

## Equity Research

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## Financials

### Assured Guaranty Ltd.

#### Reiterating Buy and \$35 PT While Reducing Estimate of Losses on Insured Exposure to Puerto Rico's Debt

Shares in Assured Guaranty (AGO) were weaker during the past couple of trading sessions apparently because of the disclosure that discussions between Puerto Rico and its creditors about a voluntary debt exchange had broken down. We did not view the breakdown as surprising, but rather as typical of the back and forth between an issuer and its creditors that has been the norm in past negotiations involving distressed municipal debt.

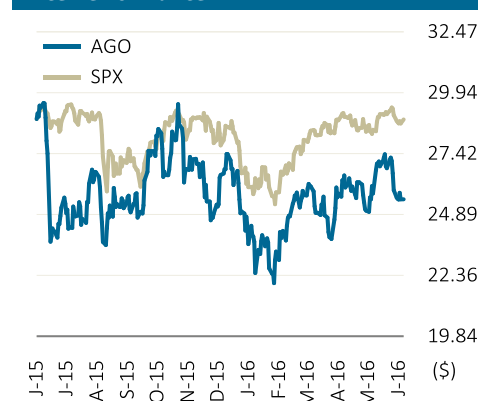
- ▶ At the same time, the Commonwealth in its latest proposal to general obligation (GO), COFINA senior and COFINA subordinated bondholders – and a counterproposal to certain GO bondholders – made specific offers with regard to the magnitude of the haircuts they wanted to impose. As such, we view Puerto Rico's proposal on the COFINA seniors and subs – 80 and 60 cents on the dollar, respectively – and its counterproposal of 83.5 cents on the dollar for the GOs as the new, likely worst-case scenario for the holders of those respective bonds.
- ▶ **We are reiterating our Buy recommendation on AGO and price target of \$35** based on 0.60x our YE16E adjusted book value per share of \$64.07, minus \$5.19 per share representing the estimated impact of potential losses related to the company's insured exposure to Puerto Rico's debt (see our loss estimate calculations on page 3). Our previous estimate of AGO's loss per share on its Puerto Rico-related exposures had been \$6.09.
- ▶ **Valuation:** Our \$35 price target is based on 0.60x our YE16E adjusted book value (ABV) per share of \$64.07, minus \$5.19 per share representing the estimated impact of potential losses related to AGO's insured exposure to Puerto Rico's debt.

**AGO** **\$25.52**  
12 month target \$35.00

### BUY

52 week range \$22.04 - \$29.52  
Market Cap (m) \$3,496

#### Price Performance



Source: IDC

## Estimates

	1Q15 A	2Q15 A	3Q15 A	4Q15 A	FY15 A	1Q16 A	2Q16 E	3Q16 E	4Q16 E	FY16 E	FY17 E
Operating Income	140	278	164	117	699	113	76	73	67	329	293
Oper. Inc. Per Share	0.89	1.83	1.12	0.83	4.69	0.83	0.58	0.56	0.53	2.51	2.43

Source: BTIG Estimates and Company Documents (\$ in millions, except per share amount)

- ▶ Puerto Rico on June 14 provided a proposal to GO bondholders that included an offer to swap into a new bond at 81 cents on the dollar for their accrued claim versus its prior proposal of a base bond worth 78 cents on the dollar plus a capital appreciation bond described as being worth 2 cents on the dollar that together would have a net present value of 74 cents on the dollar. Then, in response to a counterproposal by certain GO bondholders, the Commonwealth on June 17 increased its offer to 83.5 cents on the dollar plus some unspecified amount of “growth” bonds whose value would be related to the future health of its economy.
- ▶ The slide deck that Puerto Rico disclosed this morning also provided a sense of where the other side of the bid-ask is, at least as far as certain GO bondholders are concerned. These bondholders on June 20 made a counterproposal of 89 cents on the dollar on the accrued claim in a new GO bond plus 11 cents on the dollar on the accrued claim in contingent convertible bonds.
- ▶ Meanwhile, Puerto Rico on June 14 offered COFINA senior bondholders a swap into a new bond at 80 cents on the dollar on their accrued claim versus its prior proposal of a base bond worth 61 cents on the dollar plus a capital appreciation bond described as being worth 4 cents on the dollar that together would have a net present value of 64 cents on the dollar.
- ▶ The COFINA senior bondholders on June 17 made a counterproposal that established the bid-ask spread in that negotiation, as they offered a 5% haircut such that they would receive a new bond worth 95% of the principal amount of the outstanding bonds.
- ▶ Puerto Rico on June 14 also offered COFINA subordinated bondholders a swap into a new bond at 60 cents on the dollar on their accrued claim versus its prior proposal of a base bond worth 43 cents on the dollar plus a capital appreciation bond described as being worth 6 cents on the dollar that together would have a net present value of 49 cents on the dollar.

