chairman of the Nominating and Governance Committee due to the substantial overlap between that position and his position as the Chairman of the Board.

Specifically:

The Chairman of the Board receives an additional \$125,000 annual retainer.

The Chairman of each of the Audit Committee, the Compensation Committee, the Nominating and Governance Committee, the Finance Committee and the Risk Oversight Committee receives an additional \$30,000 annual retainer.

Members, other than the chairman, of each of the Audit Committee, the Compensation Committee, the Nominating and Governance Committee, the Finance Committee and the Risk Oversight Committee receive an additional \$15,000 annual retainer.

The Company generally will not pay a fee for attendance at Board or committee meetings, although the Chairman of the Board has the discretion to pay attendance fees of \$2,000 for extraordinary or special meetings. In 2016, the Board held one special meeting but the directors did not receive an attendance fee for such meeting. We do not pay a fee for

being a member, or attending meetings, of the Executive Committee.

The following table sets forth our 2016 non-management director compensation, which was paid in May 2016, including the compensation for the directors' committee assignments as of such date.

Name	Fees Earned or Paid in Cash	Stock Awards <sup>(1)</sup>	All Other Compensation <sup>(2)</sup>	Total
Francisco L. Borges <sup>(3)</sup>	\$ 245,000	\$ 120,000	\$ 10,000	\$ 375,000
G. Lawrence Buhl	\$ 165,000	\$ 120,000	\$ 16,352	\$ 301,352
Stephen A. Cozen <sup>(4)</sup>				
Bonnie L. Howard	\$ 165,000	\$ 120,000	\$ 14,957	\$ 299,957
Thomas W. Jones	\$ 150,000	\$ 120,000	\$ 16,203	\$ 286,203
Patrick W. Kenny <sup>(5)</sup>	\$ 165,000	\$ 120,000	\$ 19,979	\$ 304,979
Alan J. Kreczko <sup>(6)</sup>	\$ 150,000	\$ 120,000	\$ 27,605	\$ 297,605
Simon W. Leathes <sup>(7)</sup>	\$ 217,584	\$ 120,000	\$ 614	\$ 338,198
Michael T. O Kane	\$ 165,000	\$ 120,000	\$ 17,261	\$ 302,261
Yukiko Omura	\$ 150,000	\$ 120,000		\$ 270,000

(1) Represents grant date fair value, rounded to the nearest \$1,000.

(2) Other compensation consists of matching gift donations which were paid to eligible charities in 2016, reimbursement of business-related spousal travel paid in 2016 and personal use of our corporate apartment during 2016.



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- (3) Mr. Borges elected to receive the entire cash component of his compensation as restricted stock.
- (4) Mr. Cozen retired from our Board in May 2016 and did not receive any fees or stock awards in May 2016. His director compensation paid in May 2015 included \$41,250 in cash and \$30,000 of Common Shares for a total of \$71,250 related to fiscal year 2016.
- (5) Mr. Kenny elected to receive \$30,000 of the cash component of his compensation as restricted stock and the remaining \$135,000 in cash.
- (6) Mr. Kreczko elected to receive the entire cash component of his compensation as restricted stock.
- (7) The fees for Mr. Leathes include £55,000 (which was approximately \$67,584 as of December 30, 2016) for serving as an independent director of our U.K. insurance subsidiaries, Assured Guaranty (UK) Ltd. and Assured Guaranty (Europe) Ltd.

In February 2017, the Nominating and Governance Committee approved Mr. Leathes receiving £15,000 of additional director's fees for 2017 to compensate him for the time commitment that will be required during the calendar year to serve as an independent director of our newly acquired subsidiary Assured Guaranty (London) Ltd., and to review as a director of such subsidiary matters related to the planned combination of our U.K. insurance subsidiaries and our newly acquired subsidiary CIFG Europe S.A., which ultimately would result in a single U.K. subsidiary and a more efficient corporate and capital structure. Any such combination will be subject to regulatory and court approvals; as a result, we cannot predict when, or if, such a combination will be completed.

The following table shows information related to director equity awards outstanding on December 31, 2016:

Name	Unvested Restricted Stock <sup>(1)</sup>	Vested Restricted Share Units <sup>(2)</sup>	Vested Stock Options
Francisco L. Borges	14,275	6,985	7,658
G. Lawrence Buhl	4,693	15,821	7,026
Bonnie L. Howard	4,693		
Thomas W. Jones	4,693		
Patrick W. Kenny	5,866	27,080	13,561
Alan J. Kreczko	10,559		
Simon W. Leathes	4,693		
Michael T. O Kane	4,693	16,654	7,026

Yukiko Omura	4,693
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- (1) Vests one day prior to the 2017 Annual General Meeting.
- (2) When Mr. Borges, Mr. Buhl, Mr. Kenny and Mr. O Kane received restricted stock units (RSUs) prior to 2009 as part of their annual retainer, the RSUs entitled the directors to a distribution of one Common Share in settlement of each such RSU; the shares were originally scheduled to be delivered on the six-month anniversary of the date the recipient ceased to be a director. Following the passage of Section 457A of the Internal Revenue Code of 1986, as amended (which we refer to as the IRC), in 2008, as permitted by such law, we amended the RSUs in 2009 to vest effective as of the end of 2008 and for their full value to be grandfathered amounts that related to services performed prior to January 1, 2009. Because Section 457A requires such amounts be included in income no later than 2017, we had also amended the RSUs to entitle the directors to a distribution in settlement of such RSUs at the beginning of 2017. We settled the RSUs of Mr. Borges, Mr. Buhl, Mr. Kenny and Mr. O Kane on January 6, 2017, with 50% of the RSUs paid in Common Shares and the remaining 50% paid in a cash amount equal to \$38.73 (which was the fair market value of one of our Common Shares on the settlement date) per RSU.

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What is Our Board Leadership Structure?

**WHAT IS OUR BOARD LEADERSHIP STRUCTURE?**

Our current Chairman of the Board is Francisco L. Borges. The position of CEO is held by Dominic Frederico.

While the Board has no fixed policy with respect to combining or separating the offices of Chairman of the Board and CEO, those two positions have been held by separate individuals since our 2004 initial public offering. We believe this is the appropriate leadership structure for us at this time. Mr. Borges and Mr. Frederico have had an excellent working relationship, which has continued to permit Mr. Frederico to focus on running our business and Mr. Borges to focus on Board matters, including oversight of our management. Mr. Borges and Mr. Frederico collaborate on setting agendas for Board meetings to be sure that the Board discusses the topics necessary for its oversight of the management and affairs of our Company. As Chairman of the Board, Mr. Borges sets the final Board agenda and chairs Board meetings, including executive sessions at which neither the CEO nor any other member of management is present. The Chairman of the Board also chairs our Annual General Meetings.

**HOW DOES THE BOARD OVERSEE RISK?**

The Board's role in risk oversight is consistent with our leadership structure, with the CEO and other members of senior management having responsibility for assessing and managing risk exposure and the Board and its committees providing oversight in connection with these activities. Our Company's policies and procedures relating to risk assessment and risk management are overseen by our Board. The Board takes an enterprise-wide approach to risk management that is designed to support our business plans at a reasonable level of risk. A fundamental part of risk assessment and risk management is not only understanding the risks a company faces and what steps management is taking to manage those risks, but also understanding what level of risk is appropriate for us. The Board annually approves our business plan, factoring risk management into account. The involvement of the Board in setting our business strategy is a key part of its assessment of management's risk tolerance and also a determination of what constitutes an appropriate level of risk for us.

While the Board of Directors has the ultimate oversight responsibility for the risk management process, various committees of the Board also have responsibility for risk assessment and risk management. As discussed under "Committees of the Board," the Board has created a Risk Oversight Committee that oversees the standards, controls, limits, guidelines and policies that our Company establishes and implements in respect of credit underwriting and risk management. It focuses on management's assessment and management of both (i) credit risks and (ii) other risks, including, but not limited to, financial, legal and operational risks, and risks relating to our reputation and ethical standards. Our Risk Oversight Committee and Board pay particular attention to credit risks we assume when we issue financial guaranties. In addition, the Audit Committee of the Board of Directors is responsible for reviewing policies and processes related to the evaluation of risk assessment and risk management, including our major financial risk exposures and the steps management has taken to monitor and control such exposures. It also reviews compliance with legal and regulatory requirements. The Finance Committee of the Board of Directors oversees the investment of the Company's investment portfolio and the Company's capital structure, financing arrangements and any corporate development activities in support of the Company's financial plan. The Nominating and Governance Committee of the

Board of Directors oversees risk at the Company by developing appropriate corporate governance guidelines and identifying qualified individuals to become board members.

As part of its oversight of executive compensation, the Compensation Committee reviews compensation risk. The Compensation Committee oversaw the performance of a risk assessment of our employee compensation program to determine whether any of the risks arising from our compensation program are reasonably likely to have a material adverse effect on us. Since January 2011, the Compensation Committee has retained Cook to perform an annual review of each of our compensation plans and identify areas of risk and the extent of such risk. The Compensation Committee directs that our Chief Risk Officer work with Cook to perform such risk assessment and to be sure that compensation risk is included in our enterprise risk management system. In conducting this assessment, Cook performs a systemic, qualitative review of all of our incentive compensation programs and reviews its findings with our Chief Risk Officer for completeness and accuracy. Cook seeks to identify any general areas of risk or potential for unintended consequences that exist in the design of our compensation programs and to evaluate our incentive plans relative to our enterprise risks to identify potential areas of concern, if any.

Cook undertook a compensation risk assessment most recently in 2017 and concluded that our incentive plans are well-aligned with sound compensation design principles and do not encourage behaviors that would create material risk for our Company. Our Chief Risk Officer reviewed their findings and agreed with their conclusion. Based on this update, the Compensation Committee continued to find that there is an appropriate balance between the risks inherent in our business and our compensation program.

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**COMPENSATION COMMITTEE INTERLOCKING AND INSIDER PARTICIPATION**

The Compensation Committee of our Board of Directors has responsibility for determining the compensation of our executive officers. None of the members of the Compensation Committee is a current or former officer or employee of our Company. No executive officer of our Company serves on the compensation committee of any company that employs any member of the Compensation Committee.

**WHAT IS OUR RELATED PERSON TRANSACTIONS APPROVAL POLICY AND WHAT PROCEDURES DO WE USE TO IMPLEMENT IT?**

Through our committee charters, we have established review and approval policies for transactions involving our Company and related persons, with the Nominating and Governance Committee taking the primary approval responsibility for transactions with our executive officers and directors and the Audit Committee taking the primary approval responsibility for transactions with 5% shareholders. No member of these committees who has an interest in a transaction being reviewed is allowed to participate in any decision regarding any such transaction.

Our Nominating and Governance Committee charter requires the Nominating and Governance Committee to review and approve or disapprove of all proposed transactions with executive officers and directors that, if entered into, would be required to be disclosed pursuant to Item 404 of Regulation S-K, the SEC provision which requires disclosure of any related person transaction with our Company that exceeds \$120,000 per fiscal year. The Nominating and Governance Committee must also review reports, which our General Counsel provides periodically, and not less often than annually, regarding transactions with executive officers and directors (other than compensation) that have resulted, or could result, in expenditures that are not required to be disclosed pursuant to Item 404 of Regulation S-K.

Our Audit Committee charter requires our Audit Committee to review and approve or disapprove all proposed transactions with any person owning more than 5% of any class of our voting securities that, if entered into, would be required to be disclosed pursuant to Item 404 of Regulation S-K. In addition, our Audit Committee charter requires the Audit Committee to review reports regarding such transactions, which our General Counsel provides to the Audit Committee periodically, and not less often than annually, regarding transactions with any persons owning more than 5% of any class of the voting securities of AGL that have resulted, or could result, in expenditures that are not required to be disclosed pursuant to Item 404 of Regulation S-K. Our Audit Committee charter also requires the Audit Committee to review other reports and disclosures of insider and affiliated party transactions which our General Counsel provides periodically, and not less often than annually.

Our General Counsel identifies related party transactions requiring committee review pursuant to our committee charters from transactions that are:

disclosed in director and officer questionnaires (which must also be completed by nominees for director) or in certifications of Code of Conduct compliance

reported directly by the related person or by another employee of our Company

reported by our Chief Financial Officer based on a list of directors, executive officers and known 5% shareholders. If we have a related person transaction that requires committee approval in accordance with the policies set forth in our committee charters, we either seek that approval before we enter into the transaction or, if that timing is not practical, we ask the appropriate committee to ratify the transaction.

#### WHAT RELATED PERSON TRANSACTIONS DO WE HAVE?

From time to time, institutional investors, such as large investment management firms, mutual fund management organizations and other financial organizations become beneficial owners (through aggregation of holdings of their affiliates) of 5% or more of a class of our voting securities and, as a result, are considered related persons under the SEC's rules. These organizations may provide services to us. In 2016, the following transactions occurred with investors who reported beneficial ownership of 5% or more of our voting securities.

As indicated in "Which Shareholders Own More Than 5% of Our Common Shares," Wellington Management Group LLP (Wellington Management) and BlackRock, Inc. (BlackRock) own approximately 8.29% and 5.35% of AGL's Common Shares outstanding, respectively, as of March 8, 2017, based on the amount of Common Shares they reported in their Schedule 13G.

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What Related Person Transactions Do We Have?

filings. We appointed both Wellington Management and BlackRock as investment managers to manage certain of our investment accounts prior to their reaching such ownership thresholds. As of December 31, 2016, Wellington Management managed approximately \$2.3 billion of our investment assets, which is approximately 21% of our total fixed maturity and short-term investment portfolio, and BlackRock managed approximately \$2.4 billion of our investment assets, which is approximately 22% of our total fixed maturity and short-term investment portfolio. In 2016, we incurred expenses of approximately \$1.9 million related to our investment management agreement with Wellington Management and \$2.3 million with respect to our investment management and investment reporting agreements with BlackRock.

In addition, as previously disclosed, we repurchased 297,131 common shares from our CEO and 23,062 common shares from our General Counsel on January 6, 2017 at a per share price equal to \$38.73, the closing price of one of our Common Shares on the New York Stock Exchange on such date, with our CEO receiving aggregate proceeds of \$11,507,883.63 and our General Counsel receiving aggregate proceeds of \$893,191.26 from such repurchases. Our CEO and General Counsel also separately received 297,131 and 23,062 Common Shares, respectively, on January 6, 2017 in settlement of 297,131 share units and 23,062 share units which such officers held in the employer stock fund of the Assured Guaranty Ltd. Supplemental Employee Retirement Plan that were required to be distributed in January 2017 to comply with requirements of IRC Sections 409A and 457A.

**DID OUR INSIDERS COMPLY WITH SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING IN 2016?**

Our executive officers and directors are subject to the reporting requirements of Section 16 of the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act. We believe that all of our executive officers and directors complied with all filing requirements imposed by Section 16(a) of the Exchange Act on a timely basis during fiscal year 2016, except that due to an administrative error, Mr. Borges was late in reporting four purchase transactions, which have subsequently been reported.

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**PROPOSAL NO. 1: ELECTION OF DIRECTORS**

**GENERAL**

Our Bye-Laws provide for a maximum of 21 directors and empower our Board of Directors to fix the exact number of directors and appoint persons to fill any vacancies on the Board until the next Annual General Meeting. The Board may appoint any person as a director to fill a vacancy on the Board occurring as the result of any existing director being removed from office pursuant to the Bye-Laws or prohibited from being director by law; being or becoming bankrupt or making any arrangement or composition with his or her creditors generally; being or becoming disqualified, of unsound mind, or dying; or resigning. The Board may also appoint a person as a director to fill a vacancy resulting from an increase in the size of the Board or a vacancy left unfilled at an Annual General Meeting.

Our Board currently consists of 10 members. Following the recommendation of the Nominating and Governance Committee, our Board of Directors has nominated Francisco L. Borges, G. Lawrence Buhl, Dominic J. Frederico, Bonnie L. Howard, Thomas W. Jones, Patrick W. Kenny, Alan J. Kreczko, Simon W. Leathes, Michael T. O Kane and Yukiko Omura as directors of AGL. Proposal No. 1 is Item 1 on the proxy card.

Our directors are elected annually to serve until their respective successors shall have been elected.

It is the intention of the persons named as proxies, subject to any direction to the contrary, to vote in favor of the candidates nominated by the Board of Directors. We know of no reason why any nominee may be unable to serve as a director. If any nominee is unable to serve, your proxy may vote for another nominee proposed by the Board, or the Board may reduce the number of directors to be elected.

We have set forth below information with respect to the nominees for election as directors. There are no arrangements or understandings between any director and any other person pursuant to which any director was or is selected as a director or nominee.



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Nominees for Director

**NOMINEES FOR DIRECTOR**

**Francisco L. Borges**

**Chairman of the Board**

**Director Since:** 2007

**Committee Memberships:**

Nominating and Governance (Chair),

Executive (Chair)

**Qualifications:**

Mr. Borges has expertise in finance arising from his experience structuring and marketing financial guaranty insurance. In addition, his public service background has given him insight on public finance. His current position gives Mr. Borges insights into the financial markets in which our Company operates. Each of these areas is important to our business.

**Biography:**

Mr. Borges, age 65, became a director of AGL in August 2007, and has been Chairman of our Board of Directors since May 2015. He is Chairman of Landmark Partners, LLC, an alternative investment management firm where he has been employed since 1999. Prior to joining Landmark, Mr. Borges was managing director of GE Capital's Financial Guaranty Insurance Company and capital markets subsidiaries. Mr. Borges is a former Treasurer for the State of Connecticut and a former Deputy Mayor of the City of Hartford, Connecticut. Mr. Borges serves on the board of directors for Connecticut Public Broadcasting Network, the Knight Foundation, and Millbrook School. He is also a

member of the board of directors of Davis Selected Funds, where he serves on the Pricing Committee, and Leucadia National Corporation, where he serves on the Audit Committee and the Nominating and Governance Committee.

### **G. Lawrence Buhl**

#### **Independent Director**

**Director Since:** 2004

#### **Committee Memberships:**

Audit (Chair),

Compensation

#### **Qualifications:**

Mr. Buhl's insurance and Board experience and his knowledge of specific financial reporting requirements applicable to financial guaranty companies and familiarity with compliance, finance, governance, control environment and risk management requirements and processes for public companies and the financial guaranty industry benefit the Board in its deliberations and oversight.

#### **Biography:**

Mr. Buhl, age 70, became a director of AGL upon completion of our 2004 initial public offering. Through 2003, Mr. Buhl served as the Regional Director for Insurance Services in Ernst & Young LLP's Philadelphia, New York and Baltimore offices and as audit engagement partner for insurance companies, including those in the financial guaranty industry. Mr. Buhl began in 2004 to serve as a director for Harleysville Group, Inc. (NASDAQ: HGIC) and its majority shareholder, Harleysville Mutual Insurance Company, through their 2012 merger/combination with Nationwide Mutual Insurance Company and served on an Advisory Board to Nationwide through April 2014. Mr. Buhl has been a member of the Board of Directors of Penn National Insurance Group in Harrisburg, PA since April 2015 and is also an emeritus member of the Board of Sponsors of the Sellinger School of Business and Management of Loyola University Maryland.

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**Dominic J. Frederico**

**Chief Executive Officer**

**Director Since:** 2004

**Committee Memberships:**

Executive

**Qualifications:**

Mr. Frederico has the most comprehensive knowledge of all aspects of our operations as well as executive experience. He also has extensive industry experience, which makes him valuable both as an officer and as a director of AGL.

**Biography:**

Mr. Frederico, age 64, has been a director of AGL since our 2004 initial public offering, and the President and Chief Executive Officer of AGL since 2003. Mr. Frederico served as Vice Chairman of ACE Limited from 2003 until 2004 and served as President and Chief Operating Officer of ACE Limited and Chairman of ACE INA Holdings, Inc. from 1999 to 2003. Mr. Frederico was a director of ACE Limited from 2001 through May 2005. From 1995 to 1999 Mr. Frederico served in a number of executive positions with ACE Limited. Prior to joining ACE Limited, Mr. Frederico spent 13 years working for various subsidiaries of the American International Group.

**Bonnie L. Howard**

**Independent Director**

**Director Since:** 2012

**Committee Memberships:**

Risk Oversight (Chair),

Nominating and Governance

**Qualifications:**

Ms. Howard's background in audit, finance and enterprise risk management is valuable to the Board in its oversight of our financial reporting and credit and risk management policies.

**Biography:**

Ms. Howard, age 63, became a director of AGL in August 2012. Ms. Howard has more than 30 years of experience in credit, risk management and financial reporting policies. She worked at Citigroup, Inc. from 2003 to 2011, serving as Chief Auditor from 2004 to 2011 and Global Head of Control and Emerging Risk from 2010 to 2011, leading a team of over 1,500 professionals covering \$1.9 trillion of assets in over 100 countries, until her retirement in 2011. She was previously Managing Director of Capital Markets Audit at Fleet Boston Financial and a Managing Director at JPMorgan in the roles of Deputy Auditor and head of Global Markets Operational Risk Management. Ms. Howard is a certified public accountant in the United States and has over a decade of experience with KPMG and Ernst and Young. Ms. Howard currently serves on the board of directors of BMO Financial Corp., where she is a member of the Audit Committee. She is also a member of the board of directors of BMO Harris Bank N.A., where she chairs the Directors' Trust Committee and the Audit Committee.

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Nominees for Director

**Thomas W. Jones**

**Independent Director**

**Director Since:** 2015

**Committee Memberships:**

Audit,

Finance

**Qualifications:**

Mr. Jones' background has given him extensive experience in investment management and in the operations of large financial institutions, which is valuable to the Board. His previous service on the boards of other financial services companies and the Federal Reserve Bank of New York adds value to the Board and Board committee deliberation.

**Biography:**

Mr. Jones, age 67, became a director of AGL in August 2015. Mr. Jones is the founder and senior partner of venture capital firm TWJ Capital LLC. Prior to founding TWJ Capital in 2005, he was the chief executive officer of Global Investment Management at Citigroup, which included Citigroup Asset Management, Citigroup Alternative Investments, Citigroup Private Bank and Travelers Life & Annuity. Earlier, he held a series of positions at TIAA-CREF, including vice chairman and director, president and chief operating officer, and executive vice president and chief financial officer, and at John Hancock Mutual Life Insurance Company, where he rose to senior vice president and treasurer. He began his career in public accounting and management consulting, primarily at Arthur Young & Company (predecessor to Ernst & Young).

Mr. Jones is a current director of Altria Group, where he is a member of the Compensation, Finance and Audit committees. A trustee emeritus of Cornell University, Mr. Jones has served on numerous boards in the past, including

those of the Federal Reserve Bank of New York (where he was vice chairman), Freddie Mac, Travelers Group, Fox Entertainment Group, Pepsi Bottling Group and TIAA-CREF.

**Patrick W. Kenny**

**Independent Director**

**Director Since:** 2004

**Committee Memberships:**

Compensation (Chair),

Nominating and Governance, Executive

**Qualifications:**

Mr. Kenny has extensive insurance industry experience, including executive experience within the industry. In addition, the Board benefits from Mr. Kenny's experience as an accountant.

**Biography:**

Mr. Kenny, age 74, became a director of AGL upon completion of our 2004 initial public offering. He served as the President and Chief Executive Officer of the International Insurance Society in New York, an organization dedicated to fostering the exchange of ideas through a program of international seminars and sponsored research, from 2001 to 2009. From 1998 to 2001, Mr. Kenny served as executive vice president of Frontier Insurance Group, Inc. From 1995 to 1998, Mr. Kenny served as senior vice president of SS&C Technologies. From 1988 to 1994, Mr. Kenny served as Group Executive, Finance & Administration and Chief Financial Officer of Aetna Life & Casualty. Mr. Kenny serves on the board of directors of several Voya funds. Until December 2009, Mr. Kenny was a director and member of the Audit and the Compensation committees of Odyssey Re Holdings Corp. Mr. Kenny was also a director of the Independent Order of Foresters from 1997 to 2009.

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**Alan J. Kreczko**

**Independent Director**

**Director Since:** 2015

**Committee Memberships:**

Audit,

Finance

**Qualifications:**

Mr. Kreczko's lengthy service in senior legal and policy positions both in the federal government and in the insurance industry and the global and governmental perspective he has gained are valuable to the Board.

**Biography:**

Mr. Kreczko, age 65, became a director of Assured Guaranty Ltd. in August 2015. Mr. Kreczko retired from The Hartford Financial Services Group, Inc. ( The Hartford ) on December 31, 2015, where he served as executive vice president and general counsel from June 2007 until June 2015. In that capacity, Mr. Kreczko oversaw the law department, government affairs, compliance and communications. Additionally he chaired The Hartford's Environment Committee. From June 2015 until December 2015, he served as Special Advisor to the CEO.

He joined The Hartford in 2003 after 27 years in public service at the United States Department of State, where he held various senior positions. As the Acting Assistant Secretary of State for Population, Refugees and Migration, he led the department's response to humanitarian crises in conflict situations, including Afghanistan, Timor, and West Africa. Before that, Mr. Kreczko served as special assistant to President Clinton and legal advisor to the National Security Council. Earlier, he participated in sensitive bilateral and multilateral negotiations as deputy general counsel to the Department of State and as legal advisor to the personal representatives for Middle East negotiations of Presidents Carter and Reagan. Mr. Kreczko is the Executive Vice Chair of the Boys and Girls Clubs of Hartford and serves on the board of directors of the Mark Twain House.

**Simon W. Leathes**

## **Independent Director**

**Director Since:** 2013

### **Committee Memberships:**

Compensation,

Risk Oversight,

Executive

### **Qualifications:**

Mr. Leathes' considerable experience in investment and risk management, as well the institutional knowledge gained through his directorships of our Company's U.K. affiliates, is valuable to the Board and its committees.

### **Biography:**

Mr. Leathes, age 69, joined the Board of AGL in May 2013. Since 2012, Mr. Leathes has been a non-executive director of HSBC Bank plc and is a member of its Risk Committee and its Audit Committee; he is also a non-executive director and member of the Audit and Risk Committees of HSBC Trinkaus & Burkhardt AG. In December 2011, he became an independent, non-executive director of our Company's U.K. insurance subsidiaries, Assured Guaranty (Europe) Ltd. and Assured Guaranty (UK) Ltd.; in January 2017 he was appointed to the same non-executive director role with Assured Guaranty (London) Ltd. after it was acquired by our Company. Since 1996, Mr. Leathes has served as a non-executive director of HSB-Engineering Insurance Ltd., a U.K. subsidiary of Munich Re, where he is the chairman of the Audit and Finance committee.

Mr. Leathes served as Vice Chairman and Managing Director of Barclays Capital, the investment banking subsidiary of Barclays plc, from January 2001 until his retirement in December 2006. In addition, he served from 2001 to 2010 as a non-executive director of Kier Group plc, a company listed on the London Stock Exchange, where he also served as chairman of the Audit Committee and a member of the Remuneration and Nominations committees. Until June 2014, Mr. Leathes served as the chairman of the trustees of the Kier Group Pension Scheme.



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Nominees for Director

**Michael T. O Kane**

**Independent Director**

**Director Since:** 2005

**Committee Memberships:**

Finance (Chair),

Audit

**Qualifications:**

Mr. O Kane s background has given him considerable experience in investment and risk management, both of which are key aspects of our business and are important to the Board and Board committee deliberation.

**Biography:**

Mr. O Kane, age 71, became a director of AGL in August 2005. From 1986 until his retirement in August 2004, Mr. O Kane was employed at TIAA-CREF (financial products) in a number of different capacities, most recently as Senior Managing Director, Securities Division. In that capacity, he oversaw approximately \$120 billion of fixed income assets and approximately \$3.5 billion of private equity fund investments. Since 2006, Mr. O Kane served as a director of Jefferies Group, Inc., where he was a member of the Audit, Compensation and Governance committees. In March 2013, Jefferies merged into Leucadia National Corporation, where Mr. O Kane now serves as the lead director and as a member of the Compensation and the Nominating and Governance committees.

**Yukiko Omura**

## **Independent Director**

**Director Since:** 2014

### **Committee Memberships:**

Finance,

Risk Oversight

### **Qualifications:**

Ms. Omura brings more than 30 years of international professional experience in the financial sector working in all major financial centers of the world. Her global experience adds considerable value to the Board.

### **Biography:**

Ms. Omura, age 61, joined the Board of AGL in May 2014. She is a non-executive member of the Board of Directors of GuarantCo (established by the Private Infrastructure Development Group organization), where she is chair of the Asset and Liability Management Committee and a member of the Audit, Credit and New Business committees; a Supervisory Board Member of Amatheon Agri Holding N.V.; and an Advisory Board Member of CG/LA Infrastructure. Ms. Omura is also a non-executive director of Nishimoto HD Co. Ltd. She served as Undersecretary General and Vice President of the International Fund for Agricultural Development (IFAD) and, prior to that, as Executive Vice President and CEO of the Multilateral Investment Guarantee Agency (MIGA) of the World Bank Group.

Ms. Omura began her career as a project economist with the Inter-American Development Bank, then worked in senior positions at several major investment banks in Tokyo, New York and London over the course of her career, including JP Morgan, Lehman Brothers, UBS and Dresdner Bank. At UBS and Dresdner Bank, she was the Managing Director and Head of Global Markets and Debt Office, Japan.

In 2002, Ms. Omura created the HIV/AIDS Prevention Fund, a charitable company based in London.

**Table of Contents****INFORMATION ABOUT OUR COMMON SHARE OWNERSHIP****HOW MUCH STOCK IS OWNED BY DIRECTORS AND EXECUTIVE OFFICERS?**

The following table sets forth information, as of March 8, 2017, the record date for our Annual General Meeting, except as otherwise expressly provided, regarding the beneficial ownership of our Common Shares by our directors and executive officers whose compensation is reported in the compensation tables that appear later in this proxy statement, to whom we refer as our named executive officers, and by our directors and executive officers as a group. Unless otherwise indicated, the named individual has sole voting and investment power over the Common Shares under the column Common Shares Beneficially Owned. The Common Shares listed for each director and executive officer constitute less than 1% of our outstanding Common Shares, except that Mr. Frederico beneficially owns approximately 1.31% of our Common Shares. The Common Shares beneficially owned by all directors and executive officers as a group constitute approximately 2.62% of our outstanding Common Shares.

Name of Beneficial Owner	Common Shares Beneficially Owned	Unvested Restricted Common Shares <sup>(1)</sup>	Restricted Share Units <sup>(2)</sup>	Common Shares Subject to Option <sup>(3)</sup>
Robert A. Bailenson	112,429		155,051	53,558
Francisco L. Borges	192,878	14,275		7,658
Russell B. Brewer II	99,327		108,196	29,362
G. Lawrence Buhl	47,262	4,693		7,026
Dominic J. Frederico	1,108,659 <sup>(4)</sup>		520,388	512,055
Bonnie L. Howard	19,197	4,693		
Thomas W. Jones	8,844	4,693		
Patrick W. Kenny	48,136	5,866		13,561
Alan J. Kreczko	7,623	10,559		
Simon W. Leathes	8,388	4,693		
James M. Michener	287,266		101,558	
Michael T. O Kane	43,126	4,693		7,026
Yukiko Omura	4,964	4,693		
Bruce E. Stern	90,809		69,918	24,925
All directors and executive officers as a group (15 individuals)	2,174,377	58,858	1,049,955	694,590

(1) The reporting person has the right to vote (but not dispose of) the Common Shares listed under Unvested Restricted Common Shares.

(2) The Common Shares associated with restricted share units are not deliverable as of March 8, 2017 or within 60 days of March 8, 2017 and therefore cannot be voted or disposed of within such time period. As a result, these shares are not considered beneficially owned under SEC rules. We include them in the table above, however, because we view them as an integral part of share ownership by our executive officers. The restricted share units held by our executive officers vest on specified anniversaries of the date of the award,

with Common Shares delivered upon vesting.

This column includes 37,907 share units allocated to Mr. Bailenson and 28,872 share units allocated to another executive officer, due to their elections to invest a portion of their AG US Group Services Inc. Supplemental Executive Retirement Plan accounts in an employer stock fund.

- (3) Represents Common Shares which the reporting person has the right to acquire as of March 8, 2017 or within 60 days of March 8, 2017 pursuant to options. The options have terms of either ten years or seven years from the date of grant.
- (4) Includes shares owned by Mr. Frederico's spouse and daughter, and shares owned by a family trust, over which Mr. Frederico has the power to direct the voting and disposition.

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## Which Shareholders Own More Than 5% of Our Common Shares?

**WHICH SHAREHOLDERS OWN MORE THAN 5% OF OUR COMMON SHARES?**

The following table shows all persons we know to be direct or indirect owners of more than 5% of our Common Shares as of the close of business on March 8, 2017, the record date for the Annual General Meeting, except to the extent indicated. On March 8, 2017, 124,130,784 Common Shares were outstanding, including 58,858 unvested restricted Common Shares. Our information is based on reports filed with the SEC by each of the firms listed in the table below. You may obtain these reports from the SEC.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percent of Class
The Vanguard Group  100 Vanguard Blvd.  Malvern, PA 19355	12,243,914 <sup>(1)</sup>	9.86%
Wellington Management Group LLP  280 Congress Street  Boston, MA 02210	10,290,880 <sup>(2)</sup>	8.29%
BlackRock, Inc.  55 East 52nd Street  New York, NY 10055	6,640,618 <sup>(3)</sup>	5.35%

(1) Based on a Schedule 13G/A filed by The Vanguard Group on February 9, 2017, reporting the amount of securities beneficially owned as of December 31, 2016. The Vanguard Group has sole voting power over 78,968 shares, shared voting power over 15,544 shares, sole dispositive power over 12,156,935 shares and shared dispositive power over 86,979 shares.

(2) Based on a Schedule 13G/A filed by Wellington Management Group LLP on February 9, 2017, reporting the amount of securities beneficially owned as of December 30, 2016. Wellington Management Group LLP has shared voting power over 8,059,437 shares and shared dispositive power over 10,290,880 shares.

- (3) Based on a Schedule 13G/A filed by BlackRock, Inc. on January 30, 2017, reporting the amount of securities beneficially owned as of December 31, 2016. BlackRock, Inc. has sole voting power over 5,963,827 shares and sole dispositive power over 6,640,618 shares.

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**EXECUTIVE COMPENSATION**

**COMPENSATION DISCUSSION AND ANALYSIS**

**CD&A ROADMAP**

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**SUMMARY**

Our executive compensation program is designed to attract and retain talented and experienced business leaders who drive our corporate strategies and build long-term shareholder value.

The Guiding Principles of Our Program are:

<b>Pay for performance,</b>	<b>Accountability,</b>	<b>Alignment,</b>	<b>Retention,</b>
by providing an incentive for exceptional performance and the possibility of reduced compensation if executives are unable to successfully execute our strategies	for short-and long-term performance	with shareholder interests	of highly qualified executives with financial guaranty experience

We assess performance using pre-established measures of success that are tied to our key business strategies. We encourage balanced performance, measured relative to financial, non-financial and share price goals, and discourage excessive risk taking or undue leverage by avoiding too much emphasis on any one metric or on short-term results.



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Compensation Discussion and Analysis Summary

**2016 Highlights**

In 2016, we earned net income of \$881 million, or \$6.56 per share, and operating income (non-GAAP)\* of \$895 million, or \$6.68 per share. Our net income per share was the second-highest since we went public in 2004, and our operating income (non-GAAP) per share was the highest since we went public. We increased our shareholders equity per share, non-GAAP operating shareholder's equity per share\* and non-GAAP adjusted book value per share\* to record levels, of \$50.82, \$49.89 and \$66.46, respectively. We also increased our financial strength by deleveraging our insured portfolio; in 2016, we terminated \$7.2 billion of insured exposure. We have reduced our ratio of GAAP net par outstanding to non-GAAP operating shareholders' equity from 157:1 at December 31, 2009 to 46:1 at December 31, 2016.

These results were driven in part by our accomplishment of the following key objectives:

**We increased new business production, with contributions from our U.S. public finance, international infrastructure and global structured finance business.**

Our gross written premium, at \$154 million, was the second highest in four years.

The present value of our premium production (PVP)\*, a non-GAAP financial measure we use to measure our new business production, at \$214 million, was the highest it has been in four years.

In the U.S. public finance market, we continued to lead the market with a 56% share of all insured new-issue par and 48% of the insured transactions. We guaranteed 18 U.S. public finance transactions where we provided \$100 million or more of bond insurance, for a total of \$2.8 billion in gross par written.

**We further managed our capital, primarily by returning excess capital to our shareholders through repurchases of our Common Shares and quarterly dividends.**

We returned approximately \$375 million during 2016 through repurchasing shares (\$306 million) and dividends (\$69 million).

In 2016, we obtained regulatory approval for, and effectuated, a \$300 million stock redemption by our subsidiary Assured Guaranty Municipal Corp., which we refer to as AGM, which enables our Company to have additional capacity to repurchase shares and manage our capital.

Over the last four years we have distributed approximately \$2.0 billion to our shareholders through share repurchases and dividends, representing over 73% of our market capitalization at December 31, 2012.

**We improved our financial results by using alternative strategies, including making acquisitions.**

We closed our acquisition of the parent of CIFG Assurance North America, Inc., which we refer to as CIFG. In 2016, the acquisition contributed net income and operating income (non-GAAP) of approximately \$2.41 per share and \$2.38 per share, respectively. Shareholders' equity and non-GAAP operating shareholders' equity benefited by \$2.23 per share, and non-GAAP adjusted book value benefited by \$3.85 per share, as of the acquisition date. Through this transaction, we acquired an insured portfolio of \$4.2 billion of net par.

We signed a purchase agreement for, and subsequently consummated in 2017, the purchase of MBIA UK Insurance Limited (MBIA UK), which we have renamed Assured Guaranty (London) Ltd. Through Assured Guaranty (London), we acquired a guaranteed portfolio of \$12 billion of net par.

We formed an alternative investments group to focus on deploying a portion of our excess capital to pursue acquisitions and develop new business opportunities that complement our financial guaranty business, are in line with our risk profile and benefit from our core competencies.

\*Non-GAAP operating shareholder's equity per share, non-GAAP adjusted book value per share, operating income (non-GAAP) and PVP are non-GAAP financial measures. An explanation of these measures, which are considered when setting executive compensation, and a reconciliation to the most comparable GAAP measures, may be found on pages 94 to 98 of our Annual Report on Form 10-K for the year ended December 31, 2016.

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**We created value from our insured portfolio through loss mitigation and other loss recovery strategies.**

We continued to manage our exposure to the Commonwealth of Puerto Rico and its related authorities and public corporations, including by lobbying Congress to approve the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) legislation and continuing dialogue with the PROMESA Oversight Board, the Commonwealth governor and other creditors and stakeholders.

We reduced the total amount of below investment grade exposure in the insured portfolio by \$2.1 billion (14%).

We terminated \$7.2 billion of insured net par outstanding, which helped increase our excess capital.

We reduced our total collateral posting under derivatives to \$116 million against \$690 million of par, compared to year-end 2015, when we were posting \$305 million against \$3.8 billion of par.

**We achieved these results despite a persistently challenging business environment.**

Over the last several years, municipal bond yields have been at historically low levels and credit spreads have been tight, making our product less attractive to issuers.

We continued to face competition in an already tight market from a second financial guaranty insurer that focuses on a smaller portion of the market than we do and provides price competition in those markets where we overlap.

The achievements described in this section were important considerations in determining the compensation of our named executive officers for the year.

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## Compensation Discussion and Analysis Summary

**Our Total Shareholder Return**

For the fourth year in a row, the price of our Common Shares continued to improve, closing at \$37.77 on December 31, 2016. The table and chart below depicts the dollar change in the total shareholder return (TSR) on our Common Shares from December 31, 2012 through December 31, 2016 as compared to the cumulative total return of the Standard & Poor's 500 Stock Index and the cumulative total return of the Standard & Poor's 500 Financials Index over the same period. The table and chart depict the value on December 31, 2012, December 31, 2013, December 31, 2014, December 31, 2015 and December 31, 2016 of a \$100 investment made on December 31, 2012, with all dividends reinvested:

	Assured Guaranty	S&P 500 Index	S&P 500 Financial Index
12/31/2012	100.00	100.00	100.00
12/31/2013	168.84	132.37	135.59
12/31/2014	189.42	150.48	156.17
12/31/2015	196.05	152.54	153.74
12/31/2016	285.45	170.77	188.71

On an annual basis, our 46% TSR significantly exceeded the S&P 500 Index's 12% return and the S&P 500 Financial Index's 23% return.

Our TSR also exceeded the average TSR of our comparison group over all the periods measured. Our comparison group is described on page 42 under Executive Compensation Comparison Group.

**Total Shareholder Return Comparison**

	Comparison Group	
	Average TSR	Assured Guaranty TSR
1 Year	31.6%	45.6%
2 Years	33.8%	69.1%
3 Years	167.7%	217.4%

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**2016 Results Against Targets**

In November 2015, the Compensation Committee established targets for five financial performance goals for our executive officers for the 2016 performance year. The financial performance goals are the same as those that the Compensation Committee used when assessing the executive officers' achievements for the 2015 and 2014 performance years. The targets are based on the business plan that the Board of Directors reviewed and approved in November 2015.

Page 30 under "Executive Compensation Program Structure and Process" contains a detailed description of the financial performance goals, and why the Compensation Committee considers them to be important in assessing our Company and our executive officers' performance. All of these are non-GAAP financial measures. We refer to four of these financial measures as "core" to distinguish them from other similar non-GAAP financial measures that have not been adjusted to exclude the impact of consolidating financial guaranty variable interest entities, which we refer to as FG VIEs. The four "core" measures have been adjusted to exclude the impact of consolidating FG VIEs. Page 45 under "Non-GAAP Financial Measures" contains a description of the adjustments we make to most comparable GAAP financial measures to arrive at these measures.

The table below summarizes our 2016 results against the targets.

2016 RESULTS	BELOW TARGET
ion \$214 million	
\$6.58	
\$49.95	
14.3%	
\$66.64	

The Compensation Committee viewed all of the 2016 targets for the financial performance goals as challenging in light of current market conditions, particularly interest rate levels. It had set all of the 2016 targets above the comparable 2015 targets and, with the exception of core operating income per diluted share and core operating return on equity (ROE), above the comparable 2015 actual results.

The 2016 targets for core operating income and core operating ROE took into account the Compensation Committee's belief that those measures were likely to be lower in 2016 than in 2015 due to:

the anticipated decline of earned premium resulting from the projected amortization of our insured portfolio reduced opportunities for recoveries stemming from third party breaches of representations and warranties in residential mortgage-backed securities transactions we insured  
uncertainty over our ability to consummate acquisition transactions, such as the purchase of Radian Asset Assurance Inc. in 2015, which significantly impacted core operating income and core operating ROE in that year  
The Compensation Committee was aware that, given the anticipated decline of earned premium and reduced opportunities for recoveries on residential mortgage-backed bond representations and warranties, the executive officers also would be required to manage losses and control expenses to meet all of the targets except for PVP.

In 2016, we achieved or exceeded all but one of the targets for the financial performance goals.

We exceeded our goal for core operating income per diluted share by 110%; our core operating income per diluted share of \$6.58 was a new record. Operating income was higher than target due primarily to our acquisition of CIFG and higher net earned premiums and credit derivative revenues, offset in part by higher loss expense. The increase in net earned premiums and credit derivative revenues was due to transactions that the issuers refunded and termination of insured exposure, as well as our acquisition of CIFG.

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Compensation Discussion and Analysis Summary

Core operating shareholders' equity per share and core adjusted book value (ABV) per share reached their highest levels in our history, propelled by our efficient management of capital, our acquisition of CIFG, our loss mitigation activities, and the generation of PVP through the underwriting of new business.

We exceeded our goal for core operating ROE by 104%. Core operating ROE was higher than target due primarily to the increase in core operating income. Our returning excess capital to our shareholders through repurchases of our Common Shares also had a favorable impact on core operating ROE.

We missed the PVP financial performance goal, but only by 8%. Our 2016 PVP exceeded by 20% our 2015 PVP, and exceeded by 50% our 2013 PVP. This represents the third time that PVP increased year over year since our combination with Financial Security Assurance. In the U.S. public finance market, we estimate we wrote 56% of the total insured par and 48% of the total number of insured transactions in 2016. The achievement is significant in light of our maintaining our underwriting and pricing principles despite the challenging business environment we continue to face.

The weighted average achievement score resulting from the Company's success in exceeding all but one of its financial performance goals in 2016 was 90.45%, as described under "CEO Performance Review - Cash Incentive", and constituted two-thirds of each executive officer's total achievement score used to calculate that executive officer's cash incentive compensation amount.

Our executive officers achieved these results despite a persistently challenging business environment that included low interest rates, tight credit spreads and competition in some markets.

Average municipal interest rates were extremely low during 2016, with the benchmark AAA 30-year Municipal Market Data index published by Thomson Reuters (MMD Index), at times below 2%, a threshold not previously crossed. In this environment, investors have been more willing to purchase lower rated municipal bonds at tighter credit spreads (that is, the difference in yield between a municipal bond with a rating of less than triple-A and that of an index of triple-A municipal bonds of similar maturity) than was typical in other environments, driving down credit spreads. Our financial guaranty insurance reduces the cost of issuance for an issuer by reducing the credit spread an investor demands to buy the insured bond rather than a comparable uninsured bond. With absolute interest rates so low and credit spreads so tight, some issuers are less willing to pay a premium for us to insure their bonds because the insurance may not substantially reduce their cost of issuance.

Based on third-party compilations, we estimate that we insured approximately 56% of the par of insured U.S. public finance bonds issued in the primary market in 2016. In comparison, a second financial guaranty insurer that focuses on a smaller portion of the market than we do provided price competition in those markets where we overlap, and insured 40% of the par. This competitor is effective in competing with us for small to medium-sized U.S. public finance transactions in certain sectors, and its pricing and underwriting strategies have a negative impact on the

amount of premium we are able to charge for our insurance for such transactions. A third financial guaranty insurer insured the remaining 4% balance. We expect the continued presence of these competitors in the market will affect our insured volume as well as the amount of premium we are able to charge, especially in the current environment of low interest rates and tight credit spreads.

### **Snapshot of Our CEO's 2016 Compensation**

For 2016, approximately 90% of Mr. Frederico's compensation constituted incentive compensation: 40% was in the form of a performance-based cash incentive that was awarded based on measuring performance against financial performance goals and non-financial objectives set at the beginning of the year, and 49% was in the form of a long-term equity-based incentive, with half of that award subject to achieving pre-established share price hurdles.

Based on Mr. Frederico's achievements over 2016, including especially our Company's success in exceeding all but one of the financial performance goals established by the Compensation Committee, in certain cases, by a wide margin; our continuing to write new business (with contributions from our U.S. public finance, international infrastructure and global structured finance businesses) despite a challenging interest rate environment; our success in acquiring CIFG and in reaching an agreement to acquire MBIA UK; and the prominent role our Company continues to assume in the restructuring of the debt of Puerto Rico and its related authorities and public corporations, the Compensation Committee in February 2017 granted Mr. Frederico more incentive compensation for the 2016 performance year than in the prior performance year. Mr. Frederico's base salary had not been increased for 2016.



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Mr. Frederico received a compensation package for the 2016 performance year 9.8% higher than he received for the 2015 performance year, composed of the following:

**EXECUTIVE COMPENSATION PROGRAM STRUCTURE AND PROCESS**

**Overview of Philosophy and Design**

Our executive compensation program is designed to recognize and reward outstanding achievement and to attract, retain and motivate the talented individuals needed to lead and grow our Company's business. We maintain an ongoing dialog with our shareholders and incorporate their feedback into our program so that the program is aligned with their interests.

*We Align Pay With Performance*

Our program rewards performance by having more variable and performance-based compensation at the most senior levels. We use a mix of variable at-risk compensation with different time horizons and payout forms to provide an incentive for both annual and long-term sustained performance, in order to maximize shareholder value in a manner consistent with our Company's risk parameters. The Compensation Committee assesses the performance of our executive officers from both a financial and a non-financial perspective, using pre-established goals.

Our executive officers can receive a cash incentive, which is performance-based. They can also receive a long-term equity incentive, 50% of which is performance-based and cliff vests at the end of a three-year performance period if we achieve particular average share price targets, and 50% of which is time-based and cliff vests at the end of a three-year period. The long-term equity incentive is structured to encourage retention and a long-range mindset.

*Executive Compensation Is Closely Tied To Long-Term Performance*

The compensation program is structured with upside potential for superior executive achievements, but also the possibility of reduced compensation if executives are unable to successfully execute our Company's strategies. By increasing management's motivation to enhance shareholder value over the long term, our compensation program aligns executive officer and shareholder interests.

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## Compensation Discussion and Analysis Structure and Process

For the 2016 performance year, the compensation package for the executive officers contains three principal elements.

<b>Principal Elements of Executive Compensation Package</b>	<b>Performance Measures</b>
<b>Base Salary</b>	Based on responsibilities, skill set and experience, and market measures
<b>Cash Incentive Compensation</b>	Cash reward for performance against annual financial performance goals and progress against strategic non-financial objectives that we expect to drive our growth over the moderate to long term
<b>Long-Term Equity Incentives</b>	50% in performance share units that may be earned over a 3-year performance period based on share price targets, and are paid at the end of the 3-year performance period if particular share price targets are achieved
	50% in restricted stock units that cliff vest at the end of a 3-year period

**Shareholder Outreach on Our Executive Compensation Program**

For the past several years, we have been actively engaging with our shareholders in order to obtain their feedback on our executive compensation program. Beginning in the fall, we contact our large shareholders to invite them to speak directly with the chairman of the Compensation Committee.

We believe our shareholders support our executive compensation program. At each of our last two Annual General Meetings, investors holding over 98% of the Common Shares voting approved our say-on-pay proposal. Both of the proxy advisory firms of Institutional Shareholder Services Inc. and Glass, Lewis & Co. LLC also recommended that our investors vote in support of our say-on-pay proposal.

Even with the strong support that our executive compensation program received at our two most recent advisory votes, as the Compensation Committee began to determine compensation for the 2016 performance year, we again sought to engage with our shareholders to discuss their concerns and recommendations. We contacted holders of an aggregate of 66% of our Common Shares and invited them to speak with Mr. Kenny, the chairman of the Compensation Committee. Mr. Kenny spoke with investors holding approximately 23% of our Common Shares; holders of another approximately 4% specifically responded that they did not need to speak with us because they were comfortable with the executive compensation program. The investors we spoke to indicated they were generally pleased with the executive compensation program and with management's performance, and on the whole found the

program to reward management appropriately. Most shareholders were not prescriptive about plan design, and instead were more interested in seeing that results were aligned appropriately with performance. Certain shareholders supported tying long-term incentive compensation to the price of our Common Shares while others supported looking at other performance measures.

Our Compensation Committee took the feedback from our shareholders into consideration when making its compensation decisions.

### **The Decision-Making Process**

The Compensation Committee, composed solely of independent directors, is responsible for all decisions about our executive officer compensation. The Compensation Committee works closely with Cook, the Chairman of the Board and management to examine pay and performance matters throughout the year, and consults with the Board prior to making final compensation decisions.

The Compensation Committee conducts in-depth reviews of performance and then applies judgment to make compensation decisions. The Compensation Committee believes its process, described below, is an effective way to assess the quality of performance, risk management and leadership demonstrated by Mr. Frederico and the senior management team.

In August and November, the Compensation Committee reviews our corporate performance for the year to date, as well as progress of each executive officer against individual performance goals. The chairman of the Compensation Committee seeks feedback from our shareholders on our executive compensation program.

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In November, the Compensation Committee reviews and approves the metrics and goals in our performance framework and certain of the executive officer performance goals for the upcoming year, and begins to formulate its compensation decisions with respect to current year performance.

In February, after discussion with other Board members, the Compensation Committee makes final decisions with respect to the executive compensation for the previous year's performance and on the executive officer performance goals for the upcoming year.

In making its compensation decisions, the Compensation Committee follows a five-step approach:

<p><b>Step 1:</b></p> <p><b>Establishment of financial performance goals and non-financial objectives.</b></p> <p>At or prior to the beginning of each performance year, the Compensation Committee discusses the Company's business plan at length and establishes corporate financial goals for the upcoming performance year. The Compensation Committee also discusses the strategic direction of the Company and establishes non-financial objectives it expects to drive our growth</p>	<p><b>Step 2:</b></p> <p><b>Assess Company Performance.</b></p> <p>The Compensation Committee reviews the corporate financial performance goals for the performance year and discusses the full-year financial and strategic performance at length, seeking to understand what was accomplished relative to established objectives, how it was accomplished, and the quality of the financial results.</p>	<p><b>Step 3:</b></p> <p><b>Review each executive's individual performance and contributions.</b></p> <p>The Compensation Committee reviews the individual performance objectives for the CEO and the other executive officers, and assesses each person's performance and contributions. For the executive officers other than the CEO, the Compensation Committee considers individual performance assessments and compensation recommendations from the CEO, as well as succession planning and</p>	<p><b>Step 4:</b></p> <p><b>Analyze trends among comparison companies.</b></p> <p>The Compensation Committee considers market pay levels and trends based on information Cook provides about comparison companies.</p>	<p><b>Step 5:</b></p> <p><b>Seek input from the independent consultant concerning CEO pay.</b></p> <p>The role of Cook is described in more detail under Compensation Governance the Role of the Independent Consultant below.</p>
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over the moderate to long term.



retention issues in this unique segment of the insurance industry.



**Components of Our Executive Compensation Program**

For the 2016 performance year, the compensation package for the executive officers consists of three principal elements: base salary, cash incentive compensation and long-term equity incentives. Our practice is to review the components of our executive officer compensation separately and monitor the total of the various components. We consider each component and the total against our compensation objectives described in Overview of Philosophy and Design. Decisions related to one compensation component (e.g., cash incentive compensation) generally do not materially affect decisions regarding any other component (e.g., long-term equity incentives) because the objectives of each element differ. Positions at higher levels generally have a greater emphasis on variable pay elements, although no specific formula, schedule or structure is currently applied in establishing the percentage of total compensation delivered through any compensation element.

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Compensation Discussion and Analysis Structure and Process

The Compensation Committee considers Cook's analysis of the compensation paid to executive officers in our comparison group when evaluating the compensation of our executive officers. According to Cook, for the 2015 performance year, which is the most recent data available, on average, both the target and the actual total direct compensation for our named executive officers approximated the comparable median amounts for the named executive officers of our comparison group.

*Base Salary*

The Compensation Committee establishes each executive officer's base salary in consultation with Cook. We believe base salary is necessary to attract and retain key executives by providing appropriate compensation that is based on position, experience, scope of responsibility and performance. Base salary provides liquidity to our executive officers and balances the levels of guaranteed pay with at-risk pay to properly manage our compensation-related risk. The amount is based on the executive officer's responsibilities, skills and experience, as well as market measures. The level of an executive officer's base salary reflects the Compensation Committee's view of the contribution that executive officer has consistently made to our Company's success over several years, the continuing importance of that executive officer to our Company's future, and the difficulty and expense of replacing the executive officer with one of a similar caliber. The Compensation Committee does not guarantee salary adjustments on an annual basis. Base salary is set at the beginning of the year and is paid to the executive officers for ongoing performance throughout the year. For the 2016 performance year, the Compensation Committee established the base salary in February 2016.

*Cash Incentive Compensation*

Unlike base salary, which is set at the beginning of the year in which it is paid, cash incentive compensation is determined after the end of the performance year to which such compensation relates. For the 2016 performance year, the Compensation Committee determined the amount of the cash incentive compensation in February 2017.

The Compensation Committee uses a formulaic approach to award cash incentive compensation in order to enhance the transparency of our process. The amount of cash incentive compensation is determined based on the extent to which the executives achieve certain pre-established performance targets. The Compensation Committee uses a two-step process for granting and paying annual cash incentive compensation awards to our executive officers.

For the first step, in order for the payment of cash incentive compensation to qualify as performance-based compensation within the meaning of Section 162(m) of the Internal Revenue Code, the Compensation Committee annually establishes a performance goal based on performance metrics, and awards the cash incentive to the executive officers pursuant to the Assured Guaranty Ltd. 2004 Long-Term Incentive Plan, as amended (LTIP), subject to such performance goal being met. If the performance goal is not met, no cash incentive will be awarded to the executive officers for such year. If the performance goal is met, a cash pool is established pursuant to which payments can be made to the executive officers subject to limitations contained in the LTIP and to further limitations established by the Compensation Committee in the grant. For the 2016 performance year, the performance goal for this first step was established in November 2015 and the Compensation Committee determined the extent to which it had been met in

February 2017.

For the second step, if the Section 162(m) performance goal has been met for a particular performance year, the actual amount of the cash incentive compensation payable to each executive officer for such performance year is then linked 67% to financial performance goals and 33% to non-financial objectives. The Compensation Committee considers the five financial performance goals to be important in assessing our Company and our executive officers' performance; each goal has a weighting of 13.4% (for a total of 67%) and constitutes a non-GAAP financial measure that is described on page 45 under Non-GAAP Financial Measures. Similar to the financial performance goals, the non-financial objectives also relate to matters that are important to our business. The Compensation Committee believes the qualitative objectives are necessary to fully evaluate the annual achievements that benefit our shareholders, and it does not individually weight the non-financial objectives because it believes it is more appropriate to evaluate the level of achievement of all of the objectives in their totality. Of the companies in our comparison group, an analysis by Cook revealed that:

13 of the 14 comparison group companies disclose metrics used for annual incentive plan payouts among the companies that disclose metrics, all use a combination of financial performance goals and non-financial objectives in determining annual incentive payouts among the six companies that disclose the weighting of the metrics, the median weighting is 70% financial performance goals and 30% non-financial objectives

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The Compensation Committee believes the pre-established target financial performance goals and individual non-financial objectives are the most important for assessing Assured Guaranty's performance and the value we create for our shareholders. Therefore, performance relative to the financial goals and non-financial objectives is the primary driver of the final cash incentive compensation determined by the Compensation Committee in applying its discretion.

The financial performance goals for 2016 for all the executive officers and the non-financial objectives for 2016 for Mr. Frederico, our CEO, are set out below. For the executive officers other than Mr. Frederico, the Compensation Committee evaluates the extent to which those executives contributed to Mr. Frederico's non-financial objectives and the extent of such executives' personal achievements of their individual non-financial objectives, which are discussed under Compensation Decisions of Other Executive Officers. For the 2016 performance year, the financial performance goals and the non-financial objectives for the named executive officers were established in February 2016 and the Compensation Committee determined the extent to which they had been satisfied in February 2017.

The financial performance goals that the Compensation Committee uses to assess our Company's performance are described in greater detail below. The financial goals are based on non-GAAP financial measures and four are labeled core to distinguish them from similar non-GAAP financial measures that have not been adjusted to exclude the impact of consolidating FG VIEs. See Non-GAAP Financial Measures on page 45 below.

<b>PVP</b>	represents our estimated gross future revenue stream from new business production. Specifically, PVP enables us to evaluate the value of our new business production during the year by taking into account the value of upfront and estimated future installment premiums on all new contracts underwritten in a reporting period.
<b>Core operating income per diluted share</b>	enables us to evaluate the amount of income we are generating in our business. Using core operating income clarifies the understanding of the underwriting results of our financial guaranty business by presenting all financial guaranty contracts (whether in a financial guaranty insurance or derivative form) on a consistent basis and removing the effects of non-economic movements in fair value as well as the impact of consolidating FG VIEs, and making certain other adjustments.
<b>Core operating sharehold-ers equity per share</b>	presents our equity with all financial guaranty contracts (whether in a financial guaranty insurance or derivative form) on a consistent basis and excludes non-economic fair value adjustments as well as the impact of consolidating FG VIEs. Core operating sharehold-ers equity per share is the basis of the calculation of core adjusted book value (ABV) per share, as described below.



Core operating ROE	represents core operating income for a specified period divided by the average of core operating shareholders' equity at the beginning and the end of that period. This measure enables us to evaluate our return on the capital invested in our company.
Core ABV per share	reflects our core operating shareholders' equity, plus the net present value of our in-force premiums in excess of expected losses, plus credit derivative revenues, less deferred acquisition costs. This measure enables us to measure our intrinsic value, excluding our franchise value.

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Compensation Discussion and Analysis Structure and Process

The Compensation Committee assigns each executive an Individual Target Cash Incentive Amount, which is calculated as a multiple (we call this the Individual Target Cash Incentive Multiple) of the executive officer's base salary. The amounts of the base salary and Individual Target Cash Incentive Multiples vary by individual based on the executive officer's position and level of responsibility, historic pay level, importance to the future strategic direction of our Company and Cook's advice about the compensation practices of companies in our comparison group. Since the 2014 performance year, the Compensation Committee has assigned the named executive officers the following Individual Target Cash Incentive Multiples:

<b>Executive Officer</b>	<b>2016 Individual Target Cash Incentive Multiple (of Base Salary)</b>
Dominic Frederico, Chief Executive Officer	2.50x
James M. Michener, General Counsel	2.00x
Robert A. Bailenson, Chief Financial Officer	2.00x
Russell B. Brewer II, Chief Surveillance Officer	2.00x
Bruce E. Stern, Executive Officer	1.75x

Then, for each executive, the Compensation Committee calculates and aggregates the weighted achievement scores for the financial performance goals and the individual non-financial objectives. When assessing the level of achievement and assigning scores for the year, the Compensation Committee takes into account the difficulty of achieving particular goals or objectives. The Compensation Committee has discretion to assign achievement scores of up to 200% for outstanding performance and achievement scores of down to 0% for performance below target based on its view of the level of achievement attained for each financial performance goal and each individual non-financial objective.

Based on the executive officer's achievements of these priorities, the individual payouts of the cash incentive for 2016 are calculated as follows:

<b>Annual Individual Target Cash Incentive Amount</b>	<b>X</b>	<b>Annual Achievement Score (a percentage from 0% to 200%)</b>	<b>=</b>	<b>Annual Cash Incentive Payout</b>
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2016	X	2016	X	2016	2016	2016 Cash
Base	Individual Target		Financial Goal		Individual Non-	Incentive
Salary	Cash Incentive		Achievement		Financial Objective	Payout
	Multiple		Score		Achievement Score	
			(weighted 67%)		(weighted 33%)	

The formula for determining cash incentive compensation has remained the same since the Compensation Committee developed the approach to calculating such amount, together with Cook. Our Company's share price performance and performance on other key financial measures has improved greatly since the formulaic approach was developed at the beginning of 2015. At year end 2014, the price of our Common Shares closed at \$25.99, compared to \$37.77 at year end 2016. Our performance in respect of the financial performance goals most important to our Company has also improved, as reflected in the table below.

	2014	2016
<b>FINANCIAL PERFORMANCE GOALS</b>	<b>Results</b>	<b>Results</b>
PVP	\$ 168 million	\$ 214 million
Core Operating Income per Diluted Share	\$ 2.83	\$ 6.58
Core Operating Shareholders' Equity per Share	\$ 37.48	\$ 49.95
Core Operating Return on Equity	8.1%	14.3%
Core Adjusted Book Value per Share	\$ 53.66	\$ 66.64

The progress we have made on these fronts is the result of the leadership of Mr. Frederico and the efforts of his management team. As a result, the Compensation Committee has maintained the approach and the formulas put in place for the cash incentive compensation for Mr. Frederico and the other named executive officers.

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### *Long-Term Equity Incentives*

In addition to the cash incentive compensation, the Compensation Committee awards long-term incentive compensation in the form of our Common Shares.

Like cash incentive compensation, equity incentive compensation is awarded after the end of the performance year to which such compensation relates. For the 2016 performance year, the Compensation Committee determined the amount of equity incentive compensation in February 2017.

Half of the nominal value of the award is in the form of performance share units (which we refer to as PSUs) that may be earned over a 3-year performance period based on share price targets, and are paid at the end of the 3-year performance period if particular share price targets are achieved, and the other half is in the form of RSUs that cliff vest at the end of a 3-year period. Details about the individual awards are set out in *CEO Performance Review* and *Other Named Executive Officer Compensation Decisions*.

*Performance Share Units.* Each performance share unit represents a contingent right to receive up to two of our Common Shares. The Compensation Committee awards performance share units with the intent of aligning executive pay with our Company's performance, as measured by the price of our Common Shares.

The percentage of performance share units an executive can earn is based on the price of our Common Shares over a 3-year performance period. For each 40 consecutive trading day sequence that occurs during a performance period, we calculate the average price of a Common Share as traded on the New York Stock Exchange during that time. The highest average is used to determine whether a share price hurdle has been reached, and consequently, the percentage of the performance share units that has been earned.

In considering the structure of the awards for 2016 performance, the Compensation Committee and Cook considered the following elements of the performance share units that determine their value:

Methodology for calculating whether the share price hurdle has been reached

Share price hurdles and vesting percentage at each hurdle

Beginning with the performance share unit awards for the 2014 performance year, in response to shareholder feedback that the executive officers may not have an incentive to maintain the price of the Common Shares when amounts can be earned at any point during the performance period, and that the share price at the end of the performance period may be lower than the price at which the performance share units were earned, the Compensation Committee strengthened the alignment between executive pay and our Company's performance by providing that only sequences occurring in the second half of the 3-year performance period can be considered when the Compensation Committee determines the highest average share price over 40 consecutive trading days. Allowing performance share units to be earned only in the last half of the performance period mitigates concerns that short-term gains may yield payouts even if long-term performance lags.

The Compensation Committee also reviewed the rigor of the share price hurdles and the vesting percentage at each hurdle. For the performance share units granted for the 2016 performance year, in February 2017, the Compensation Committee established the share price hurdles and vesting percentages set out in the table below. The table shows the percentage that could be earned if the highest average share price over 40 consecutive trading days occurring in the second half of the 2017-2019 performance period reaches the stated share price hurdles.

The share price hurdles represent increases over the \$28/\$32/\$36 hurdles that applied for the grants for the 2014 and 2015 performance years.

Highest 40 consecutive trading day average share price hurdle	% Earned
\$42	50%
\$46	100%
\$50	200%

In making its decision with respect to the hurdles, the Compensation Committee asked Cook to prepare an analysis in favor of increasing the share price hurdles. Cook presented data on the one-, three- and five-year compound annual growth rates of the

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Compensation Discussion and Analysis CEO Performance Review

S&P 500 Financial Index, our Company's comparison group median stock performance, and the stock performance of a subset of certain companies within the comparison group in order to obtain hypothetical minimum and maximum ranges for the hurdles. Cook then applied the ranges to the Company's average share price over 40 consecutive trading days as of a recent date of the analysis, and utilized those results to generate proposed higher share price hurdles.

The Compensation Committee considered Cook's analysis as well as other factors, including the extent to which particular hurdles would exceed the 40 consecutive trading day average at the beginning of the performance period. In the case of the first two hurdles above, the amount of the excess over the 40 consecutive trading day average at the beginning of the performance period was greater than that of the last two grants. For the third hurdle, the amount of the excess over such average at the beginning of the performance period was greater than that of the February 2016 grant and substantially the same as that of the February 2015 grant.

The Compensation Committee also compared various proposed hurdles as a percentage of core operating shareholders' equity at the beginning of the performance period. For each of the hurdles above, when analyzed as a percentage of core operating shareholders' equity at the beginning of the performance period, that percentage was higher than the comparable measure for the February 2016 and the February 2015 grants. The \$42, \$46 and \$50 hurdles constituted more than 84%, 92% and 100% of core operating shareholders' equity at the beginning of the performance period. This indicated to the Compensation Committee that the hurdles would be difficult to achieve since the price of the Common Shares had risen to a level closer to core operating shareholders' equity.

The Compensation Committee also noted the extent of the total equity payout as a percentage above the GAAP value and above the nominal value of the equity at the time of grant, under the methodology that the committee had developed with Cook. The Compensation Committee examined the benefit of the equity grants to the executive officers compared to the cost to our Company. In addition, the Compensation Committee reviewed other relevant statistics for the performance periods, including our Company's TSR and the TSR of the S&P 500 Financial Index and our comparison group average TSR, and the growth in core operating book value and in core ABV, during those periods.

*Restricted Stock Units.* Each restricted stock unit represents a right to receive one of our Common Shares at the end of a three-year vesting period. The Compensation Committee awards RSUs with the intent of providing executives with long-term incentive compensation the value of which increase as our Company achieves its strategies. The Compensation Committee believes this incentivizes executives to remain with the Company and help build shareholder value over the long term.

**CEO PERFORMANCE REVIEW**

**Overview**

In light of Mr. Frederico's achievements in the 2016 performance year, as detailed below, the Compensation Committee awarded him total compensation of \$11,147,938, a 9.8% increase over his total compensation for the 2015

performance year, composed of the following:

	<b>2016 Performance Year Compensation</b>	<b>2015 Performance Year Compensation</b>
Fixed Compensation Base Salary <sup>(1)</sup>	\$ 1,150,000	\$ 1,150,000
Incentive Compensation		
Cash Incentive Compensation	\$ 4,497,938	\$ 4,002,000
Long-Term Performance-Based Equity	\$ 2,750,000 <sup>(2)</sup>	\$ 2,500,000 <sup>(2)</sup>
Long-Term Time-Based Equity	\$ 2,750,000 <sup>(2)</sup>	\$ 2,500,000 <sup>(2)</sup>
<b>Total Direct Compensation</b>	<b>\$ 11,147,938</b>	<b>\$ 10,152,000</b>

(1) Mr. Frederico's salary for the 2016 and 2015 performance year was established at the beginning of such performance year, in February.

(2) Represents the Compensation Committee's target nominal value for the relevant performance year, using the average stock price over the 40 consecutive trading days ending on the date of grant.

The compensation package presented in the table above is different from the SEC-required disclosure in the Summary Compensation Table on page 47 and is not a substitute for the information in that table. Rather, it is intended to show how the

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Compensation Committee linked Mr. Frederico's compensation and its components to our performance results and his achievements for the prior year. The base salary is paid during the performance year, while all of the components of the incentive compensation is based on achievements during the performance year and so is awarded in the first part of the following year.

**Base Salary**

In February 2016, the Compensation Committee chose to maintain Mr. Frederico's 2016 base salary at the same level as his 2015 base salary.

In February 2017, in light of Mr. Frederico's accomplishments in 2016 and the importance of maintaining his strategic leadership in the future, particularly in respect of managing our capital, mitigating the risks in our insured portfolio, and deciding upon appropriate alternative investments that complement our financial guaranty business and core competencies, the Compensation Committee decided to grant him an 8.9% increase in his base salary, to \$1,250,000, for the 2017 performance year.

**Cash Incentive**

To determine Mr. Frederico's cash incentive, as discussed above under Executive Compensation Program Structure and Process Components of Our Executive Compensation Program Cash Incentive Compensation, the Compensation Committee used a formula that involved aggregating the weighted achievement scores for certain financial performance goals and individual non-financial objectives, and multiplying the result by his Individual Target Cash Incentive Amount. The financial performance goals for 2016 were based on the business plan for the upcoming year that the Board of Directors reviewed and approved in November 2015. The non-financial objectives were established taking into account the nature of our business, which requires qualitative goals to fully evaluate the annual achievements that benefit our shareholders.

In reviewing Mr. Frederico's 2016 performance scorecard, the Compensation Committee determined that he had a very strong year. In particular, the Compensation Committee found that Mr. Frederico should be recognized for our Company's success in exceeding all but one of the targets for the financial performance goals established by the Compensation Committee, in certain cases, by a wide margin. Mr. Frederico's very strong performance was reflected in our record core operating income of \$883 million, or \$6.58 per share, and record core operating shareholders' equity per share and core adjusted book value per share of \$49.95 and \$66.64, respectively. Mr. Frederico's leadership was also credited for the growth in our new business production, with contributions from our U.S. public finance, international infrastructure and global structured finance businesses, despite a challenging business and economic environment. The Compensation Committee assigned Mr. Frederico achievement scores for his achievements against each individual financial performance goal, which averaged 135% across the five goals. The Compensation Committee weighted this score 67% in accordance with the cash incentive formula, which resulted in a weighted score of 90.45%:

<b>2016 Targets</b>	<b>2016 Results</b>	<b>Weighting</b>	<b>2016 Achievement Score</b>	<b>Weighted Achievement Score</b>
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		(0%-200%)			
<b>Financial Performance Goals*</b>					
PVP	\$ 233 million	\$214 million	13.4%	85%	11.39%
Core operating income per diluted share	\$3.13	\$6.58	13.4%	170%	22.78%
Core operating shareholders equity per share	\$47.62	\$49.95	13.4%	130%	17.42%
Core operating ROE	7.0%	14.3%	13.4%	170%	22.78%
Core ABV per share	\$65.25	\$66.64	13.4%	120%	16.08%
<b>Total Financial Goal Score</b>			<b>67.0%</b>		<b>90.45%</b>

\* All of the financial performance goals are based on non-GAAP financial measures, which are described on page 45 under Non-GAAP Financial Measures.

The Compensation Committee also evaluated Mr. Frederico's 2016 achievements against his 2016 non-financial objectives. Highlights of those achievements include the positive financial impact from our acquisition of CIFG; our success in entering into an agreement to acquire MBIA UK; and the prominent role our Company continues to assume in the restructuring of the debt of Puerto Rico and its related authorities and public corporations. The details of Mr. Frederico's 2016 achievements against his 2016 non-financial objectives are also set out in the pages that follow.

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## Compensation Discussion and Analysis CEO Performance Review

Non-Financial Objectives	2016 Results
<p>Strategy and leadership Articulate clear strategy and lead effective implementation of business plan to grow direct business and take advantage of reinsurance opportunities and other opportunities complementary to the Company's business.</p>	<p>Wrote a total of \$214 million of PVP, with contributions from U.S. public finance, International and Structured Finance.</p>
<p>Leverage Company's rating and financial strength to maintain viable public finance bond insurance market; implement a long-term program to market the value of bond insurance to existing and new distribution channels; write budgeted PVP in U.S. and U.K.</p>	<p>Closed acquisition of CIFG. In 2016, the acquisition contributed net income and core operating income of approximately \$2.41 per share and \$2.38 per share, respectively. As of the acquisition date, shareholders equity and core operating shareholders' equity benefited by \$2.23 per share and core adjusted book value benefited by \$3.85 per share.</p>
<p>Attempt to purchase bond insurance portfolios if they come on the market; recapture previously ceded portfolios.</p>	<p>Substantially completed acquisition of MBIA UK by signing share purchase agreement and obtaining all regulatory approvals we were required to obtain. Acquisition subsequently closed in January 2017.</p>
<p>Maintain regulatory authority to write infrastructure and structured finance bond insurance in U.S. and internationally.</p>	<p>Created an alternative investments group to deploy a portion of our excess capital to pursue acquisitions and develop complementary business opportunities.</p>
<p>Accumulate capital at AGL for corporate purposes, including stock repurchases.</p>	<p>Managed capital, including by seeking regulatory approval for, and implementing: a \$300 million common stock redemption by AGM; a \$380 million release of contingency reserves, which increased surplus at AGM, and at our subsidiaries Municipal Assurance Corp. and Assured Guaranty Corp., which we refer to as MAC and AGC; and the repayment by MAC of all \$400 million of its outstanding surplus notes.</p>
<p>Use alternate strategies to create shareholder value.</p>	<p>Repurchased 10.7 million Common Shares (approximately 7.8% of previous year-end outstanding share count) for approximately \$306 million.</p>
<p>Achieve, if appropriate, potential diversification by acquiring or investing in an asset or portfolio manager.</p>	

Distributed \$69 million in dividends to shareholders. Increased the quarterly dividend in February 2016 from \$0.12 to \$0.13 per Common Share and in February 2017 to \$0.1425. Total increase in quarterly dividends since November 2011 of 217%.

Closing share price of \$37.77 presented a 46% total return for the year and a 69% total return on a 3 year basis. Outperformed the S&P 500 Index, the S&P 500 Financial Index and the average of the Company's comparison group over the same periods.

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Non-Financial Objectives	2016 Results
<p>Active management of all potential loss transactions, including proactive minimization of losses from Puerto Rico exposure.</p> <p>Ratings Maintain strong financial strength ratings in order to facilitate implementation of business plan. Periodically assesses the value of each rating assigned to each of the companies within the group and determine whether to request that a rating agency add or drop a</p>	<p>Continued to manage exposure to the Commonwealth of Puerto Rico and its related authorities and public corporations.</p> <ul style="list-style-type: none"> <li>- Successfully lobbied to Congress to approve PROMESA legislation.</li> <li>- Ongoing dialogue with PROMESA Oversight Board and other creditors and stakeholders.</li> <li>- Provided forbearance and bridge financing to PREPA; ongoing negotiations over a consensual resolution of the treatment of insured PREPA revenue bonds in PREPA's recovery plan, including by facilitating a securitization transaction with surety capacity.</li> <li>- Commenced litigation challenging the constitutionality of gubernatorial executive orders diverting Puerto Rico Highways and Transportation Authority pledged toll revenues.</li> </ul> <p>Reduced the total amount of below investment grade exposure in the insured portfolio by \$2.1 billion (or 14%).</p> <p>Terminated \$7.2 billion of insured net par outstanding, which may have helped increase excess capital in rating agency models. The terminations included reaching an agreement with a swap counterparty to terminate insurance on below investment grade RMBS insured par with no payment, as well as to terminate the obligation to post collateral to secure the exposure.</p> <p>Reduced total collateral posting to \$116 million against \$690 million of par, compared to year-end 2015, when we were posting \$305 million against \$3.8 billion of par.</p> <p>Purchased insured bonds for loss mitigation purposes. S&amp;P rating maintained at AA (stable).</p> <p>Kroll Bond Rating Agency (KBRA) rating of AGM and MAC maintained at AA+ (stable).</p>

rating from certain companies.

KBRA rating of AA (stable) obtained for AGC.

A.M. Best rating of A+ maintained for our subsidiary Assured Guaranty Re Overseas Ltd.

Moody's ratings of AGM (A2 stable) and AGC (A3) maintained; AGC outlook upgraded from Negative to Stable.

Formally requested that Moody's withdraw AGC's financial strength rating.

No significant compliance issues.

No anticipated risk issues.

All new business within risk limits and risk appetite statement.

Proactive ongoing review of single risk limits.

Continued average rating of new business in A category.

Reviewed succession plan with Board of Directors and continued to develop such plan.

Recruited and integrated former CEO of CIFG to head our alternative investments group.

Ensure the Company has comprehensive, best-practice risk management with respect to all of its activities, emphasizing the credit quality of risks insured, enterprise risk management and compliance. All credit underwriting consistent with risk/appetite statement.

Management development and succession planning Attract and retain top quality senior management; develop succession plan for critical positions, including assisting the Board in further development of a CEO succession plan.

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## Compensation Discussion and Analysis CEO Performance Review

Based on Mr. Frederico's 2016 achievements against his 2016 non-financial objectives, the Compensation Committee awarded him an achievement score of 200% against those objectives. Applying that score to the cash incentive formula resulted in a weighted non-financial objective score of 66%. The Compensation Committee added that weighted non-financial objective score to the weighted financial performance goal score achieved by Mr. Frederico in accordance with the cash incentive formula:

	2016 Targets	2016 Results	Weighting	2016 Achievement Score (0%-200%)	Weighted Achievement Score
<b>Financial Performance Goals*</b>					
PVP	\$ 233 million	\$214 million	13.4%	85%	11.39%
Core operating income per diluted share	\$3.13	\$6.58	13.4%	170%	22.78%
Core operating shareholders equity per share	\$47.62	\$49.95	13.4%	130%	17.42%
Core operating ROE	7.0%	14.3%	13.4%	170%	22.78%
Core ABV per share	\$65.25	\$66.64	13.4%	120%	16.08%
<b>Total Financial Goal Score</b>			<b>67.0%</b>		<b>90.45%</b>
<b>Non-Financial Objectives</b>					
Strategy and leadership					
Active management of all potential loss transactions					
Maintain current ratings for operating insurance company subsidiaries	Described in detail in the preceding table	Described in detail in the preceding table	33%	200%	66.0%
Best practice risk management					
Management development and succession planning					
<b>Non-Financial Objective Score</b>			<b>33%</b>		<b>66.0%</b>
<b>Achievement Score</b>					<b>156.45%</b>

\* All of the financial performance goals are based on non-GAAP financial measures, which are described on page 45 under Non-GAAP Financial Measures.

In summary, Mr. Frederico achieved a weighted financial performance goal score of 90.5%, which counted towards two-thirds of the calculation of his cash incentive compensation, and a non-financial objective score of 66%, which counted towards the remaining one-third of the calculation. Based on Mr. Frederico's achievements, after applying the cash incentive formula, the Compensation Committee awarded him a cash incentive equal to 156.45% of his Individual Target Cash Incentive Amount, or \$4,497,938.

### **Equity Compensation**

The Compensation Committee awarded all of Mr. Frederico's long-term incentive compensation in the form of performance share units and RSUs. The \$5.5 million target nominal amount of long-term equity constituted a \$0.5 million increase over the prior year. The Compensation Committee believed the amount was appropriate to reward Mr. Frederico for his and for our Company's very strong performance during 2016. It also reflected the Compensation Committee's desire that Mr. Frederico have a strong incentive to remain at our Company and to generate long-term, sustained growth that will enhance shareholder value and its consideration of an appropriate level of total compensation for Mr. Frederico.

The following sets forth the target nominal amount the Compensation Committee awarded Mr. Frederico on February 22, 2017, the grant date. The Compensation Committee determined the number of performance share units and RSUs to award Mr. Frederico by converting the target nominal amount of the award using \$39.70, which was the average share price over the 40 consecutive trading days ending on February 22, 2017.

When we prepare the Summary Compensation Table, we report the value of the grants using U.S. generally accepted accounting principles (which we refer to as U.S. GAAP), in accordance with the SEC's rules. Under U.S. GAAP, the value of a performance

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share unit as of February 22, 2017 was \$53.74, computed using a Monte-Carlo simulation model value and the highest average share price over 40 consecutive trading days, where the sequence of 40 days occurs in the second half of the 2017-2019 performance period. Under U.S. GAAP, the value of an RSU was \$41.37, computed using our Common Share closing price on February 22, 2017, adjusted for the delay in the payment of dividends until vesting. The aggregate value of the grants under U.S. GAAP is also set forth below.

	Compensation Committee Target Nominal Value	Equity Granted (Shares)	U.S. GAAP Value
Performance share units	\$ 2,750,000	69,270	\$ 3,722,570
RSUs	\$ 2,750,000	69,270	\$ 2,865,700
<b>TOTAL</b>	<b>\$ 5,500,000</b>		<b>\$ 6,588,270</b>

**CEO Reported Pay Versus Realized Pay**

To supplement the disclosure in the Summary Compensation Table on page 47, which is determined under SEC rules, we have included the table below, which shows the difference between Mr. Frederico's compensation as reported in the Summary Compensation Table and the compensation he actually received over the relevant period.

The primary source of the difference between the Summary Compensation Table Reported Value and the Actual Realized Value was Mr. Frederico's equity grants. Under the SEC's rules, the Summary Compensation Table for a given year must disclose the grant date value of an executive officer's long-term equity incentive compensation granted in that year. However, equity grants constitute an incentive for future performance, not current cash compensation, and will not actually be received by the executive officer until a future year, if at all. Moreover, the value of this pay when realized may differ significantly from the grant date value shown in the Summary Compensation Table.

Year	Summary Compensation Table Reported Value <sup>(1)</sup>	Actual Realized Value <sup>(2)</sup>	CEO Total Compensation	
			Variation Between Actual Realized Value versus Summary Compensation Table Reported Value	% Difference
2016	\$ 12,727,315	\$ 8,536,728	-\$ 4,190,587	-33%
2015	\$ 12,179,989	\$ 15,395,726	\$ 3,215,737	26%
2014	\$ 10,774,791	\$ 8,749,276	-\$ 2,025,515	-19%

- (1) Summary Compensation Table Reported Value includes the total of all elements of compensation as reported pursuant to SEC rules, including the grant date value of equity awards granted in February 2016, February 2015 and February 2014.



- (2) Actual Realized Value represents compensation actually received by our CEO for the particular year shown. We began with the compensation shown in the Total column of the Summary Compensation Table on page 47 and made two adjustments:

Deducted the aggregate grant date fair value of RSU and performance share unit awards (reflected in the Stock Awards column of the Summary Compensation Table); and

Added the value realized from the vesting of RSUs, vesting of performance share units and the net gain from the exercise of stock options, before payment of applicable withholding taxes (reflected in the 2016 Option Exercises and Stock Vested table on page 52).

#### **OTHER NAMED EXECUTIVE OFFICER COMPENSATION DECISIONS**

##### **Non-Financial Objectives and Achievements of the Other Named Executive Officers**

The Compensation Committee made compensation awards to the other executive officers for the 2016 performance year based on its assessment of their achievements and Mr. Frederico's review of their performance as well as Mr. Frederico's compensation recommendations. The other named executive officers' achievements were evaluated based on their contributions to our achievement of our financial goals, their contributions to the achievement of Mr. Frederico's non-financial objectives, and their own achievements of the individual non-financial objectives Mr. Frederico had assigned to them, as described below.

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Compensation Discussion and Analysis Other Named Executive Officer Compensation Decisions

*James M. Michener, General Counsel*

Mr. Michener was responsible in the 2016 performance year for a number of important initiatives, including spearheading the CIFG and MBIA UK acquisitions from a legal perspective; managing litigation and workout activities relating to a number of distressed structured finance and U.S. public finance credits; and obtaining regulatory approval of several significant matters that enabled us to increase our net earned premium and to manage our capital more efficiently. He also oversees all of our human resource matters.

Mr. Michener was instrumental in enabling us to manage our capital more efficiently, including by obtaining the approval of our insurance regulators for AGM to redeem \$300 million of its common stock from its parent Assured Guaranty Municipal Holdings Inc. and for AGM, AGC and MAC to release contingency reserves into policyholders surplus, thereby increasing their dividend capacity.

Mr. Michener led the legal aspect of the consummation of our purchase of CIFG and of MBIA UK, quickly obtaining regulatory approvals, finalizing documentation and handling related personnel matters.

Mr. Michener oversaw and made critical decisions regarding all litigation involving the Company, resulting in the successful resolution of a number of matters during 2016.

Mr. Michener oversaw the legal support related to our loss mitigation and workout activities, including contributing to the drafting of the PROMESA legislation and litigation relating to the Commonwealth of Puerto Rico.

*Robert A. Bailenson, Chief Financial Officer*

Mr. Bailenson was responsible in the 2016 performance year for meeting all internal and external financial requirements, managing our capital efficiently, meeting with investors, and participating on earnings calls.

Mr. Bailenson took a leading role in negotiating the economic terms of the acquisitions of CIFG and of MBIA UK.

Mr. Bailenson led the integration of accounting policies and systems in connection with the acquisition of CIFG.

Mr. Bailenson led the financial planning process for the year and was instrumental in the continued efficient management of our capital, including by implementing AGM's share redemption plan and causing the repayment by MAC of surplus notes issued to its affiliates.

Mr. Bailenson provided significant analysis of potential alternative investments.

Mr. Bailenson was responsible for the timely and accurate filing of all financial statements and successfully resolved comment letters from the SEC.

*Russell B. Brewer II, Chief Surveillance Officer*

Mr. Brewer was responsible in the 2016 performance year for ensuring that all of our insured exposures are reviewed annually and assigned appropriate internal ratings, and for managing loss mitigation strategies for our troubled credits. Mr. Brewer also manages our rating agency relationships. In addition, in 2016, Mr. Brewer made significant improvements to our information technology department.

Mr. Brewer led the surveillance process for our \$296 billion net par insured portfolio and the timely review and update of internal ratings for our insured portfolio, helping to identify and intervene in deteriorating situations

before losses develop to avoid losses altogether or mitigate them if they cannot be avoided.

Mr. Brewer developed and implemented strategies on a number of transactions where we are experiencing loss or could possibly experience loss. He was active in our discussions with the Commonwealth of Puerto Rico and its advisors on potential solutions to Puerto Rico's difficult financial situation and was instrumental in helping the Company develop its approach to these credits.

Mr. Brewer led the smooth integration into our Company of surveillance oversight and information systems of the insured portfolio and financial information related to CIFG NA in connection with the consummation of the acquisition of CIFG NA and its merger into AGC.

Mr. Brewer has taken on the leadership of our information technology function, and led the reorganization and refocusing of our information technology resources, improving communication, accountability, quality and speed.

*Bruce E. Stern, Executive Officer*

Mr. Stern was responsible in the 2016 performance year for workouts of troubled transactions and the extraction of significant value from our insured portfolio and other relationships. Mr. Stern applied creative approaches to troubled transactions to mitigate losses. Mr. Stern is also responsible for governmental affairs and our participation in an industry group.

Mr. Stern oversaw the termination of \$7.2 billion of our insured par outstanding, and the related loss mitigation, acceleration of income and deleveraging.

During 2016, Mr. Stern led our effort to purchase insured bonds of poorly performing credits for loss mitigation and risk remediation.

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Mr. Stern was responsible for the acquisition of notes issued in the Zohar II 2005-1 transaction that facilitated our purchase of MBIA UK.

Mr. Stern has been instrumental in advocating our viewpoint to various government officials in connection with Puerto Rico's efforts to obtain legislative authority to restructure its debt as well as various more technical issues relating to bond insurance.

**Compensation Decisions for the Other Named Executive Officers**

In the case of the other named executive officers, for the 2016 performance year the Compensation Committee calculated and aggregated the weighted achievement scores for the financial performance goals (which were the same as Mr. Frederico's) and their non-financial objectives (which were a combination of their contribution to Mr. Frederico's non-financial objectives and their achievement of their own individual non-financial objectives), taking into account the level of difficulty of achieving particular goals or objectives. Based on their achievements, after applying the formula, the Compensation Committee awarded them the cash incentives calculated as shown in the table below.

	2016 Individual Target Cash	2016 Base Salary	X Incentive Multiple	Financial Goal Achievement Score (weighted 67%)	Individual Non- Financial Objective Achievement Score (weighted 33%)	2016 Cash Incentive Payout
James M. Michener		\$ 600,000	2.00x	90.45%	49.5%	\$ 1,679,400
Robert A. Bailenson		\$ 600,000	2.00x	90.45%	49.5%	\$ 1,679,400
Russell B. Brewer II		\$ 450,000	2.00x	90.45%	46.2%	\$ 1,229,850
Bruce E. Stern		\$ 450,000	1.75x	90.45%	33.0%	\$ 972,169

The Compensation Committee awarded all of the other named executive officers' long-term incentive compensation in the form of performance share units and RSUs. The target nominal amount of long-term equity reflected the Compensation Committee's desire that each of the other named executive officers have a strong incentive to help generate long-term, sustained growth for our Company. The amounts of performance share units and RSUs awarded to each other named executive officer vary by individual and are based on their respective positions and levels of responsibility, historic compensation levels and Cook's advice about the compensation practices of companies in our comparison group. In summary, the Compensation Committee approved the following compensation decisions for the named executive officers other than Mr. Frederico for the 2016 performance year:

James M. Michener	Robert A. Bailenson	Russell B. Brewer II	Bruce E. Stern
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Fixed Compensation Base Salary <sup>(1)</sup>	\$ 600,000	\$ 600,000	\$ 450,000	\$ 450,000
Incentive Compensation				
Cash Incentive Compensation	\$ 1,679,400	\$ 1,679,400	\$ 1,229,850	\$ 972,169
Long-Term Performance-Based Equity and Time-Based Equity Target Values <sup>(2)</sup>	\$ 1,000,000	\$ 1,300,000	\$ 1,100,000	\$ 700,000
Total Direct Compensation	\$ 3,279,400	\$ 3,579,400	\$ 2,779,850	\$ 2,122,169

- (1) The Compensation Committee increased the base salaries for these named executive officers for the 2017 performance year to the following levels: Mr. Michener, \$625,000; Mr. Bailenson, \$625,000; Mr. Brewer, \$500,000 and Mr. Stern, \$470,000.
- (2) Half of the award consists of performance share units and the other half consists of RSUs. The U.S. GAAP values of the awards are: Mr. Michener, \$1,197,815; Mr. Bailenson, \$1,557,236; Mr. Brewer, \$1,317,654 and Mr. Stern, \$838,490.

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Compensation Discussion and Analysis Executive Compensation Conclusion

**EXECUTIVE COMPENSATION CONCLUSION**

We made changes to our executive compensation program in 2015 in response to shareholder engagement. For example, the Compensation Committee's discretion with respect to the cash incentive was reduced and the link between pay and performance was enhanced. We received advisory shareholder approval of over 98% of the compensation we paid to our named executive officers in the two years since that time, and have not made any major changes to our executive compensation program since then.

The Compensation Committee believes that our executive compensation program rewards performance and motivates the officers to increase shareholder value, and that it is therefore appropriate and in the best interests of our Company and our shareholders. Our strategy requires exceptionally qualified and experienced management in senior financial guaranty executive, finance and legal positions, including personnel with the ability to deal with adverse market conditions and take advantage of market opportunities. During this critical period in our Company's history, the Compensation Committee believes that retaining and motivating our executive officers and staff is essential, and that the various elements of total compensation have worked well to attract and properly reward management for their performance.

**PAYOUT UNDER PERFORMANCE RETENTION PLAN**

The Performance Retention Plan, which we refer to as the PRP, had been utilized as a form of incentive compensation for the executive officers until 2015. Its focus on adjusted book value and operating return on equity over a multi-year performance period reduced the incentive to concentrate on short-term gain and fostered a long-term view that minimized unnecessary or excessive risk taking.

In response to shareholder feedback that we should simplify our executive compensation program and emphasize equity rather than cash for incentive compensation, the Compensation Committee stopped granting our executive officers new PRP awards beginning in 2015.

However, the executive officers did receive PRP awards in February 2013 and 2014, installments of which vested on December 31, 2016, so each of the executive officers received a cash distribution in March 2017 resulting from those awards. The last PRP award to the executive officers was granted in February 2014 and the last installment of that award will vest on December 31, 2017.

The principal amount of each PRP award is divided into three installments. The portion of principal associated with each installment and the performance period relating to such installment are set out in the terms of the award.

The award payment for each installment is the product of:

- Principal amount of award
- Portion of principal associated with installment

50% of the sum of 1 and the percentage change in the core ABV per share for the relevant performance period

50% of the sum of 1 and the core operating ROE for the relevant performance period

For the executive officers, no amount is payable if our core ABV per share has declined for the applicable performance period and if our core operating ROE is not at least 3% on average for each year in the applicable performance period. However, if, in a subsequent performance period, there is either positive growth in our core ABV per share or our core operating ROE is at least 3% on average for each year in the applicable performance period, each executive officer who remains employed at our Company will receive the recalculated payment.

The following table sets forth the calculation of the returns on the installments of the PRP awards granted in February 2013 and 2014 that vested on December 31, 2016:

<b>Grant Date</b>	<b>Performance Period Beginning Date</b>	<b>Performance Period End Date</b>	<b>Portion of Principal Associated with Installment</b>	<b>Percentage Change in Core ABV per Share</b>	<b>Core Operating ROE</b>	<b>50% of Percentage Change in Core ABV per Share + 50% of Core Operating ROE</b>
February 2013	January 1, 2013	December 31, 2016	50%	41.3%	43.9%	42.6%
February 2014	January 1, 2014	December 31, 2016	25%	34.4%	33.0%	33.7%

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The individual PRP payouts for amounts that vested on December 31, 2016 are set forth in footnote 2 to the Summary Compensation Table. Those PRP payouts were a function of decisions made by the Compensation Committee in February 2013 and 2014 regarding the amount of PRP to award relating to the executive officers' achievements during the 2012 and 2013 performance years, as well as growth in core ABV per share and the core operating ROE during the relevant performance periods.

The strong growth in core ABV per share and the core operating ROE during the performance periods shown in the table above was driven in large part by achievements of our named executive officers during those performance periods. For example, the efficient management of capital, the CIFG acquisition, recoveries from our loss mitigation activities, gains on reassumptions of previously ceded business and the generation of PVP through the writing of new business each contributed to both the increase in core ABV per share and core operating ROE, while the core operating ROE was also impacted by terminations of insured transactions.

## **COMPENSATION GOVERNANCE**

### **The Role of the Board's Compensation Committee**

The Compensation Committee oversees all aspects of our executive compensation program. The Compensation Committee has responsibility for:

- Establishing executive compensation policies

- Determining the compensation of our CEO

- Reviewing our CEO's compensation recommendations regarding other senior officers and determining appropriate compensation for such officers

Our Board has adopted a Compensation Committee Charter to govern the Compensation Committee's activities. The charter, which may be found on our website at [assuredguaranty.com/governance](http://assuredguaranty.com/governance), is reviewed annually by the Compensation Committee. Under its charter, the Compensation Committee is authorized to retain compensation, legal, accounting and other expert consultants at our expense.

### **The Role of the Independent Consultant**

Over the past ten years, including in 2016, the Compensation Committee has engaged Cook as its independent compensation consultant and considered advice and information from that firm in determining the amount and form of compensation for the executive officers. As part of its engagement, Cook advised the Compensation Committee in 2014 and 2015 about changes to our executive compensation program. Cook has not provided any additional consulting service to us beyond its role as consultant to the Compensation Committee.

In 2016, Cook's work for the Compensation Committee included analyzing our compensation practices in light of best practices, providing compensation risk assessment, reviewing our comparison group of companies, collecting and providing relevant market data, reviewing data and analyses provided by other consultants, and updating the Compensation Committee with respect to evolving governance trends.

The Compensation Committee has considered the independence of Cook in light of SEC rules and NYSE listing standards. It has requested and received a letter from Cook in 2016 affirming factors relevant to assessing Cook's independence. The Compensation Committee discussed the content of the letter and concluded that Cook's work did



not raise any independence or conflict of interest issues.

### **Executive Compensation Comparison Group**

The Compensation Committee examines pay data for the following 14 companies to review pay practices, identify compensation trends, and benchmark its executive compensation decisions:

Allied World Assurance Company	Eaton Vance	Radian Group
Ambac Financial Group	Endurance Specialty	RenaissanceRe Holdings
Arch Capital Group	Everest Re Group	Validus
Aspen Insurance Holdings		White Mountains Insurance Group
	MBIA	
Axis Capital Holdings	MGIC Investment	

The Compensation Committee has long recognized that the comparison group has limitations. Notably, the comparison group consists primarily of mortgage finance and casualty insurance and reinsurance companies. Despite the specialized nature of our business, our Compensation Committee looks for companies domiciled in Bermuda or with a similar size, business model and compensation mix to ours. Although the factors the Compensation Committee considers for its compensation decisions and the level of compensation may differ from those for the comparison group, the Compensation Committee finds it useful to consider the pay practices at these companies.

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Compensation Discussion and Analysis Compensation Governance

In November 2016, Cook met with members of the Compensation Committee to review the comparison group from the prior year, and to discuss whether other companies should be considered for inclusion in the group. The Compensation Committee had not revised the comparison group the prior year. Cook advised the Compensation Committee that the current comparison group consists of companies that, like our Company, have a business model that involves underwriting risk, a holding company structure, and similar size as measured by revenues, assets and market capitalization. However, since November 2015, Partner Re has been acquired by Exor and Endurance Specialty announced in October 2016 that it expected it would be acquired by SOMPO Holdings, Inc. in the first quarter of 2017. Cook recommended the deletion of Partner Re but the retention of Endurance Specialty from the comparison group for time being because it may still file compensation data for 2016.

Cook recommended the addition of Ambac Financial Group to the comparison group because Ambac is similar to the Company in terms of business focus and structure, is reasonably similar from a size perspective, and is used as a comparison by MBIA and MGIC Investment, both of which are in the Company's comparison group. Although it is currently not writing new business, it has survived the financial crisis and is actively working with the Company to mitigate Puerto Rico losses. Cook advised the Compensation Committee that, with the addition of Ambac, the Company ranks at the 46<sup>th</sup> percentile in terms of latest four quarters of revenue and at the 40<sup>th</sup> percentile in market capitalization. If Endurance Specialty were removed, the Company would rank at the 50<sup>th</sup> percentile in terms of latest four quarters of revenue and at the 43<sup>rd</sup> percentile in market capitalization.

Based on Cook's recommendation, the Compensation Committee agreed that the 14 companies listed above would constitute the Company's comparison group.

**Executive Officer Recoupment Policy**

Our Board of Directors adopted a recoupment (or clawback) policy in February 2009 pursuant to which the Compensation Committee may rescind or recoup certain of the compensation of an executive officer if such person engages in misconduct related to a restatement of our financial results or of objectively quantifiable performance goals, and the achievement of those goals is later determined to have been overstated.

In connection with Rule 10D-1 proposed by the SEC, the Compensation Committee amended the recoupment policy in November 2015 so that it would apply, to the extent required by law, to incentive compensation received in the three year period before a determination that a material restatement is required. The amended recoupment policy allows the Company to recoup incentive compensation which is granted before the adoption and effectiveness of a final Rule 10D-1, but which may be subject to the three year look-back period of any such final rule.

**Stock Ownership Guidelines**

To demonstrate our commitment to building shareholder value, the Board of Directors adopted management stock ownership guidelines. Our guidelines do not mandate a time frame by which this ownership must be attained, but each executive officer must retain 100% of his after-tax receipt of Company stock until he reaches his ownership goal.

Please see Information About Our Common Share Ownership How Much Stock is Owned by Directors and Executive Officers for detailed information on the executive officers' stock ownership.

The chart below shows the guideline for each of our named executive officers and each executive's stock ownership as of March 8, 2017, the record date, using \$40.19, the closing price of one of our Common Shares on the NYSE on such date.

Named Executive Officer	Guideline	Current Ownership
Dominic J. Frederico	7 × Salary	35.6 × Salary
James M. Michener	5 × Salary	18.5 × Salary
Robert A. Bailenson	5 × Salary	9.7 × Salary
Russell B. Brewer II	5 × Salary	8.0 × Salary
Bruce E. Stern	5 × Salary	7.8 × Salary

These ownership levels include shares owned and, in the case of Mr. Bailenson, vested share units credited to his non-qualified retirement plan. Unvested RSUs, unvested performance share units and unexercised options do not count towards the guidelines. Some of the executive officers who have reached their share ownership goals have made gifts of shares to family or to charitable or educational institutions.

**Table of Contents****Anti-Hedging Policy**

We adopted an anti-hedging policy in 2013 that explicitly prohibits employees and directors from hedging our Common Shares.

**Anti-Pledging Policy**

Our stock trading policy prohibits employees and directors from pledging our Common Shares without approval of both our General Counsel and the Nominating and Governance Committee. There have been no such transactions to date.

**Award Timing**

The Compensation Committee meets during our February board meeting to make executive compensation decisions with respect to the previous year's performance and to make its compensation recommendations to the other directors. After consulting with the Board, the Compensation Committee approves executive officer salary increases (if any), cash incentive compensation, and equity awards. Payments under existing PRP awards (if any) and cash incentives are not paid until after we file our Annual Report on Form 10-K for the previous year with the SEC.

**POST-EMPLOYMENT COMPENSATION****Retirement Benefits**

We maintain tax-qualified and non-qualified defined contribution retirement plans for our executive officers and other eligible employees. We do not maintain any defined benefit pension plans. The Compensation Committee and our management believe that it is important to provide retirement benefits to employees who reach retirement in order to attract and retain key employees. All retirement benefits are more fully described under Potential Payments Upon Termination or Change in Control.

<b>Benefit Under Defined Contribution Plans</b>	<b>Description</b>
Core contribution	We contribute 6% of each employee's salary and cash bonus compensation, which we refer to as eligible compensation
Company match	We match 100% of each employee's contribution, up to 6% of eligible compensation

**Severance**

Under our severance policy for executive officers, following the executive's involuntary termination without cause or voluntary termination for good reason and subject to the executive signing a release of claims, the executive will receive a lump-sum payment in an amount equal to one year's salary plus his average cash incentive amount over the preceding 3-year period, plus a pro-rata annual cash incentive amount for the year of termination and an amount equal to one year of medical and dental premiums. The executive officer's receipt of severance benefits is subject to his compliance with non-competition, non-solicitation, and confidentiality restrictions during his employment and for a

period of one year following termination of employment. We, in our discretion, may choose to pay one year of base salary to an executive who terminates employment for a reason other than involuntary termination without cause or voluntary termination for good reason, in which case the executive will also be subject to non-competition, non-solicitation, and confidentiality restrictions following his termination of employment.

### **Change In Control Benefits**

We provide change in control benefits to encourage executives to consider the best interests of shareholders by mitigating any concerns about their own personal financial well-being in the face of a change in control of our Company. Based on shareholder input and changing market trends, since 2011, in the event of a change in control:

Long-term incentive awards will vest only upon certain terminations of employment following a change in control (double-trigger)

Such awards will vest upon a change in control (single-trigger) if the acquirer does not assume the awards

We do not provide excise tax reimbursements and gross-up payments in the case of a change in control. Detailed information is provided under [Potential Payments Upon Termination or Change in Control](#).

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Compensation Discussion and Analysis Tax Treatment

**TAX TREATMENT**

Internal Revenue Code (IRC) Section 162(m) generally limits the deductibility of compensation paid to our CEO and three other named executive officers other than our Chief Financial Officer to \$1 million during any fiscal year unless such compensation is performance-based under Section 162(m). Generally, we intend to structure our compensation arrangements in a manner that would comply with Section 162(m). However, the Compensation Committee considers many factors when designing its compensation arrangements in addition to the deductibility of the compensation, and maintains the flexibility to grant awards or pay compensation amounts that are non-deductible if they believe it is in the best interest of our Company and our shareholders.

In addition, IRC Section 409A imposes restrictions on nonqualified deferred compensation plans. We maintain deferred compensation plans for the benefit of our employees, including nonqualified deferred compensation plans that provide for employee and employer contributions in excess of the IRS defined contribution plan limits. The deferred compensation plans we maintain are intended to be exempt from the requirements of Section 409A or, if not exempt, to satisfy the requirements of Section 409A, and we have reviewed and, where appropriate, have amended each of our deferred compensation plans to meet the requirements.

Finally, IRC Section 457A imposes restrictions on nonqualified deferred compensation plans maintained by a nonqualified entity (which generally includes an entity in a jurisdiction that is not subject to U.S. income tax or a comprehensive foreign income tax). The deferred compensation plans we maintain are intended to be exempt from the requirements of Section 457A for benefits accrued or awards granted on or after January 1, 2009 (the effective date of Section 457A). Also, we had amended certain deferred compensation plans in which benefits were accrued or awards granted prior to January 1, 2009 to provide that such benefits would be distributed in a single lump-sum payment in January 2017 (to the extent not previously distributed) to satisfy the requirements of Section 457A, and such benefits were distributed on January 6, 2017.

**NON-GAAP FINANCIAL MEASURES**

This proxy statement references financial measures that are not determined in accordance with U.S. GAAP, and are identified as core, operating, PVP or non-GAAP. Although these non-GAAP financial measures should not be considered substitutes for U.S. GAAP measures, our management and Board consider them important performance indicators and have employed them as well as other factors in determining senior management incentive compensation.

We referenced in the *Management's Discussion and Analysis* in our Annual Report on Form 10-K for the year ended December 31, 2016 certain of the non-GAAP financial measures we use in this proxy statement. The definitions for those non-GAAP financial measures, which are listed below, and how they may be calculated from the most directly comparable GAAP financial measures, may be found on pages 94 to 98 of our Annual Report on Form 10-K for the year ended December 31, 2016.

*operating income (non-GAAP)*

*non-GAAP operating shareholders' equity*

*non-GAAP adjusted book value (ABV)*

*PVP or present value of new business production*

This proxy also references certain non-GAAP financial measures, which are identified as "core", that our management and Board also consider important performance indicators and have employed, as well as other factors, in determining senior management incentive compensation. These "core" measures, and how they are calculated from our GAAP financial statements, are as follows:

*Core operating income per diluted share.* After making the adjustments to net income described on pages 94 to 95 of the Company's Annual Report on Form 10-K, *Management's Discussion and Analysis, Non-GAAP Financial Measures* to arrive at operating income (non-GAAP), the Company subtracts the gain (or loss) related to FG VIE consolidation, net of the tax provision, also disclosed in such section of the Form 10-K.

*Core operating shareholders' equity per share.* After making the adjustments to shareholders' equity described on pages 95 to 97 of the Company's Annual Report on Form 10-K, *Management's Discussion and Analysis, Non-GAAP Financial Measures* to arrive at non-GAAP operating shareholders' equity, the Company subtracts the gain (or loss) related to FG VIE consolidation, net of the tax provision, also disclosed in such section of the Form 10-K.

*Core ABV.* After making the adjustments to shareholders' equity described on pages 95 to 97 of the Company's Annual Report on Form 10-K, *Management's Discussion and Analysis, Non-GAAP Financial Measures* to arrive at non-GAAP adjusted book value (ABV), the Company subtracts the gain (or loss) related to FG VIE consolidation, net of the tax provision, also disclosed in such section of the Form 10-K.

*Core operating ROE.* Core operating ROE is calculated as core operating income divided by the average of core operating shareholders' equity at the beginning and end of the period.

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**COMPENSATION COMMITTEE REPORT**

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis contained in this proxy statement with management and, based on such review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in our Company's Annual Report on Form 10-K for the year ended December 31, 2016 and this proxy statement. The foregoing report has been approved by the Compensation Committee.

Patrick W. Kenny, Chairman

G. Lawrence Buhl

Simon W. Leathes

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## 2016 Summary Compensation Table

## 2016 SUMMARY COMPENSATION TABLE

The following table provides compensation information for 2016, 2015 and 2014 for our named executive officers.

Name and Principal Position	Year	Salary	Non-Equity			Total
			Stock Awards <sup>(1)</sup>	Incentive Plan Compensation <sup>(2)</sup>	All Other Compensation <sup>(3)</sup>	
<b>Dominic J. Frederico,</b> President and Chief Executive Officer	2016	\$ 1,150,000	\$ 5,090,589	\$ 5,717,851	\$ 768,875	\$ 12,727,315
	2015	\$ 1,150,000	\$ 4,708,445	\$ 5,609,813	\$ 711,731	\$ 12,179,989
	2014	\$ 950,000	\$ 3,607,088	\$ 5,580,300	\$ 637,403	\$ 10,774,791
<b>James M. Michener,</b> General Counsel	2016	\$ 600,000	\$ 1,018,118	\$ 2,355,089	\$ 487,858	\$ 4,461,065
	2015	\$ 550,000	\$ 941,700	\$ 2,338,881	\$ 443,359	\$ 4,273,940
	2014	\$ 500,000	\$ 706,975	\$ 2,399,400	\$ 401,974	\$ 4,008,349
<b>Robert A. Bailenson,</b> Chief Financial Officer	2016	\$ 600,000	\$ 1,119,915	\$ 2,207,475	\$ 230,530	\$ 4,157,920
	2015	\$ 550,000	\$ 1,046,351	\$ 1,920,375	\$ 191,279	\$ 3,708,005
	2014	\$ 475,000	\$ 673,311	\$ 1,618,772	\$ 153,900	\$ 2,920,983
<b>Russell B. Brewer II,</b> Chief Surveillance Officer	2016	\$ 450,000	\$ 1,119,915	\$ 1,762,939	\$ 223,481	\$ 3,556,335
	2015	\$ 400,000	\$ 941,700	\$ 1,784,931	\$ 191,288	\$ 3,317,919
	2014	\$ 390,000	\$ 706,975	\$ 1,570,130	\$ 171,000	\$ 2,838,105
<b>Bruce E. Stern<sup>(4)</sup></b> Executive Officer	2016	\$ 450,000	\$ 712,678	\$ 1,274,087	\$ 184,236	\$ 2,621,001
	2015	\$ 400,000	\$ 627,800	\$ 1,259,694	\$ 139,415	\$ 2,426,909

(1) This column represents the grant date value of performance share unit awards and restricted share unit awards granted in 2016, 2015 and 2014 for 2015, 2014 and 2013 performance, respectively.

(2) This column represents cash incentive compensation for 2016, 2015 and 2014 paid in 2017, 2016 and 2015, respectively, and the vesting date value of awards under our Performance Retention Plan (PRP) granted in 2014, 2013, 2012 and 2011 that vested on December 31, 2016, December 31, 2015 and December 31, 2014 and were paid in March 2017, 2016 and 2015, respectively, as further described in the table below. As discussed in Compensation Discussion and Analysis Payout Under Performance Retention Plan above,

beginning in February 2015, the executive officers no longer receive grants of PRP awards. The last PRP award to the executive officers was granted in February 2014 for the 2013 performance year and the last installment of that award will vest on December 31, 2017.

	<b>D. Frederico</b>	<b>J. Michener</b>	<b>R. Bailenson</b>	<b>R. Brewer</b>	<b>B. Stern</b>
2016 Cash Incentive Compensation	\$ 4,497,938	\$ 1,679,400	\$ 1,679,400	\$ 1,229,850	\$ 972,169
2016 PRP Payout	\$ 1,219,913	\$ 675,689	\$ 528,075	\$ 533,089	\$ 301,918
<b>Total</b>	<b>\$ 5,717,851</b>	<b>\$ 2,355,089</b>	<b>\$ 2,207,475</b>	<b>\$ 1,762,939</b>	<b>\$ 1,274,087</b>

- (3) All Other Compensation for 2016 consists of the benefits set forth in the table below. Contributions to defined contribution retirement plans include contributions with respect to salary and cash incentive compensation. The Miscellaneous category within All Other Compensation includes Bermuda club fees, Bermuda health insurance, gym fees, personal use of the corporate apartment, and executive physicals.

	<b>D. Frederico</b>	<b>J. Michener</b>	<b>R. Bailenson</b>	<b>R. Brewer</b>	<b>B. Stern</b>
Employer Contribution to Retirement Plans	\$ 618,240	\$ 247,032	\$ 220,896	\$ 186,096	\$ 161,226
Bermuda Housing Allowance	\$ 21,714	\$ 144,000			
Bermuda Car Allowance	\$ 20,000	\$ 15,000			
Bermuda Travel Allowance	\$ 15,000	\$ 15,000			
Tax Preparation/Financial Planning	\$ 42,292	\$ 29,222	\$ 1,000	\$ 19,680	
Matching Gift Donations	\$ 15,000	\$ 15,000		\$ 10,000	\$ 10,820
Business Related Spousal Travel	\$ 15,771	\$ 12,604	\$ 8,634	\$ 7,705	\$ 8,669
Miscellaneous	\$ 20,858	\$ 10,000			\$ 3,521
<b>Total</b>	<b>\$ 768,875</b>	<b>\$ 487,858</b>	<b>\$ 230,530</b>	<b>\$ 223,481</b>	<b>\$ 184,236</b>

- (4) Although Mr. Stern was an officer of our Company in 2014, he was not a named executive officer in that year.

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### EMPLOYMENT AGREEMENTS

None of our named executive officers currently have any employment agreements with the Company.

### PERQUISITE POLICY

Our Company has established a perquisite policy pursuant to which we provide executive officers certain perquisites that are not available to employees generally. We believe that perquisites we provide to our named executive officers meet certain business objectives and that the benefit our Company receives from providing these perquisites significantly outweighs the cost of providing them. We feel these perquisites minimize distractions to our named executive officers, thereby enabling them to perform their responsibilities more efficiently. These include tax preparation, financial planning, annual executive medical exams and, for our executive officers located in Bermuda, housing and car allowances, Bermuda club memberships, and family travel stipend. We provide tax preparation and financial planning services to maximize the value of Company-provided compensation and to assist our named executive officers with tax compliance in various jurisdictions, especially since some of our named executive officers fulfill their responsibilities to the Company by working outside their home country for a portion of their time. In light of the challenges of the Bermuda market, including travel to and from the island, and the cost of living and maintaining a residence, the Bermuda perquisites are consistent with competitive practices in the Bermuda market and have been necessary for recruitment and retention purposes. Any of these perquisites may be modified by the Compensation Committee without the consent of the executive officers.

In determining the total compensation payable to our named executive officers, the Compensation Committee considers perquisites in the context of the total compensation which our named executive officers are eligible to receive. However, given the fact that perquisites represent a relatively small portion of the executive's total compensation, the availability of these perquisites does not materially influence the decisions made by the Compensation Committee with respect to other elements of the total compensation to which our named executive officers are entitled to or which they are awarded.

### SEVERANCE POLICY

Our Company has adopted a severance policy for executive officers. For further detail, see the discussion in Compensation Discussion and Analysis Post-Employment Compensation Severance and Potential Payments Upon Termination or Change of Control Change-in-Control Severance. A severance policy enables us to attract and retain top candidates for our executive positions and enables us to have good relations with those executives.

### EMPLOYEE STOCK PURCHASE PLAN

We maintain a broad based employee stock purchase plan that gives our eligible employees the right to purchase our Common Shares through payroll deductions at a purchase price that reflects a 15% discount to the market price of our Common Shares on the first or last day of the relevant subscription period, whichever is lower. No participant may purchase more than \$25,000 worth of Common Shares under this plan in any calendar year. In 2016, Mr. Frederico, Mr. Stern and another executive officer participated in the employee stock purchase plan to the maximum extent possible.

### INDEMNIFICATION AGREEMENTS

We enter into indemnification agreements with our directors and executive officers. These agreements are in furtherance of our Bye-Laws which require us to indemnify our directors and officers for acts done, concurred in or omitted in or about the execution of their duties in their respective offices.

The indemnification agreements provide for indemnification arising out of specified indemnifiable events, such as events relating to the fact that the indemnitee is or was one of our directors or officers or is or was a director, officer, employee or agent of another entity at our request or relating to anything done or not done by the indemnitee in such a capacity.

The indemnification agreements provide for advancement of expenses.

These agreements provide for mandatory indemnification to the extent an indemnitee is successful on the merits. To the extent that indemnification is unavailable, the agreements provide for contribution.

The indemnification agreements set forth procedures relating to indemnification claims.

The agreements also provide for maintenance of directors and officers liability insurance.

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## 2016 Grants of Plan-Based Awards

## 2016 GRANTS OF PLAN-BASED AWARDS

The following table sets forth information concerning grants of plan-based awards for our named executive officers made during 2016.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards		Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of	Grant Date Fair Value of Stock and Option Awards <sup>(4)</sup>
		Target	Maximum Threshold	Target	Maximum	Stock or Units		
<b>Dominic J. Frederico</b>	Feb. 24, 2016 <sup>(1)</sup>	\$ 2,875,000	\$ 5,750,000					
	Feb. 24, 2016 <sup>(2)</sup>			51,483	102,965	205,930		\$ 2,579,273
	Feb. 24, 2016 <sup>(3)</sup>						102,965	\$ 2,511,316
<b>James M. Michener</b>	Feb. 24, 2016 <sup>(1)</sup>	\$ 1,200,000	\$ 2,400,000					
	Feb. 24, 2016 <sup>(2)</sup>			10,297	20,593	41,186		\$ 515,855
	Feb. 24, 2016 <sup>(3)</sup>						20,593	\$ 502,263
<b>Robert A. Bailenson</b>	Feb. 24, 2016 <sup>(1)</sup>	\$ 1,200,000	\$ 2,400,000					
	Feb. 24, 2016 <sup>(2)</sup>			11,326	22,652	45,304		\$ 567,433
	Feb. 24, 2016 <sup>(3)</sup>						22,652	\$ 552,482
<b>Russell B. Brewer II</b>	Feb. 24, 2016 <sup>(1)</sup>	\$ 900,000	\$ 1,800,000					
	Feb. 24, 2016 <sup>(2)</sup>			11,326	22,652	45,304		\$ 567,433
	Feb. 24, 2016 <sup>(3)</sup>						22,652	\$ 552,482
<b>Bruce E. Stern</b>	Feb. 24, 2016 <sup>(1)</sup>	\$ 787,500	\$ 1,575,000					
	Feb. 24, 2016 <sup>(2)</sup>			7,208	14,415	28,830		\$ 361,096
	Feb. 24, 2016 <sup>(3)</sup>						14,415	\$ 351,582

- (1) Represents a grant of a non-equity incentive compensation award. As described in Compensation Discussion and Analysis Executive Compensation Program Structure and Process Components of Our Executive Compensation Program Cash Incentive Compensation , the Compensation Committee uses a two-step process for granting and paying annual non-equity incentive compensation awards to executive officers. On the February 24, 2016 grant date, the Compensation Committee granted such non-equity incentive compensation awards to the executive officers pursuant to the LTIP with such awards subject to the satisfaction of a performance goal related to certain performance metrics of the Company. Assuming that such performance goal was met, the second step consists of the Compensation Committee using negative discretion to determine the actual amount of the cash payment. On the grant date, the Compensation Committee adopted the target and maximum payment amounts listed in the table above for any payments pursuant to such awards for the 2016 performance year, as well as a formulaic approach to using negative discretion to determine the actual amount of payment. Following certification that the adjusted income goal was met and the application of the formulaic standards to each of the executive officers, the Compensation Committee approved the payments described in the Summary Compensation Table for payment of such non-equity incentive compensation awards for the 2016 performance year.
  
- (2) Represents a performance share unit award. The performance share units will vest at the end of a three-year vesting period based on the highest 40-day average share price during the last eighteen months of such period and continued employment through the end of the applicable three-year period, with limited exceptions. The number of performance share units listed in the Threshold column represents the number of performance share units which shall become vested based on achievement of 50% of the performance target (a 40-day average share price of \$28 during the last eighteen months of the performance period); the number of performance share units listed in the Target column represents the number of performance share units which shall become vested based on achievement of 100% of the performance target (a 40-day average share price of \$32 during the last eighteen months of the performance period); and the number of performance share units listed in the Maximum column represents the number of performance share units which shall become vested based on achievement of 200% of the performance target (a 40-day average share price of \$36 during the last eighteen months of the performance period). If at least 50% of the performance target is not achieved during the performance period, all of the performance share units will be forfeited.
  
- (3) Represents a time-based RSU award. Restrictions lapse on the third anniversary of the grant date of the award, subject to continued employment, with limited exceptions.
  
- (4) This column discloses the aggregate grant date fair market value computed in accordance with U.S. GAAP, which is \$25.05 per target share for performance share units and \$24.39 per share for RSUs. For the assumptions used in the valuation, see note 19 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2016.

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## OUTSTANDING EQUITY AWARDS

The following table sets forth the outstanding equity awards held by our named executive officers as of December 31, 2016.

Name	Option Awards			Stock Awards			
	Number of Securities Underlying Unexercised Options Exercisable	Option Exercise Price (per share)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested
Dominic J. Frederico	200,000	\$ 23.27	2/14/2018				
	100,000	\$ 7.44	2/5/2019				
	100,000	\$ 19.79	2/24/2020				
	112,055	\$ 17.44	2/9/2019				
				82,635 <sup>(1)</sup>	\$ 3,121,124		
				143,082 <sup>(2)</sup>	\$ 5,404,207		
				87,959 <sup>(3)</sup>	\$ 3,322,211		
				175,918 <sup>(4)</sup>	\$ 6,644,423		
				102,965 <sup>(5)</sup>	\$ 3,888,988		
						51,483 <sup>(6)</sup>	\$ 1,944,513
James M. Michener	30,000	\$ 23.27	2/14/2018				
	40,000	\$ 19.79	2/24/2020				
	8,964	\$ 17.44	2/9/2019				
	10,398	\$ 19.24	2/7/2020				
				16,197 <sup>(1)</sup>	\$ 611,761		
				28,042 <sup>(2)</sup>	\$ 1,059,146		
				17,592 <sup>(3)</sup>	\$ 664,450		
				35,184 <sup>(4)</sup>	\$ 1,328,900		
				20,593 <sup>(5)</sup>	\$ 777,798		
						10,297 <sup>(6)</sup>	\$ 388,918
Robert A. Bailenson	10,000	\$ 23.27	2/14/2018				
	10,000	\$ 7.44	2/5/2019				
	20,000	\$ 19.79	2/24/2020				

6,723	\$ 17.44	2/9/2019		
6,835	\$ 19.24	2/7/2020		
			15,425 <sup>(1)</sup>	\$ 582,602
			26,708 <sup>(2)</sup>	\$ 1,008,761
			19,547 <sup>(3)</sup>	\$ 738,290
			39,094 <sup>(4)</sup>	\$ 1,476,580
			22,652 <sup>(5)</sup>	\$ 855,566
				11,326 <sup>(6)</sup> \$ 427,783



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## Outstanding Equity Awards

Name	Option Awards			Stock Awards			Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested
	Number of Securities Underlying Unexercised Options Exercisable	Option Exercise Price (per share)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested
Russell B. Brewer II	10,000	\$ 19.79	2/24/2020				
	8,964	\$ 17.44	2/9/2019				
	10,398	\$ 19.24	2/7/2020				
				16,197 <sup>(1)</sup>	\$ 611,761		
				28,042 <sup>(2)</sup>	\$ 1,059,146		
				17,592 <sup>(3)</sup>	\$ 664,450		
				35,184 <sup>(4)</sup>	\$ 1,328,900		
				22,652 <sup>(5)</sup>	\$ 855,566		
						11,326 <sup>(6)</sup>	\$ 427,783
Bruce E. Stern	10,000	\$ 19.79	2/24/2020				
	6,723	\$ 17.44	2/9/2019				
	8,202	\$ 19.24	2/7/2020				
				10,688 <sup>(1)</sup>	\$ 403,686		
				18,504 <sup>(2)</sup>	\$ 698,896		
				11,728 <sup>(3)</sup>	\$ 442,967		
				23,456 <sup>(4)</sup>	\$ 885,933		
				14,415 <sup>(5)</sup>	\$ 544,455		
						7,208 <sup>(6)</sup>	\$ 272,246

(1) These units vested on February 5, 2017.

(2)

These units vested on February 5, 2017. Vesting was based on the highest 40-day average price of our Common Shares during the three year performance period. As of December 31, 2016, the highest 40-day average price of our Common Shares during the performance period was \$36.14. Accordingly, 200% of the units vested.

- (3) These units will vest on February 4, 2018, subject to continued employment, with limited exceptions.
- (4) These units will vest on February 4, 2018, subject to continued employment or agreement terms relating to retirement and achievement of performance goals, as defined. These units will vest based on the highest 40-day average price of our Common Shares during the last eighteen months of the three year performance period. As of December 31, 2016, the highest 40-day average price of our Common Shares during the last eighteen months of the performance period was \$36.14. Accordingly, 200% of the units will vest, subject to the other conditions of the performance equity and not before the end of the three-year performance period.
- (5) These units will vest on February 24, 2019, subject to continued employment, with limited exceptions.
- (6) These units will vest on February 24, 2019, subject to continued employment or agreement terms relating to retirement and achievement of performance goals, as defined. These units will vest based on the highest 40-day average price of our Common Shares during the last eighteen months of the three year performance period. Accordingly, none of the units will vest unless the highest 40-day average price of our Common Shares during the last eighteen months of the three year performance period exceeds \$28, subject to the other conditions of the performance equity and not before the end of the three-year performance period.

**Table of Contents****2016 OPTION EXERCISES AND STOCK VESTED**

The following table provides information concerning option exercises by, and vesting of restricted stock awards of, our named executive officers during 2016.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise <sup>(1)</sup>	Value Realized on Exercise <sup>(2)</sup>	Number of Shares Acquired on Vesting <sup>(3)</sup>	Value Realized on Vesting <sup>(4)</sup>
Dominic J. Frederico	166,667	\$ 900,002		
James M. Michener	50,000	\$ 255,000	15,000	\$ 355,950
Robert A. Bailenson	16,000	\$ 81,600	10,900	\$ 258,657
Russell B. Brewer II			15,000	\$ 355,950
Bruce E. Stern			11,500	\$ 272,895

- (1) This column represents gross shares exercised, not reduced by shares withheld to pay for personal income tax and not reduced by shares swapped to pay for the option price.
- (2) The value realized on exercise represents the value of gross shares received, not reduced by shares withheld to pay for personal income tax, but reduced by shares swapped to pay for the option price.
- (3) This column represents gross shares vesting, not reduced by shares withheld to pay for personal income tax.
- (4) The value of a restricted share upon vesting is the fair market value of the stock on the vesting date. This column represents the value of gross shares vesting, not reduced by shares withheld to pay for personal income tax.

**NON-QUALIFIED DEFERRED COMPENSATION**

The following table sets forth information concerning nonqualified deferred compensation of our named executive officers. The amounts set forth in this table include only contributions made and earnings received during 2016 and do not include contribution and earnings with respect to the 2016 non-equity incentive compensation paid in 2017.

Name	Executive Contributions in Last FY <sup>(1)</sup>	Registrant Contributions in Last FY <sup>(2)</sup>	Aggregate Withdrawals/ Distributions	Aggregate Earnings in Last FY	Aggregate Balance at Last FYE <sup>(3)</sup>
Dominic J. Frederico	\$ 293,220	\$ 586,440		\$ 3,928,435	\$ 19,066,795 <sup>(4)</sup>
James M. Michener	\$ 107,616	\$ 215,232		\$ 309,132	\$ 3,999,970

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Robert A. Bailenson	\$ 94,548	\$ 189,096	\$ 620,560	\$ 3,206,766
Russell B. Brewer II	\$ 77,148	\$ 154,296	\$ 256,370	\$ 3,265,780
Bruce E. Stern	\$ 64,713	\$ 129,426	\$ 16,757	\$ 2,054,516

- (1) The amounts in this column are also included in the Summary Compensation Table, in the Salary column and in the Non-Equity Incentive Plan Compensation column.
- (2) The amounts in this column are included in the Summary Compensation Table, in the All Other Compensation column as the employer contribution to the retirement plans.
- (3) Of the totals in this column, the following totals have been previously reported in the Summary Compensation Table for previous years:

Name	2016 Amount	2015 Amount
Dominic J. Frederico	\$ 7,592,360	\$ 6,779,840
James M. Michener	\$ 2,228,225	\$ 1,942,925
Robert A. Bailenson	\$ 1,355,675	\$ 1,133,110
Russell B. Brewer II	\$ 644,910	\$ 458,100
Bruce E. Stern	\$ 150,300	

- (4) \$1,612,387 was assumed from the ACE Limited Supplemental Retirement Plan at our 2004 initial public offering.

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## Potential Payments Upon Termination or Change in Control

**POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL**

The following tables quantify the potential payments upon termination that our named executive officers would receive assuming that the relevant termination event had occurred on December 31, 2016. The last table quantifies the potential payments upon an involuntary termination without cause and a change of control that our named executive officers would receive assuming that both the termination without cause and change in control had occurred on December 31, 2016.

**TERMINATION DUE TO DEATH OR DISABILITY**

Name	Unvested PRP	Unvested RSUs	Unvested PSUs <sup>(1)</sup>	Total
Dominic J. Frederico	\$ 225,000	\$ 10,332,323	\$ 10,544,763	\$ 21,102,086
James M. Michener	\$ 157,500	\$ 2,054,008	\$ 2,087,980	\$ 4,299,488
Robert A. Bailenson	\$ 150,000	\$ 2,176,458	\$ 2,155,002	\$ 4,481,460
Russell B. Brewer II	\$ 157,500	\$ 2,131,777	\$ 2,109,997	\$ 4,399,274
Bruce E. Stern	\$ 105,000	\$ 1,391,107	\$ 1,392,361	\$ 2,888,468

- (1) The value of the PSUs for this table was determined as if the applicable performance period ended on December 31, 2016. The portion of the PSUs which ultimately would become vested may vary from this assumed amount depending on the actual price of our Common Shares through the remainder of the actual performance period and the value of our Common Share on the date of distribution.

**TERMINATION DUE TO RETIREMENT**

Name	Unvested PRP <sup>(1)</sup>	Unvested RSUs	Unvested PSUs <sup>(2)</sup>	Total
Dominic J. Frederico	\$ 225,000	\$ 6,228,122	\$ 10,544,763	\$ 16,997,885
James M. Michener	\$ 157,500	\$ 1,233,575	\$ 2,087,980	\$ 3,479,055
Robert A. Bailenson <sup>(3)</sup>				
Russell B. Brewer II	\$ 157,500			\$ 157,500
Bruce E. Stern	\$ 105,000	\$ 825,704	\$ 1,392,361	\$ 2,323,065

- (1) PRP payouts may be zero if minimum performance criteria are not met in each performance period.

- (2) The value of the PSUs for this table was determined as if the applicable performance period ended on December 31, 2016. The portion of the PSUs which ultimately would become vested may vary from this assumed amount depending on the actual price of our Common Shares through the remainder of the actual performance period and the value of our Common Share on the date of distribution.
- (3) Mr. Bailenson had not reached retirement age by December 31, 2016. Upon retirement, Mr. Bailenson will become fully or pro-rata vested in respect of his unvested PRP, RSUs, PSUs and stock option awards.

**TERMINATION WITHOUT CAUSE PAYMENTS<sup>(1)</sup>**

Name	Salary Continuation	Cash Incentive Compensation	Benefits	Unvested RSUs	Unvested PSUs <sup>(2)</sup>	Total
Dominic J. Frederico	\$ 1,150,000	\$ 3,710,333	\$ 39,738	\$ 10,332,323	\$ 10,544,763	\$ 25,777,157
James M. Michener	\$ 600,000	\$ 1,286,200	\$ 39,738	\$ 2,054,008	\$ 2,087,980	\$ 6,067,926
Robert A. Bailenson	\$ 600,000	\$ 997,424	\$ 29,875	\$ 2,176,458	\$ 2,155,002	\$ 5,958,759
Russell B. Brewer II	\$ 450,000	\$ 934,543	\$ 29,875	\$ 2,131,777	\$ 2,109,997	\$ 5,656,192
Bruce E. Stern	\$ 450,000	\$ 714,517	\$ 29,875	\$ 1,391,107	\$ 1,392,361	\$ 3,977,860

- (1) No unvested PRP payments are payable upon a termination without cause.
- (2) The value of the PSUs for this table was determined as if the applicable performance period ended on December 31, 2016. The portion of the PSUs which ultimately would become vested may vary from this assumed amount depending on the actual price of our Common Shares through the remainder of the actual performance period and the value of our Common Share on the date of distribution.

**Table of Contents****CHANGE-IN-CONTROL SEVERANCE<sup>(1)</sup>**

<b>Name</b>	<b>Salary Continuation</b>	<b>Cash Incentive Compensation</b>	<b>Benefits</b>	<b>Unvested RSUs</b>	<b>Unvested PSUs<sup>(2)</sup></b>	<b>Total</b>
Dominic J. Frederico	\$ 1,150,000	\$ 3,710,333	\$ 39,738	\$ 10,332,323	\$ 19,826,606	\$ 35,059,000
James M. Michener	\$ 600,000	\$ 1,286,200	\$ 39,738	\$ 2,054,008	\$ 3,943,641	\$ 7,923,587
Robert A. Bailenson	\$ 600,000	\$ 997,424	\$ 29,875	\$ 2,176,458	\$ 4,196,474	\$ 8,000,231
Russell B. Brewer II	\$ 450,000	\$ 934,543	\$ 29,875	\$ 2,131,777	\$ 4,099,178	\$ 7,645,373
Bruce E. Stern	\$ 450,000	\$ 714,517	\$ 29,875	\$ 1,391,107	\$ 2,673,738	\$ 5,259,237

(1) No unvested PRP payments are payable upon a change in control.

(2) For PSUs, the applicable performance period would end on the date of a change in control and the amount which would become vested would be determined based on the performance through such date.

The salary continuation, cash incentive compensation and benefits columns in the Termination Without Cause Payments table and the Change-in-Control Severance table represent amounts that would be payable to each executive officer under the terms of the severance policy for executive officers. Under the terms of the policy, each named executive officer receives one year of salary, the average of the last three annual cash incentive compensation amounts, a pro-rata annual cash incentive compensation payment for the year of termination and one year of benefits which represent medical plan and dental plan premiums paid by our Company at the same level as was paid just prior to termination.

For the purpose of these tables, the value of RSUs and PSUs has been determined by multiplying the number of shares of that would have become vested on December 31, 2016 based on each applicable termination described above and based on target performance or the actual performance determined as if the performance period ended on such date by the closing price of our Common Shares on December 31, 2016, which was \$37.77.

With respect to the PRP, the amount that would become vested following death or permanent disability would be determined and paid out immediately assuming target performance over the performance period and that amount was included in the table above. The amount that would become vested following termination due to retirement would be determined based on actual performance through the entire performance period. For the table on termination due to retirement, the amount included for the payout of the unvested PRP following retirement was calculated assuming target performance over the performance period. The value of the actual payment amount for PRP may vary from this assumed amount depending on actual performance over the remainder of the performance period following retirement.

In addition to the amounts listed in the tables, upon a termination of employment for any of the reasons described above, the executives would be entitled to distributions from the qualified and non-qualified defined contribution retirement plans maintained by the Company and affiliates. For the named executive officers, the aggregate qualified and non-qualified defined contribution retirement account balances as of December 31, 2016 for Messrs. Frederico, Michener, Bailenson, Brewer and Stern are as follows, respectively: \$19,734,982, \$5,001,041, \$5,053,527, \$6,109,499 and \$3,347,459. Retirement account balances will be paid upon termination in accordance with the terms of the plans,

as described below.

If an executive officer had been terminated for cause on December 31, 2016, he would not have received any severance payments and would have forfeited all unvested PRP, RSUs and PSUs, receiving only salary payments through the termination date and vested retirement benefits under our Company's retirement plans.

Severance payments, PRP vesting, restricted stock vesting and retirement plan contributions assume no subsequent employment after termination. Certain rights to vesting and distributions following retirement or a termination without cause are subject to continued compliance with applicable restrictive covenants and may be forfeited by the executive in the event of a violation of such covenants (and in certain circumstances, the executive may be required to repay certain amounts in the event of a violation of such covenants).

#### NON-QUALIFIED RETIREMENT PLANS

All the executive officers participate in a non-qualified defined contribution retirement plan through an Assured Guaranty employer. These plans generally permit distributions only following a participant's termination of employment, and each of the plans imposes some additional restrictions on distributions as described below. A change in control under the current provisions of these plans does not entitle a participant to payment. Below is an overview of each plan.



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## Non-Qualified Retirement Plans

**ASSURED GUARANTY LTD. SUPPLEMENTAL EMPLOYEE RETIREMENT PLAN (AGL SERP)**

The AGL SERP is a non-qualified retirement plan for higher-paid employees. Internal Revenue Code provisions, such as the annual limit on employee deferrals, limit the amount of contributions that these employees may make or have made on their behalf to the qualified Assured Guaranty Ltd. Employee Retirement Plan. To satisfy the requirements of IRC Section 457A, U.S. taxpayers did not accrue additional benefits under the AGL SERP on and after January 1, 2009, and, as permitted by IRC Sections 409A and 457A, the AGL SERP was amended to require the distribution in 2017 of all benefits that were accrued prior to January 1, 2009 and that would otherwise have been subject to IRC Section 457A. Accrued benefits of executive officers in the AGL SERP (other than participant account balances invested in the employer stock fund) were transferred from the AGL SERP to the AGC SERP in 2012. The remaining balances held by executive officers in the AGL SERP were invested in the employer stock fund and were distributed as Common Shares in a single lump-sum payment on January 6, 2017 to satisfy the requirements of IRC Sections 409A and 457A. On the day such distributions were made to the Company's Chief Executive Officer and to the Company's General Counsel, the Company repurchased a like number of Common Shares from such officers. See [What Related Person Transactions Do We Have?](#) Following such distribution, no executive officers have any accrued benefits remaining in the AGL SERP. Any additional benefits for the executive officers accrue in the AGC SERP described below.

**ASSURED GUARANTY CORP. SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN (AGC SERP)**

The AGC SERP is a non-qualified retirement plan for higher-paid employees. Internal Revenue Code provisions, such as the annual limit on employee deferrals, limit the amount of contributions that these employees may make or have made on their behalf to the qualified Assured Guaranty Corp. Employee Retirement Plan. Contributions credited to this supplemental plan mirror the employee contributions, employer matching contributions, and 6% employer contributions that would have been made under the Assured Guaranty Corp. Employee Retirement Plan had the Internal Revenue Code provisions not limited the contributions. The plan also permits discretionary employer contributions.

A participant does not vest in employer contributions until he or she has completed one year of service, but the participant will vest earlier if he or she dies or attains age 65 while employed by a specified Assured Guaranty employer.

Distribution of a participant's account balances will be made as a lump sum. However, a participant may elect to receive payment of his or her account balances in annual installments over a period not exceeding five years, but only if, at the time of termination, the participant has attained age 55 and completed at least five years of service, and the amount of the participant's account balances is at least \$50,000.

A participant who is considered to be a specified employee as defined in IRC Section 409A and whose payment of benefits begins by reason of termination of employment may not begin to receive such payment until six months after termination of employment.

Benefits that were accrued prior to January 1, 2009 that would otherwise have been subject to IRC Section 457A were distributed in a single lump-sum payment on January 6, 2017 to satisfy the requirements of IRC Sections

409A and 457A.

In the first quarter of 2017, our subsidiary Assured Guaranty US Holdings Inc. formed and capitalized AG US Group Services Inc., which we refer to as AG Services, to act as the payroll company and employer for all U.S. personnel and the central, dedicated service provider within the Assured Guaranty group in place of AGC. This structure is consistent with the way in which numerous other insurance holding companies provide inter-company staff and services. Effective January 1, 2017, AGC transferred the employees and the employee benefit, retirement and health plans (including the AGC SERP) relating to such employees to AG Services.

## INCENTIVE PLANS

All the executive officers have previously received awards pursuant to our Company's long-term incentive plan and in prior years received awards under our Company's PRP. For the 2016 performance year, in 2017, the executive officers received a grant of performance share units and RSUs as described below, but did not receive a grant of PRP. Below is an overview of the plans.

### ASSURED GUARANTY LTD. 2004 LONG-TERM INCENTIVE PLAN

The 2004 Long-Term Incentive Plan, as amended, provides for the grant of non-qualified and incentive stock options, stock appreciation rights, full value awards, which include awards such as restricted shares, RSUs or performance share units, and cash incentive awards to employees selected by the Compensation Committee. The Compensation Committee specifies the terms of the award, including the vesting period applicable to the award, at the time it grants the award to the employee, and includes the terms in an award agreement between the employee and our Company.

For performance share units granted in 2014, the awards vest at the end of a three-year performance period if certain performance conditions (based on the highest 40-day average share price during such period exceeding certain established share price hurdles) are satisfied and if the participant continues to be employed through the end of such three-year period, with limited exceptions as described below.

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For performance share units granted in 2015, 2016 and 2017, the awards will vest at the end of a three-year performance period if certain performance conditions (based on the highest 40-day average share price during the last eighteen months of such period exceeding certain share price hurdles) are satisfied and if the participant continues to be employed through the end of such three-year period, with limited exceptions as described below.

For all such performance share unit awards, the participant is entitled to pro-rata vesting in the event of termination prior to the end of the vesting period due to death or disability, an involuntary termination without cause, a voluntary termination for good reason or, a voluntary termination due to retirement, if certain requirements are met and if, and only to the extent that, the performance conditions are satisfied at the end of the applicable performance period. In the event of a change in control, the performance share units vest only to the extent that the performance conditions are satisfied at the time of the change in control and only if the participant remains employed through the end of the three-year performance period, provided, however that the vesting of the performance share units shall be accelerated following such change in control in the event of termination following the change in control but prior to the end of the vesting period due to death or disability, an involuntary termination without cause, a voluntary termination for good reason or in the event that the acquirer does not agree to continue such award following the change in control.

For RSUs granted from 2014 through 2017, the participant will vest at the end of a three-year vesting period if the participant remains employed through the end of such period. Such vesting may be accelerated in the event of termination prior to the end of the vesting period due to death or disability or in the event of a change in control where the acquirer does not agree to continue such award following the change in control. Additionally, the participant may remain entitled to continued vesting of such RSUs following an involuntary termination without cause, a voluntary termination for good reason or, for awards granted from 2014 through 2017, a voluntary termination due to retirement during the vesting period if certain requirements are met, including the participant signing of a release of claims against our Company and continuing to comply with applicable restrictive covenants.

**ASSURED GUARANTY LTD. PERFORMANCE RETENTION PLAN**

The Performance Retention Plan was established in 2006 to permit the grant of cash-based awards to selected employees and give to the Compensation Committee greater flexibility in establishing the terms of performance retention awards, including the ability to establish different performance periods and performance objectives. PRP awards may be treated as nonqualified deferred compensation subject to the rules of IRC Section 409A. The PRP is a sub-plan under our Company's Long-Term Incentive Plan (enabling awards under the plan to be performance based compensation exempt from the \$1 million limit on tax deductible compensation).

From 2008 through 2014, our Company integrated PRP awards into its long-term incentive compensation program for the executive officers and certain selected employees. The executive officers stopped receiving PRP awards beginning in 2015 and the last outstanding PRP award to an executive officer will vest in 2017. Generally, each PRP award is divided into three installments, with 25% of the award allocated to a performance period that includes the year of the award and the next year, 25% of the award allocated to a performance period that includes the year of the award and the next two years, and 50% of the award allocated to a performance period that includes the year of the award and the next three years. Each installment of an award vests if the participant remains employed through the end of the performance period for that installment (or vests on the date of the participant's death, disability, or retirement if that occurs during the performance period). Payment for each performance period is made at the end of that performance period. One half of each installment is increased or decreased in proportion to the increase or decrease of core ABV

per share during the performance period, and one half of each installment is increased or decreased in proportion to the core operating ROE during the performance period. However, if, during the performance period, a participant dies or becomes permanently disabled while employed, the amount for any such incomplete performance period shall equal the portion of the award allocated to such performance period. Core operating ROE and core ABV are defined in each PRP award agreement.

In the case of outstanding PRP awards granted to the executive officers, if a payment would otherwise be subject to the \$1 million limit on tax deductible compensation, no payment will be made unless performance satisfies a minimum threshold for the applicable performance period, there must be positive growth in our core ABV per share and our core operating ROE must have been at least 3% on average for each year in the applicable performance period. If a payment is forfeited because the minimum threshold is not satisfied, but in a subsequent performance period, there is either positive growth in our core ABV per share or our core operating ROE is at least 3% on average for each year in the applicable performance period, and the executive officer remains employed at our Company, then the executive officer will receive the forfeited payment.

**Table of Contents****EQUITY COMPENSATION PLANS INFORMATION**

The following table summarizes our equity compensation plans as of December 31, 2016:

<b>Plan category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)</b>	<b>Weighted average exercise price of outstanding options, warrants and rights (b)</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)</b>
Equity compensation plans approved by security holders	1,392,002 <sup>(1)</sup>	\$ 18.35	10,355,486 <sup>(2)</sup>
Equity compensation plans not approved by security holders	N/A	N/A	N/A
<b>TOTAL</b>	<b>1,392,002</b>	<b>\$ 18.35</b>	<b>10,355,486</b>

- (1) Includes Common Shares to be issued upon exercise of outstanding stock options and performance stock options granted under the Assured Guaranty Ltd. 2004 Long-Term Incentive Plan. Does not include purchase rights currently accruing under the Assured Guaranty Ltd. Employee Stock Purchase Plan because the purchase price (and therefore the number of shares to be purchased) will not be determined until the end of the purchase period, which is June 30, 2017. The purchase price under such plan is generally 85% of the lower of the fair market value of a Common Share on the first day of the subscription period or on the exercise date.
- (2) Includes 122,837 Common Shares reserved for issuance under the Assured Guaranty Ltd. Employee Stock Purchase Plan. Includes 10,232,649 Common Shares available for stock options, restricted stock awards, RSUs, performance stock options and performance share units reserved for future issuance under the Assured Guaranty Ltd. 2004 Long-Term Incentive Plan. The grants of dividend equivalents of RSUs have reduced the number of shares available for future issuance.

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**AUDIT COMMITTEE REPORT**

The Audit Committee consists of four members of the Board of Directors. After reviewing the qualifications of the current members of the Audit Committee and any relationships they may have with our Company that might affect their independence from our Company, the Board of Directors has determined that:

each Audit Committee member is independent, as that concept is defined in Section 10A of the Exchange Act, the SEC rules promulgated thereunder, and the NYSE listing standards, of our Company and our management; each Audit Committee member is financially literate, as contemplated by the NYSE listing standards; and Mr. Buhl, Mr. Jones and Mr. O Kane are audit committee financial experts, as that term is defined under Item 407(d) of Regulation S-K.

The Audit Committee operates under a written charter approved by the Board of Directors, a copy of which is available on our website. Each year, the Audit Committee reviews the charter and reports to the Board of Directors on its adequacy. As more fully described in the charter, the primary purpose of the Audit Committee is to assist the Board of Directors in its oversight of the integrity of our financial statements and financial reporting process; our compliance with legal and regulatory requirements and ethics programs as established by management; the system of internal accounting and financial controls; the audit process; the role and performance of our internal audit process; and the performance, qualification and independence of our independent auditor.

The Audit Committee annually evaluates the performance of our Company's independent auditor and provides assistance to the members of the Board of Directors in fulfilling their oversight of the financial reporting practices, including satisfying obligations imposed by Section 404 of the Sarbanes Oxley Act of 2002, and the financial statements of our Company. The Audit Committee selects the independent auditor for the Board of Directors to recommend to the shareholders to appoint. Our Company's current independent auditor is PricewaterhouseCoopers LLP ( PwC ). PwC has been our independent auditor since the initial public offering of Assured Guaranty Ltd. in 2004.

Subject to our Company's shareholders' statutory right to set the terms of engagement for our independent auditor, including setting the remuneration of the independent auditor and authorizing the Board of Directors, through the Audit Committee, annually to set such terms of engagement, the Audit Committee contracts with and sets the fees paid to our independent auditor. The fees for services for PwC's audit services the past two fiscal years are set forth under Proposal No. 4: Appointment of Independent Auditor. Audit fees relate to professional services rendered for the audit of our consolidated financial statements, audits of the statutory financial statements of certain subsidiaries, review of quarterly consolidated financial statements and audit of internal control over financial reporting as required under Sarbanes Oxley Section 404.

The Audit Committee also determines that the non-audit services provided to our Company by the independent auditor are compatible with maintaining the independence of the independent auditor. The Audit Committee's pre-approval policies and procedures are discussed under Proposal No. 4: Appointment of Independent Auditor.

The Audit Committee annually conducts an evaluation of the independent auditor to determine if it will recommend the retention of the independent auditor. As part of the evaluation of the independent auditor, the Audit Committee surveys select Company management and all members of the Audit Committee to determine if the independent auditor is meeting our Company's expectations. In addition, the Audit Committee obtains and reviews, at least annually, a report by the independent auditor describing: the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (to assess the

independent auditors (independence) all relationships between the independent auditor and the Company. The Audit Committee is also involved in evaluating the qualifications and performance of the engagement team and the lead partner. The Audit Committee considers the experience of the independent auditor in auditing companies in the financial guaranty insurance industry and considers the effect of changing independent auditors when assessing whether to retain the current independent auditor. Based upon the foregoing, and in light of the quality of audit services and sufficiency of resources provided, the Audit Committee believes choosing PwC as our Company's independent auditor would be in the best interest of the Company and its shareholders and recommends the retention of PwC as our Company's independent auditor for 2017.

Our Company's management prepares our consolidated financial statements in accordance with U.S. GAAP and is responsible for the financial reporting process that generates these statements. Management is also responsible for establishing and maintaining adequate internal controls over financial reporting and for performing an assessment of the effectiveness of these controls. PwC audits our year-end financial statements and reviews interim financial statements. PwC also audits the effectiveness of our internal

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controls over financial reporting. The Audit Committee, on behalf of the Board of Directors, monitors and reviews these processes, acting in an oversight capacity relying on the information provided to it and on the representations made to it by our management, PwC and other advisors. We have also retained Ernst & Young LLP, which we refer to as E&Y, to provide services to support our Company's internal audit program and compliance with Section 404 of the Sarbanes Oxley Act of 2002.

During the last year, and earlier this year in preparation for the filing with the SEC of the Company's Form 10-K, the Audit Committee:

- reviewed and discussed the audited financial statements contained in the Form 10-K with management and PwC;
- reviewed and discussed our quarterly earnings press releases and related materials;
- reviewed the overall scope and plans for the internal and independent audits and the results of such audits;
- reviewed critical accounting estimates and policies and the status of our loss reserves;
- reviewed and discussed our compliance with our conflict of interest, regulatory compliance and code of conduct policies with the General Counsel or Deputy General Counsel;
- reviewed and discussed our underwriting and risk management with the Chief Risk Officer, the Chief Surveillance Officer and the Chief Credit Officer, coordinating the oversight of underwriting and risk management with the Risk Oversight Committee;
- reviewed our compliance with the requirements of Sarbanes Oxley Section 404 and our internal controls over financial reporting, including controls to prevent and detect fraud;
- reviewed our whistleblower policy and its application;
- discussed with PwC all the matters required to be discussed by U.S. GAAP, including those described in Public Company Accounting Oversight Board AS 16, such as:
  - PwC's judgments about the quality, not just the acceptability, of our Company's accounting principles as applied in our financial reporting;
  - methods used to account for significant unusual transactions;
  - the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus;
  - the process used by management in formulating particularly sensitive accounting estimates and the basis for PwC's conclusions regarding the reasonableness of those estimates;
  - disagreements with management (of which there were none) over the application of accounting principles, the basis for management's accounting estimates, and disclosures in the financial statements; and
  - any significant audit adjustments and any significant deficiencies in internal control;
- reviewed all other material written communications between PwC and management; and
- discussed with PwC their independence from our Company and management, including a review of audit and non-audit fees, and reviewed in that context the written disclosures and the letter required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditor's communications with the Audit Committee concerning independence.

At each quarterly meeting, E&Y has the opportunity to address pending issues with the Audit Committee and semi-annually specifically reviews the results of internal audits and the overall internal audit program.



At each meeting, the Audit Committee meets in executive session (*i.e.*, without management present) with representatives of PwC to discuss the results of their examinations and their evaluations of our internal controls and overall financial reporting. Similar executive sessions are held at least semi-annually with representatives of E&Y. In addition, the Audit Committee meets regularly with certain members of senior management in separate sessions.

Based on the review and discussions referred to above, and in reliance on the information, opinions, reports or statements presented to the Audit Committee by our Company's management and PwC, the Audit Committee recommended to the Board of Directors that the December 31, 2016 audited consolidated financial statements be included in our Company's Annual Report on Form 10-K.

The foregoing report has been approved by the Audit Committee.

G. Lawrence Buhl, Chairman

Thomas W. Jones

Alan J. Kreczko

Michael T. O Kane

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**PROPOSAL NO. 2:**

**ADVISORY APPROVAL OF EXECUTIVE COMPENSATION**

Our shareholders have the opportunity to cast an advisory (nonbinding) vote to approve the compensation of our named executive officers as disclosed in this proxy statement in accordance with the SEC's compensation disclosure rules. This vote is being conducted in accordance with the requirements of Section 14A of the Exchange Act and the related rules of the SEC. Proposal No. 2 is Item 2 on the proxy card.

As described in detail under the heading "Executive Compensation Compensation Discussion and Analysis," our executive compensation program is designed to attract, motivate, and retain talented executives who possess the skills required to formulate and drive our Company's strategic direction and achieve annual and long-term performance goals necessary to create shareholder value. The program seeks to align executive compensation with shareholder value on an annual and long-term basis through a combination of base pay, annual incentives and long-term incentives. The Compensation Committee continually reviews the compensation programs for our named executive officers to ensure they achieve the desired goals of aligning our executive compensation structure with our shareholders' interests and current market practices. Please read the "Compensation Discussion and Analysis" discussion for additional details about our executive compensation programs, including information about the fiscal year 2016 compensation of our named executive officers.

We believe that our executive compensation programs are structured in the best manner possible to support our Company and our business objectives. We are asking our shareholders to indicate their support for our named executive officer compensation as described on pages 20 to 59 of this proxy statement, which include the "Compensation Discussion and Analysis" section and the compensation tables and related narrative disclosure. This proposal, commonly known as a "say-on-pay" proposal, gives our shareholders the opportunity to express their views on our named executive officers' compensation. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the philosophy, policies and practices described in this proxy statement.

RESOLVED, that the compensation paid to the Company's named executive officers, as disclosed pursuant to the compensation disclosure rules of the SEC, including the compensation discussion and analysis, the compensation tables and any related material disclosed in this proxy statement, including the Compensation Discussion and Analysis, compensation tables and narrative discussion is hereby APPROVED.

The say-on-pay vote is advisory, and therefore not binding on our Company, the Compensation Committee or the Board of Directors. However, the Board of Directors and the Compensation Committee value the opinions of our shareholders and will review the voting results carefully. To the extent there is any significant vote against the named executive officer compensation as disclosed in this proxy statement, we will consider our shareholders' concerns and the Compensation Committee will evaluate whether any actions are necessary to address those concerns.

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**PROPOSAL NO. 3:**

**ADVISORY VOTE ON THE FREQUENCY OF THE ADVISORY VOTE ON COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS**

Our shareholders have the opportunity to cast an advisory vote on how often we should include a say-on-pay proposal, such as Proposal No. 2, in our proxy materials for future shareholder meetings. Under this Proposal No. 3, shareholders may indicate whether they would prefer to have the say-on-pay vote every year, every two years, or every three years. This vote is being conducted in accordance with the requirements of Section 14A of the Exchange Act and the related rules of the SEC. Proposal No. 3 is Item 3 on the proxy card.

The advisory vote by the shareholders on frequency is distinct from the advisory vote on the compensation of our named executive officers. This proposal deals with the issue of how frequently an advisory vote on compensation should be presented to our shareholders and, in this regard, we are soliciting your advice on whether the compensation of our named executive officers be submitted to shareholders for an advisory vote every year, every two years, or every three years. You may vote for one of these three alternatives or you may abstain from making a choice.

The Board of Directors has determined that an advisory vote on executive compensation that occurs every year is the most appropriate alternative for the Company, and therefore the Board of Directors recommends that you vote for a one-year interval for the advisory vote on executive compensation.

In formulating its recommendation, the Board of Directors considered that named executive officer compensation is evaluated, adjusted and approved on an annual basis, and that the Company has had an annual advisory vote on executive compensation since 2011. The Board believes that the annual advisory vote has fostered communication with shareholders on compensation matters and that continuing to have an advisory vote on executive compensation annually will allow our shareholders to continue to provide us with their direct input on our compensation philosophy, policies and practices as disclosed in the proxy statement every year. Additionally, an annual advisory vote on executive compensation is consistent with our policy of seeking input from, and engaging in discussions with, our shareholders on corporate governance matters and our executive compensation philosophy, policies and practices.

We understand that our shareholders may have different views as to what is the best approach for the Company, and we look forward to hearing from our shareholders on this Proposal.

The option of one year, two years or three years that receives the highest number of votes cast by shareholders will be the frequency for the advisory vote on executive compensation that has been selected by shareholders. Although the vote is non-binding, the Compensation Committee and the Board of Directors value the opinions of the shareholders and will consider the outcome of the vote carefully when determining the frequency of the shareholder vote on executive compensation.

**Table of Contents****PROPOSAL NO. 4:****APPOINTMENT OF INDEPENDENT AUDITOR**

The appointment of our independent auditor is approved annually by our shareholders, who also annually authorize the Board of Directors, acting through its Audit Committee, to set the remuneration for our independent auditor. Proposal No. 4 is Item 4 on the proxy card.

At the recommendation of the Audit Committee, the Board of Directors recommends that shareholders appoint PricewaterhouseCoopers LLP as our independent auditor for the year ending December 31, 2017 and that shareholders authorize the Board of Directors, acting through its Audit Committee, to set the fees for our independent auditor. In making its recommendation with respect to the engagement of our independent auditor, the Audit Committee reviewed both the audit scope and estimated fees for professional services for the coming year.

PwC served as our independent auditor for the year ended December 31, 2016. Our audited financial statements for the year ended December 31, 2016 will be presented at the Annual General Meeting. Representatives of PwC will attend the Annual General Meeting and will have an opportunity to make a statement if they wish. They will also be available to answer questions at the meeting.

**INDEPENDENT AUDITOR FEE INFORMATION**

The following table presents fees for professional audit services rendered by PwC for the audit of our annual consolidated financial statements for 2016 and 2015 and fees for other services rendered by PwC in 2016 and 2015.

	2016	2015
Audit fees <sup>(1)</sup>	\$ 6,571,000	\$ 6,958,000
Audit-related fees <sup>(2)</sup>	\$ 1,164,000	\$ 91,000
Tax fees <sup>(3)</sup>	\$ 878,500	\$ 377,300
All other fees <sup>(4)</sup>	\$ 55,532	\$ 4,000

- (1) We paid audit fees, including costs, for the years ended December 31, 2016 and December 31, 2015 for professional services rendered in connection with:
- the audits of our consolidated financial statements, of management's assessment of internal controls over financial reporting and of the effectiveness of these controls
  - the statutory and GAAP audits of various subsidiaries
  - review of quarterly financial statements
- (2) Audit-related fees for the year ended December 31, 2016 related to audits of our employee benefit plans and agreed upon procedures related to the our proxy statement, due diligence services for the acquisitions of the parent of CIFG Assurance North America, Inc. and MBIA UK Insurance Limited, and a balance sheet audit of the Company's U.K. subsidiaries for Solvency II reporting. Audit-related fees for the year ended December 31, 2015 related to audits of our employee benefit plans and agreed upon procedures related to the our proxy statement.

- (3) Of the total amount of tax fees for 2016, \$460,500 related to tax compliance and \$418,000 related to tax advice. Of the total amount of tax fees for 2015, \$150,950 related to tax compliance and \$226,350 related to tax advice.

Compliance-related tax fees for 2016 and 2015 were for professional services rendered in connection with the preparation of the 2015 and 2014 federal tax returns, respectively, as well as for compliance services rendered in connection with the preparation of the corporate tax return of Assured Guaranty Services (Australia) Pty Ltd. and U.K. VAT compliance. Compliance-related tax fees for 2016 also included tax compliance services related to the 2015 and 2016 stub-period returns of CIFG Holding Inc., the parent of CIFG Assurance North America, Inc.

Tax advice-related fees for 2016 were primarily related to advice for the tax domicile of one of the Company's subsidiaries and tax diligence services. Tax advice-related fees for 2015 were primarily related to advice for one of AGL's subsidiaries' tax domicile and continued advice on AGL's establishment of tax residence in the U.K. In addition, in 2016 and 2015, PwC provided advice to us on various other tax matters.

- (4) Fees for 2016 primarily related to compliance services relating to the capital impact to beneficiaries of guarantees issued by the Company's U.K. subsidiaries.

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Pre-approval Policy of Audit and Non-audit Services

**PRE-APPROVAL POLICY OF AUDIT AND NON-AUDIT SERVICES**

The Audit Committee pre-approved all of the fees described above. The Audit Committee has adopted policies and procedures for the pre-approval of all audit and permissible non-audit services provided by our independent auditor, PwC. The Audit Committee provides a general pre-approval of certain audit and non-audit services on an annual basis. The types of services that may be covered by a general pre-approval include other audit services, audit-related services and permissible non-audit services. If a type of service is not covered by the Audit Committee's general pre-approval, the Audit Committee must review the service on a specific case by case basis and pre-approve it if such service is to be provided by the independent auditor. Annual audit services engagement terms and fees require specific pre-approval of the Audit Committee and management and the auditor will report actual fees versus the budget periodically throughout the year by category of service. Any proposed services exceeding pre-approved costs also require specific pre-approval by the Audit Committee. For both types of pre-approval, the Audit Committee will consider whether such services are consistent with the SEC's rules on auditor independence. Either the Audit Committee Chairman or the entire Audit Committee must pre-approve the provision of any significant additional audit fees in excess of the budgeted amount and/or any excess related to non-audit fees over the budgeted amount. All fees related to internal control work are pre-approved by the Audit Committee before such services are rendered. The Audit Committee pre-approved all of the fees described above pursuant to its pre-approval policies and procedures.

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**Table of Contents****PROPOSAL NO. 5:****PROPOSALS CONCERNING OUR SUBSIDIARY, ASSURED GUARANTY RE LTD.**

In accordance with AGL's By-Laws, if AGL is required or entitled to vote at a general meeting of any direct non-United States subsidiary of AGL, AGL's directors must refer the matter to the shareholders of AGL and seek authority from AGL's shareholders for AGL's representative or proxy to vote in favor of the resolution proposed by the subsidiary. AGL's directors must cause AGL's representative or proxy to vote AGL's shares in the subsidiary pro rata to the votes received at the general meeting of AGL. In addition, AGL's Board of Directors, in its discretion, may require that the organizational documents of each subsidiary of AGL organized under the laws of a jurisdiction outside the United States contain provisions substantially similar to these provisions. As a consequence, we are proposing that our shareholders authorize AGL to vote in favor of the following matters to be presented at the next annual general meeting of our subsidiary, Assured Guaranty Re Ltd., which we refer to as AG Re.

**PROPOSAL 5.1 ELECTION OF AG RE DIRECTORS**

We propose that AGL be directed to elect the following eight directors of AG Re: Howard W. Albert, Robert A. Bailenson, Russell B. Brewer, II, Gary Burnet, Stephen Donnarumma, Dominic J. Frederico, James M. Michener, and Walter A. Scott, with such persons constituting the entire board of directors of AG Re, to serve for one year terms commencing at the annual general meeting of AG Re. Other than Mr. Scott, each nominee is an officer of AGL or one of its subsidiaries and has consented to serve as a director of AG Re without fee if elected. Mr. Scott will receive director's fees of \$5,000 per annum if elected. We do not expect that any of the nominees will become unavailable for election as a director of AG Re, but if any nominees should become unavailable prior to the meeting, proxy cards, whether submitted by telephone, via the Internet or by mail, authorizing the proxies to vote for the nominees will instead be voted for substitute nominees recommended by AG Re's board of directors. Proposal 5.1 is Item 5A on the proxy card.

The biographies for these nominees are set forth below:

**Howard W. Albert**, age 57, has been Chief Risk Officer of AGL since May 2011. Prior to that, he was Chief Credit Officer of AGL from 2004 to April 2011. Mr. Albert joined Assured Guaranty in September 1999 as Chief Underwriting Officer of Capital Re Company, the predecessor to AGC. Before joining Assured Guaranty, he was a Senior Vice President with Rothschild Inc. from February 1997 to August 1999. Prior to that, he spent eight years at Financial Guaranty Insurance Company from May 1989 to February 1997, where he was responsible for underwriting guaranties of asset-backed securities and international infrastructure transactions. Prior to that, he was employed by Prudential Capital, an investment arm of The Prudential Insurance Company of America, from September 1984 to April 1989, where he underwrote investments in asset-backed securities, corporate loans and project financings.

Mr. Albert's experience in risk management, underwriting and credit and his position as the Chief Risk Officer of AGL make him valuable to the Board of Directors of AG Re.

**Robert A. Bailenson**, age 50, has been the Chief Financial Officer of AGL since June 2011. Mr. Bailenson has been with Assured Guaranty and its predecessor companies since 1990. Mr. Bailenson became Chief Accounting Officer of AGM in July 2009 and has been Chief Accounting Officer of AGL since May 2005 and Chief Accounting Officer of AGC since 2003. He was Chief Financial Officer and Treasurer of AG Re from 1999 until 2003 and was previously the Assistant Controller of Capital Re Corp., the Company's predecessor.

Mr. Bailenson's background as the Chief Financial Officer of AGL and as an accountant provides an important perspective to the Board of Directors of AG Re.

**Russell B. Brewer II**, age 60, has been Chief Surveillance Officer of AGL since November 2009 and Chief Surveillance Officer of AGC and AGM since July 2009 and has also been responsible for information technology at AGL since April 2015. Mr. Brewer has been with AGM since 1986. Mr. Brewer was Chief Risk Management Officer of AGM from September 2003 until July 2009 and Chief Underwriting Officer of AGM from September 1990 until September 2003. Mr. Brewer was also a member of the Executive Management Committee of AGM. He was a Managing Director of Assured Guaranty Municipal Holdings Inc. from May 1999 until July 2009. From March 1989 to August 1990, Mr. Brewer was Managing Director, Asset Finance Group, of AGM. Prior to joining AGM, Mr. Brewer was an Associate Director of Moody's Investors Service, Inc.



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## Proposal 5.1 Election of AG Re Directors

Mr. Brewer's risk management and surveillance expertise and his position as the Chief Surveillance Officer of AGL enhance the deliberations of the Board of Directors of AG Re.

**Gary Burnet**, age 46, has been President of AG Re since August 2012, and prior to that he served as the Managing Director Chief Credit Officer of AG Re from 2006 until his appointment as President. Mr. Burnet also served as the Vice President Risk Management and Operations of AG Re from 2002 to 2005. Prior to joining our Company, Mr. Burnet's previous experience included two years at ACE Asset Management, where he was Investment Officer with responsibility for developing and modeling the ACE group's consolidated investment and insurance credit risk. Prior to ACE Asset Management, he was an Assistant Vice President Investments at ACE Bermuda. Mr. Burnet trained as a Chartered Accountant with Geoghegan & Co. CA from 1993 to 1996 in Edinburgh Scotland and also worked as an audit senior for Coopers & Lybrand from 1996 to 1998 in Bermuda.

As the President of AG Re, Mr. Burnet has the most comprehensive knowledge of its operations, including the key areas of accounting, risk management and credit.

**Stephen Donnarumma**, age 54, was appointed as a director of AG Re on September 11, 2012 and has been with Assured Guaranty since 1993. Mr. Donnarumma has been the Chief Credit Officer of our U.S. operating companies since January 1, 2010. Over the past 20 years, Mr. Donnarumma has held several positions at Assured Guaranty, including Deputy Chief Credit Officer of AGL, President of AG Re, Chief Surveillance Officer of AGC, and Senior Managing Director, Head of Mortgage and Asset-backed Securities of AGC. Prior to joining Assured Guaranty, Mr. Donnarumma was with Financial Guaranty Insurance Company from 1989 until 1993, where his responsibilities included underwriting domestic and international financial guaranty transactions and prior to that he served as a Director of Credit Risk Analysis at Fannie Mae from 1987 until 1989. Mr. Donnarumma was also an analyst with Moody's Investors Services from 1985 until 1987.

Mr. Donnarumma's experience with credit analysis and risk management, and his position as the Chief Credit Officer of AGM, Municipal Assurance Corp. and AGC, provide important perspective to the Board of Directors of AG Re.

**Dominic J. Frederico** See Mr. Frederico's biography in Election of Directors Nominees for Director. The benefits of his experience described therein with respect to the Board of Directors of AGL also make him valuable as a director of AG Re.

**James M. Michener**, age 64, has been General Counsel and Secretary of AGL since February 2004. Prior to joining Assured Guaranty, Mr. Michener was General Counsel and Secretary of Travelers Property Casualty Corp. from January 2002 to February 2004. From April 2001 to January 2002, Mr. Michener served as General Counsel of Citigroup's Emerging Markets business. Prior to joining Citigroup's Emerging Markets business, Mr. Michener was General Counsel of Travelers Insurance from April 2000 to April 2001 and General Counsel of Travelers Property Casualty Corp. from May 1996 to April 2000.

Mr. Michener's experience as a lawyer and his position as the General Counsel of AGL enables him to make valuable contributions as a member of the Board of Directors of AG Re.

**Walter A. Scott**, age 79, was the Chairman of the AGL Board of Directors from May 2005 until his retirement in May 2013, and a director of AGL from 2004 through 2013. Mr. Scott was Chairman, President and Chief Executive Officer of ACE from 1991 until his retirement in 1994, and President and Chief Executive Officer of ACE from 1989 to 1991. Subsequent to his retirement he served as a consultant to ACE until 1996. Mr. Scott was a director of ACE from 1989 through May 2005. Prior to joining ACE, Mr. Scott was President and Chief Executive Officer of Primerica's financial services operations. Mr. Scott was also the Chairman of Vermont Hard Cider Company, LLC from 2003 until 2012, when that company was sold. Mr. Scott is an Emeritus Trustee of Lafayette College and a founding trustee of the Bermuda Foundation for Insurance Studies.

Mr. Scott's tenure on the AGL Board of Directors and lengthy experience at senior levels in the financial services industry allow him to provide valuable perspective to the Board of Directors of AG Re.

#### **PROPOSAL 5.2 APPOINTMENT OF AG RE AUDITOR**

We propose that AGL be directed to appoint PwC as the independent auditor of AG Re for the fiscal year ending December 31, 2017, subject to PwC being appointed as our Company's independent auditor. We expect representatives of PwC to be present at AGL's Annual General Meeting with an opportunity to make a statement if they wish and to be available to respond to appropriate questions. Proposal 5.2 is Item 5B on the proxy card.

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The following table presents fees for professional audit services rendered by PwC for the audit of AG Re's financial statements for 2016 and 2015.

	2016	2015
Audit fees	\$ 89,900	\$ 89,900
Audit related fees	\$	\$
Tax fees	\$	\$
All other fees	\$	\$

The above audit fees are also included in the audit fees shown in Proposal No. 4: Appointment of Independent Auditor.

*Other Matters.* The Board of Directors of AGL does not know of any matter to be brought before the annual general meeting of AG Re that we have not described in this proxy statement. If any other matter properly comes before the annual general meeting of AG Re, AGL's representative or proxy will vote in accordance with his or her judgment on such matter.

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**SHAREHOLDER PROPOSALS FOR 2018 ANNUAL MEETING**

**HOW DO I SUBMIT A PROPOSAL FOR INCLUSION IN NEXT YEAR S PROXY MATERIAL?**

If you wish to submit a proposal to be considered for inclusion in the proxy material for the next Annual General Meeting, please send it to the Secretary, Assured Guaranty Ltd., 30 Woodbourne Avenue, Hamilton HM 08, Bermuda. Under the rules of the SEC, proposals must be received no later than November 24, 2017 and otherwise comply with the requirements of the SEC to be eligible for inclusion in AGL s 2018 Annual General Meeting proxy statement and form of proxy.

**HOW DO I SUBMIT A PROPOSAL OR MAKE A NOMINATION AT AN ANNUAL GENERAL MEETING?**

Our Bye-Laws provide that if a shareholder desires to submit a proposal for consideration at an Annual General Meeting, or to nominate persons for election as directors, the shareholder must provide written notice of an intent to make such a proposal or nomination which the Secretary of the Company must receive at our principal executive offices no later than 90 days prior to the anniversary date of the immediately preceding Annual General Meeting. With respect to the 2018 Annual General Meeting, such written notice must be received on or prior to February 2, 2018. The notice must meet the requirements set forth in our Bye-Laws. Under the circumstances described in, and upon compliance with, Rule 14a-4(c) under the Exchange Act, management proxies would be allowed to use their discretionary voting authority to vote on any proposal with respect to which the foregoing requirements have been met.

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**INFORMATION ABOUT THE ANNUAL GENERAL MEETING AND VOTING**

**WHY DID I RECEIVE A NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS IN THE MAIL INSTEAD OF A FULL SET OF PROXY MATERIALS?**

In accordance with the rules of the SEC, instead of mailing a printed copy of the proxy statement, annual report and other materials (which we refer to as proxy materials) for our Annual General Meeting, we are furnishing proxy materials to shareholders on the Internet by providing a Notice Regarding the Availability of Proxy Materials (which we refer to as a Notice) to inform shareholders when the materials are available on the Internet.

If you receive the Notice by mail, you will not receive a printed copy of the proxy materials unless you specifically request one. Instead, the Notice instructs you on how you may access and review all of our proxy materials, as well as how to submit your proxy, over the Internet.

We will first make available the proxy statement, form of proxy card and 2016 annual report to shareholders at [www.assuredguaranty.com/annualmeeting](http://www.assuredguaranty.com/annualmeeting). The proxy materials will also be available at [www.proxyvote.com](http://www.proxyvote.com) on or about March 24, 2017 to all shareholders entitled to vote at the Annual General Meeting. You may also request a printed copy of the proxy solicitation materials by any of the following methods: via Internet at [www.proxyvote.com](http://www.proxyvote.com); by telephone at 1-800-579-1639; or by sending an e-mail to [sendmaterial@proxyvote.com](mailto:sendmaterial@proxyvote.com). Our 2016 annual report to shareholders will be made available at the same time and by the same methods. If requesting materials by e-mail, please send a blank e-mail with the information that is printed in your Notice in the box marked by the arrow in the subject line.

XXXX XXXX XXXX XXXX

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We elected to use electronic notice and access for our proxy materials because we believe it will reduce our printing and mailing costs related to our Annual General Meeting.

**WHY HAS THIS PROXY STATEMENT BEEN MADE AVAILABLE?**

Our Board of Directors is soliciting proxies for use at our Annual General Meeting to be held on May 3, 2017, and any adjournments or postponements of the meeting. The meeting will be held at 8:00 a.m. London Time at 6 Bevis Marks, London, EC3A 7BA, United Kingdom.

This proxy statement summarizes the information you need to vote at the Annual General Meeting. You do not need to attend the Annual General Meeting to vote your shares.

**WHAT PROPOSALS WILL BE VOTED ON AT THE ANNUAL GENERAL MEETING?**

The following proposals are scheduled to be voted on at the Annual General Meeting:

The election of directors

An advisory vote to approve the compensation paid to our named executive officers

An advisory vote to approve the frequency of the advisory vote on the compensation paid to our named executive officers

The appointment of PwC as our independent auditor for 2017 and the authorization of our Board of Directors, acting through its Audit Committee, to set the fees for the independent auditor

The direction of AGL to vote for the election of the directors of, and the appointment of the independent auditor for, our subsidiary AG Re

Our Board of Directors recommends that you vote your shares **FOR** each of the nominees and each of the foregoing proposals, other than the frequency of the advisory vote on compensation, for which our Board recommends one year.

**ARE PROXY MATERIALS AVAILABLE ON THE INTERNET?**

**Important Notice Regarding the Availability of Proxy Materials for the Annual General Meeting to be Held on Wednesday, May 3, 2017**

Yes. Our proxy statement for the 2017 Annual General Meeting, form of proxy card and 2016 annual report to shareholders are available at [www.assuredguaranty.com/annualmeeting](http://www.assuredguaranty.com/annualmeeting). The proxy materials will also be available at [www.proxyvote.com](http://www.proxyvote.com) on or about March 24, 2017 to all shareholders entitled to vote at the Annual General Meeting.

You can obtain directions to attend the 2017 Annual General Meeting by contacting Virginia Reynolds at +44 020 7562 1920 or at [vreynolds@agltd.com](mailto:vreynolds@agltd.com).

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Who Is Entitled to Vote?

**WHO IS ENTITLED TO VOTE?**

March 8, 2017 is the record date for the Annual General Meeting. If you owned our Common Shares at the close of business on March 8, 2017, you are entitled to vote. On that date, 124,130,784 of our Common Shares were outstanding and entitled to vote at the Annual General Meeting, including 58,858 unvested restricted Common Shares. Our Common Shares are our only class of voting stock. On March 8, 2017, the closing price of our Common Shares on the New York Stock Exchange, which we refer to as the NYSE, was \$40.19.

**HOW MANY VOTES DO I HAVE?**

You have one vote for each of our Common Shares that you owned at the close of business on March 8, 2017.

However, if your shares are considered controlled shares, which our Bye-Laws define generally to include all of our Common Shares directly, indirectly or constructively owned or beneficially owned by any person or group of persons, or owned by any United States person, as defined in the U.S. Internal Revenue Code of 1986, as amended, which we refer to in this proxy statement as the Internal Revenue Code or the IRC, and such shares constitute 9.5% or more of our issued Common Shares, the voting rights with respect to your controlled shares will be limited, in the aggregate, to a voting power of approximately 9.5%, pursuant to a formula specified in our Bye-Laws.

The Notice indicates the number of Common Shares you are entitled to vote, without giving effect to the controlled share rule described above.

**WHAT IS THE DIFFERENCE BETWEEN HOLDING SHARES AS A SHAREHOLDER OF RECORD AND AS A BENEFICIAL OWNER?**

Many of our shareholders are beneficial owners since they hold their shares through a stockbroker, bank or other nominee rather than as shareholders of record when they own shares directly in their own name. As summarized below, there are some differences between shares held of record and those owned beneficially.

**Shareholder of Record.** If your shares are registered directly in your name with our transfer agent, Computershare, you are the shareholder of record of those shares and these proxy materials are being sent to you directly. As the shareholder of record, you have the right to grant your voting proxy directly to AGL or to vote in person at the Annual General Meeting. You may vote by telephone or via the Internet as described below under the heading Information About the Annual General Meeting and Voting May I Vote by Telephone or via the Internet? or you may request a paper copy of the proxy materials and vote your proxy card by mail.

**Beneficial Owner.** If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in street name and our proxy materials are being forwarded to you by your broker, bank or other nominee who is considered, with respect to those shares, the shareholder of record. As the beneficial owner, you have the right to direct your broker, bank or other nominee on how to vote your shares and are also invited to attend the Annual General Meeting. However, since you are not the shareholder of record,

you may only vote these shares in person at the Annual General Meeting if you follow the instructions described below under the heading **How do I Vote in Person at the Annual General Meeting?** Your broker, bank or other nominee has provided a voting instruction form for you to use in directing your broker, bank or other nominee as to how to vote your shares. You may also vote by telephone or on the Internet as described below under the heading **May I Vote by Telephone or via the Internet?**

**HOW DO I VOTE BY PROXY IF I AM A SHAREHOLDER OF RECORD?**

If you are a shareholder of record and you properly submit your proxy card (by telephone, via the Internet or by mail) so that it is received by us in time to vote, your proxy (one of the individuals named on your proxy card) will vote your shares as you have directed. If you sign the proxy card (including electronic signatures in the case of Internet or telephonic voting) but do not make specific choices, your proxy will vote your shares as recommended by our Board of Directors (also referred to as our Board or the Board):

**FOR** each nominee for election of directors

**FOR** approval, on an advisory basis, of the compensation paid to our named executive officers

**FOR** approval, on an advisory basis, of one year for the frequency of the advisory vote on the compensation paid to our named executive officers

**FOR** the appointment of PwC as our independent auditor for 2017 and the authorization of our Board of Directors, acting through its Audit Committee, to set the fees for the independent auditor

**FOR** directing AGL to vote for each nominee for election of directors of, and the appointment of the independent auditor for, our subsidiary, AG Re

If any other matter is presented, your proxy will vote in accordance with the best judgment of the individuals named on the proxy card. As of the date of printing this proxy statement, we knew of no matters that needed to be acted on at the Annual General Meeting other than those discussed in this proxy statement.



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### HOW DO I GIVE VOTING INSTRUCTIONS IF I AM A BENEFICIAL OWNER?

If you are a beneficial owner of shares, your broker, bank or other nominee will ask you how you want your shares to be voted. If you give the broker, bank or other nominee instructions, the broker, bank or other nominee will vote your shares as you direct. If your broker, bank or other nominee does not receive instructions from you about how your shares are to be voted, one of two things can happen, depending on the type of proposal. According to rules of the NYSE:

Brokers, banks and other nominees have discretionary power to vote your shares with respect to routine matters. Brokers, banks and other nominees do not have discretionary power to vote your shares on non-routine matters (such as the elections of directors or the advisory vote on executive compensation) unless they have received instructions from the beneficial owner of the shares.

It is therefore important that you provide instructions to your broker, bank or other nominee if your shares are held by a broker, bank or other nominee so that your shares can be voted with respect to directors and executive compensation, and any other matters treated as non-routine by the NYSE.

### MAY I VOTE BY TELEPHONE OR VIA THE INTERNET?

Yes. If you are a shareholder of record, you have a choice of voting over the Internet, voting by telephone using a toll-free telephone number or voting by requesting and completing a proxy card and mailing it in the return envelope provided. We encourage you to vote by telephone or over the Internet because your vote is then tabulated faster than if you mailed it. There are separate telephone and Internet arrangements depending on whether you are a shareholder of record (that is, if you hold your stock in your own name), or whether you are a beneficial owner and hold your shares in street name (that is, if your stock is held in the name of your broker, bank or other nominee).

If you are a shareholder of record, you may vote by telephone using the telephone number on the proxy card, or electronically through the Internet, by following the instructions provided on the Notice.

If you are a beneficial owner and hold your shares in street name, you may need to contact your broker, bank or other nominee to determine whether you will be able to vote by telephone or electronically through the Internet. The telephone and Internet voting procedures are designed to authenticate shareholders' identities, to allow shareholders to give their voting instructions and to confirm that shareholders' instructions have been recorded properly. If you vote via telephone or the Internet, you may incur costs, such as usage charges from Internet access providers and telephone companies. You will be responsible for those costs.

Whether or not you plan to attend the Annual General Meeting, we urge you to vote. Voting by telephone or over the Internet or by returning your proxy card by mail will not affect your right to attend the Annual General Meeting and vote. In order to assure that your votes, as a record holder, are tabulated in time to be voted at the Annual General Meeting, you must complete your voting over the Internet or by telephone or submit your proxy card so that it is received by 12:00 noon Eastern Daylight Time on May 2, 2017. Similarly, in order to assure that your votes, as a beneficial holder, are tabulated in time to be voted at the Annual General Meeting, you must submit your voting instructions so that your broker will be able to vote by 11:59 a.m. Eastern Daylight Time on May 1, 2017.

### MAY I REVOKE MY PROXY?

Yes. If you change your mind after you vote, you may revoke your proxy by following any of the procedures described below. If you are a shareholder of record, to revoke your proxy:

- Send in another signed proxy with a later date or resubmit your vote by telephone or the Internet,
- Send a letter revoking your proxy to our Secretary at 30 Woodbourne Avenue, Hamilton HM 08, Bermuda, or
- Attend the Annual General Meeting and vote in person.

Beneficial owners who wish to change the votes submitted on their voting instruction cards should contact their respective broker, bank or other nominee to determine how and when changes must be submitted so that the nominee can revoke and change their votes on their behalf.

If you wish to revoke your proxy or make changes to your voting instruction card, as applicable, you must do so in sufficient time to permit the necessary examination and tabulation of the subsequent proxy or revocation before the vote is taken.

#### HOW DO I VOTE IN PERSON AT THE ANNUAL GENERAL MEETING?

You may vote shares held directly in your name as the shareholder of record in person at the Annual General Meeting. If you choose to vote your shares in person at the Annual General Meeting, please bring the Notice Regarding the Availability of Proxy Materials containing your control number or proof of identification. Shares held in street name through your broker, bank or other nominee may be voted in person by you only if you obtain a signed proxy from the shareholder of record giving you the right to vote the shares. You must bring such signed proxy to the Annual General Meeting, along with an account statement or letter from the broker, bank or other nominee indicating that you are the beneficial owner of the shares and that you were the beneficial owner of the shares on March 8, 2017.

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How Do I Vote in Person at the Annual General Meeting?

Even if you plan to attend the Annual General Meeting, we recommend that you vote your shares in advance as described above so that your vote will be counted if you later decide not to attend the Annual General Meeting. However, while proxy voting is subject to the time deadlines described above, shareholders attending the meeting in person may vote during the Annual General Meeting as long as they satisfy the requirements described in this section.

**WHAT VOTES NEED TO BE PRESENT TO HOLD THE ANNUAL GENERAL MEETING?**

To have a quorum for our Annual General Meeting, two or more persons must be present, in person or by proxy, representing more than 50% of the Common Shares that were outstanding on March 8, 2017.

**WHAT VOTE IS REQUIRED TO APPROVE EACH PROPOSAL?**

The affirmative vote of a majority of the votes cast on such proposal at the Annual General Meeting is required for each of:

The election of each nominee for director

The appointment of PwC as our independent auditor for 2017 and the authorization of our Board of Directors, acting through its Audit Committee, to set the fees for the independent auditor

Directing AGL to vote for the election of directors of, and the appointment of the independent auditor for, our subsidiary, AG Re

The votes on the compensation paid to our named executive officers, and on the frequency of that vote, are advisory in nature so there is no specified requirement for approval. However, the Board of Directors and the Compensation Committee value the opinions of our shareholders and will review the voting results carefully. To the extent there is any significant vote against the named executive officers' compensation as disclosed in this proxy statement, we will consider our shareholders' concerns and the Compensation Committee will evaluate whether any actions are necessary to address those concerns. In addition, the Compensation Committee and the Board of Directors will consider the outcome of the vote on the frequency of the vote on named executive officer compensation when determining how frequently such vote will be submitted to shareholders.

**HOW ARE VOTES COUNTED?**

Your vote may be cast **FOR** or **AGAINST**, or you may **ABSTAIN**, with respect to each of the nominees for AGL director, with respect to directing AGL to vote for each of the

nominees for director of its subsidiary AG Re, and with respect to each of the other proposals on the agenda, other than the frequency of the advisory vote on compensation, for which the Board recommends one year.

If you sign (including electronic signatures in the case of Internet or telephonic voting) your proxy card with no further instructions, your shares will be voted in accordance with the recommendations of the Board. If you sign (including electronic signatures in the case of Internet or telephonic voting) your broker, bank or other nominee voting

instruction card with no further instructions, your shares will be voted in the broker's, bank's or nominee's discretion with respect to routine matters but will not be voted with respect to non-routine matters. As described in "How do I Give Voting Instructions if I am a Beneficial Owner?", elections of directors and the advisory vote on executive compensation are considered non-routine matters. We will appoint one or more inspectors of election to count votes cast in person or by proxy.

#### WHAT IS THE EFFECT OF BROKER NON-VOTES AND ABSTENTIONS?

A broker non-vote occurs when a broker, bank or other nominee holding shares for a beneficial owner does not vote on a particular proposal because the broker, bank or other nominee does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner.

Common Shares that are beneficially owned and are voted by the beneficiary through a broker, bank or other nominee will be counted towards the presence of a quorum, even if there are broker non-votes with respect to some proposals, as long as the broker, bank or nominee votes on at least one proposal. Common Shares owned by shareholders electing to abstain from voting with respect to any proposal also will be counted towards the presence of a quorum.

Although broker non-votes will be counted towards the presence of a quorum, broker non-votes will not be included in the tabulation of the shares voting with respect to elections of directors or other matters to be voted upon at the Annual General Meeting. Therefore, broker non-votes will have no direct effect on the outcome of any proposal to be voted upon at the Annual General Meeting.

While abstentions will be counted towards the presence of a quorum, abstentions will not be included in the tabulation of the shares voting with respect to elections of directors or other matters to be voted upon at the Annual General Meeting. Therefore, abstentions will have no direct effect on the outcome of any proposal to be voted upon at the Annual General Meeting.

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### WHAT ARE THE COSTS OF SOLICITING THESE PROXIES AND WHO WILL PAY THEM?

We will pay all the costs of soliciting these proxies. Our directors and employees may also solicit proxies by telephone, by fax or other electronic means of communication, or in person. We will reimburse banks, brokers, nominees and other fiduciaries for the expenses they incur in forwarding the proxy materials to you. Alliance Advisors, 200 Broadacres Drive, Bloomfield, New Jersey 07003, is assisting us with the solicitation of proxies for a fee of \$20,000 plus out-of-pocket expenses.

### WHERE CAN I FIND THE VOTING RESULTS?

We will publish the voting results in a Form 8-K that we will file with the SEC by May 9, 2017. You will also be able to find this Form 8-K on our website at [assuredguaranty.com/sec-filings](http://assuredguaranty.com/sec-filings) by May 9, 2017.

### DO DIRECTORS ATTEND THE ANNUAL GENERAL MEETING?

Our Corporate Governance Guidelines provide that directors are expected to attend our Annual General Meeting and any special meeting of shareholders we call to consider extraordinary business transactions, unless they are unable to do so as a result of special circumstances. All of our directors then in office other than Mr. Leathes, who was ill at the time, attended the Annual General Meeting that was held on May 4, 2016.

### CAN A SHAREHOLDER, EMPLOYEE OR OTHER INTERESTED PARTY COMMUNICATE DIRECTLY WITH OUR BOARD? IF SO, HOW?

Our Board provides a process for shareholders, employees or other interested parties to send communications to our Board.

Shareholders, employees or other interested parties wanting to contact the Board concerning accounting or auditing matters may send an e-mail to the Chairman of the Audit Committee at [chmaudit@agltd.com](mailto:chmaudit@agltd.com)

Shareholders, employees or other interested parties wanting to contact the Board, the independent directors, the Chairman of the Board, the chairman of any Board committee or any other director, as to other matters may send an e-mail to [corpsecy@agltd.com](mailto:corpsecy@agltd.com). The Secretary has access to both of these e-mail addresses

Shareholders, employees or other interested parties may send written communications to the Board c/o Secretary, 30 Woodbourne Avenue, Hamilton HM 08, Bermuda. Mail to Bermuda is not as prompt as e-mail

Communication with the Board may be anonymous. The Secretary will forward all communications to the Board to the Chairman of the Audit Committee or the Chairman of the Nominating and Governance Committee, who will determine when it is appropriate to distribute such communications to other members of the Board or to management.

### WHOM SHOULD I CALL IF I HAVE ANY QUESTIONS?

If you have any questions about the Annual General Meeting or voting, please contact James M. Michener, our Secretary, at (441) 279-5702 or at [jmichener@agltd.com](mailto:jmichener@agltd.com). If you have any questions about your ownership of our Common Shares, please contact Robert Tucker, our Managing Director, Investor Relations and Corporate Communications, at (212) 339-0861 or at [rtucker@agltd.com](mailto:rtucker@agltd.com).

### HOW DOES HOUSEHOLDING WORK?

Please note we may deliver a single copy of the Notice and, if applicable, a single set of our 2016 annual report to shareholders and our proxy statement, to households at which two or more shareholders reside, unless an affected shareholder has provided contrary instructions. Individual proxy cards or voting instruction forms (or electronic voting facilities), as applicable, will, however, continue to be provided for each shareholder account. This procedure, referred to as householding, reduces the volume of duplicate information received by shareholders, as well as our expenses. Upon written or oral request, we will promptly deliver, or arrange for delivery, of a separate copy of the Notice and, if applicable, a separate set of our annual report and other proxy materials to any shareholder at a shared address to which a single copy of any of those documents was delivered. To receive a separate copy of the Notice and, if applicable, a separate set of our annual report and proxy materials, you may write or call Broadridge Financial Solutions, Inc., 51 Mercedes Way, Edgewood, New York 11717, Attention: Householding Department, telephone (866) 540-7095. Shareholders currently sharing an address with another shareholder who wish to have only one copy of our Notice or annual report and other proxy materials delivered to the household in the future should also contact Broadridge Financial Solutions, Inc., 51 Mercedes Way, Edgewood, New York 11717, Attention: Householding Department, telephone (866) 540-7095.

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**OTHER MATTERS**

The Board of Directors of AGL does not know of any matters which may be presented at the Annual General Meeting other than those specifically set forth in the Notice of Annual General Meeting. If any other matters properly come before the meeting or any adjournment thereof, the persons named in the accompanying form of proxy and acting thereunder will vote in accordance with their best judgment with respect to such matters.

By Order of the Board of Directors,

James M. Michener

Secretary

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***ASSURED GUARANTY LTD.***  
***30 WOODBOURNE AVENUE***  
***HAMILTON, HM 08 BERMUDA***

**VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information. Shareholders of record may vote up until 12:00 p.m. Eastern Time on May 2, 2017. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS**

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions. Shareholders of record may vote up until 12:00 p.m. Eastern Time on May 2, 2017. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

E20023-P84638

KEEP THIS PORTION FOR YOUR  
RECORDS

DETACH AND RETURN THIS  
PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

**ASSURED GUARANTY LTD.**

**The Board of Directors recommends a vote FOR each of the following nominees:**

1. Election of Directors of Assured Guaranty Ltd. (the Company ):

<b>Nominees:</b>	<b>For</b>	<b>Against</b>	<b>Abstain</b>
1a. Francisco L. Borges			
1b. G. Lawrence Buhl			
1c. Dominic J. Frederico			
1d. Bonnie L. Howard			
1e. Thomas W. Jones			
1f. Patrick W. Kenny			
1g. Alan J. Kreczko			
1h. Simon W. Leathes			
1i. Michael T. O Kane			
1j. Yukiko Omura			

**The Board of Directors recommends you vote FOR the following proposal:**

2. To approve, on an advisory basis, the compensation paid to the Company's named executive officers.

**The Board of Directors recommends you vote one year on the following proposal:**

<b>1 Year</b>	<b>2 Years</b>	<b>3 Years</b>	<b>Abstain</b>
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3. To approve, on an advisory basis, the frequency of the advisory vote on the compensation paid to AGL's named executive officers.

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized

officer.

Signature [PLEASE SIGN WITHIN BOX]

Date

**The Board of Directors recommends you vote FOR the following proposals:**

**For    Against    Abstain**

4. To appoint PricewaterhouseCoopers LLP ( PwC ) as the Company s independent auditor for the fiscal year ending December 31, 2017, and to authorize the Board of Directors, acting through its Audit Committee, to set the fees of the independent auditor.
- 5A. To authorize the Company to vote for directors of our subsidiary, Assured Guaranty Re Ltd. ( AG Re ):

**Nominees:**

- 5aa. Howard W. Albert
- 5ab. Robert A. Bailenson
- 5ac. Russell B. Brewer II
- 5ad. Gary Burnet
- 5ae. Stephen Donnarumma
- 5af. Dominic J. Frederico
- 5ag. James M. Michener
- 5ah. Walter A. Scott

- 5B. To authorize the Company to appoint PwC as AG Re s independent auditor for the fiscal year ending December 31, 2017

NOTE: Such other business as may properly come before the meeting or any adjournment thereof.

Signature (Joint Owners)

Date

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**Important Notice Regarding the Availability of Proxy Materials for the Annual General Meeting:**

The Notice and Proxy Statement and Annual Report are available at [www.proxyvote.com](http://www.proxyvote.com).

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**PROXY**

**THIS PROXY IS SOLICITED ON BEHALF OF THE DIRECTORS  
OF ASSURED GUARANTY LTD.**

The undersigned hereby appoints Dominic J. Frederico and James M. Michener, and each of them, with power to act without the other and with power of substitution, as proxies and attorneys-in-fact and hereby authorizes them to represent and vote, as provided on the other side, all the common shares of Assured Guaranty Ltd. which the undersigned is entitled to vote and, in their discretion, to vote upon such other business as may properly come before the Annual General Meeting of shareholders of the Company to be held May 3, 2017, or any adjournment thereof, with all powers which the undersigned would possess if present at the meeting.

**THIS PROXY CARD, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED. IF NO DIRECTION IS MADE BUT THE CARD IS SIGNED, THIS PROXY CARD WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES UNDER PROPOSALS 1 AND 5A, AND ONE YEAR ON PROPOSAL 3, FOR PROPOSALS 2, 4 AND 5B AND IN THE DISCRETION OF THE PROXIES WITH RESPECT TO SUCH OTHER BUSINESS AS MAY PROPERLY COME BEFORE THE MEETING.**

**Continued and to be signed on reverse side**

V.1.1