## Assured Guaranty: Puerto Rico Insured Exposures and Loss Estimates

Discount rate	4%
Assumed tax rate	25%
Diluted shares outstanding	335,790
Estimated present value impairment per share	\$9.41
Current estimates reserves for Puerto Rico per share	\$2.59
Net estimated reserve strengthening per share after reserve assumption per share	\$6.91
Net after-tax reserve per share	\$5.19

Present value impairment of principal and interest (in \$mm)	Assumed Impairment	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	Total	Total per share	
Highways and Transportation Authority (Transportation Rev Bonds)	40.0%	-	21.9	30.3	30.6	23.6	20.7	17.7	17.3	17.0	10.4	16.5	17.7	16.2	14.8	13.6	12.4	16.4	15.0	13.7	12.6	11.4	11.1	10.2	9.3	8.5	7.8	1.5	1.4	1.3	1.1	1.0	-	-	403.0	2.97	
Electric Power Authority	5.0%	-	1.9	1.8	1.6	2.5	3.0	2.1	1.9	4.0	3.6	2.4	2.6	2.4	2.2	2.0	1.8	0.5	0.5	0.5	0.4	0.4	-	-	-	-	-	-	-	-	-	-	-	-	-	38.1	0.28
Aqueduct and Sewer Authority	15.0%	-	3.6	2.6	2.5	2.4	2.3	2.3	2.2	2.1	2.2	4.6	3.4	3.1	2.9	2.6	2.4	1.2	1.1	1.0	0.9	0.8	1.0	0.9	0.9	0.8	0.7	1.9	1.7	1.6	1.5	1.3	4.8	3.1	66.6	0.49	
Highways and Transportation Authority (Highway Rev Bonds)	40.0%	-	11.2	10.7	10.3	13.3	12.8	13.3	6.1	6.1	5.9	5.7	5.0	4.6	4.2	3.9	3.5	9.5	8.8	8.0	7.3	6.7	1.5	1.4	1.3	1.2	1.1	-	-	-	-	-	-	-	-	163.3	1.20
Convention Center District Authority	40.0%	-	5.8	2.6	2.5	2.4	2.3	2.2	2.1	2.0	2.0	1.9	2.9	2.7	2.5	2.2	2.0	6.0	5.5	5.0	4.6	4.2	1.2	1.1	1.0	0.9	0.8	-	-	-	-	-	-	-	-	68.2	0.50
Subtotal	-	-	44.3	48.0	47.6	44.2	41.2	37.5	29.6	31.2	24.1	31.0	31.7	29.1	26.6	24.3	22.1	33.6	30.8	28.2	25.8	23.5	14.8	13.6	12.4	11.4	10.4	3.4	3.1	2.8	2.6	2.4	4.8	3.1	739.2	5.45	
Commonwealth - GO	16.5%	-	29.2	26.1	21.4	21.2	27.3	9.4	11.7	8.3	14.7	13.0	10.8	9.9	9.1	8.3	7.6	11.7	10.8	9.9	9.0	8.2	2.6	2.4	2.2	2.0	1.8	-	-	-	-	-	-	-	-	288.4	2.12
Municipal Finance Agency	25.0%	-	15.4	14.8	13.8	12.0	9.7	7.9	7.4	3.8	2.8	2.5	2.0	1.9	1.7	1.6	1.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	98.7	0.73
Sales Tax Finance Corp. (COFINA)	20.0%	-	1.2	2.4	2.3	2.2	2.1	2.1	2.0	2.3	2.1	1.6	1.9	1.8	1.6	1.5	1.4	2.4	2.2	2.0	1.9	1.7	3.2	2.9	2.7	2.4	2.2	2.7	2.5	2.3	2.1	1.9	-	-	-	63.5	0.47
Public Buildings Authority	40.0%	-	5.0	14.4	2.8	4.1	5.9	6.3	1.8	4.1	1.7	3.8	4.1	3.8	3.5	3.2	2.9	2.3	2.1	1.9	1.8	1.6	0.7	0.6	0.6	0.5	0.5	-	-	-	-	-	-	-	-	79.9	0.59
Government Development Bank	40.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00	-
Infrastructure Financing Agency	40.0%	-	-	0.4	1.1	0.3	0.3	0.3	0.3	0.9	-	0.3	0.1	0.1	0.0	0.0	0.0	0.2	0.2	0.2	0.1	0.1	0.5	0.5	0.4	0.4	0.4	0.1	0.1	0.1	0.1	0.1	-	-	7.6	0.06	
University of Puerto Rico	40.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.3	0.00	
Subtotal	-	-	50.7	58.1	41.4	39.8	45.3	26.0	23.2	19.5	21.3	21.2	19.2	17.4	15.9	14.6	13.3	16.6	15.3	14.0	12.8	11.6	6.9	6.3	5.8	5.3	4.8	2.8	2.6	2.4	2.2	2.0	-	-	538.3	3.97	
Total	-	-	95.1	106.1	89.0	84.0	86.5	63.5	52.8	50.7	45.4	52.3	50.9	46.5	42.6	38.9	35.4	50.2	46.1	42.2	38.6	35.1	21.7	19.9	18.2	16.7	15.2	6.2	5.7	5.2	4.8	4.3	4.8	3.1	1,277.5	9.41	

Scheduled amortization of principal and interest (in \$mm)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	Total
Highways and Transportation Authority (Transportation Rev Bonds)	-	57.0	82.0	86.0	69.0	63.0	56.0	57.0	58.0	37.0	61.0	68.0	64.9	61.8	58.7	55.6	76.6	73.1	69.6	66.1	62.6	63.4	60.5	57.6	54.7	51.8	10.3	9.9	9.4	8.9	8.5	-	-	1,618.0
Electric Power Authority	-	39.0	38.0	37.0	58.0	74.0	52.0	50.0	109.0	102.0	72.0	80.5	76.9	73.2	69.5	65.9	20.2	19.3	18.4	17.5	16.6	-	-	-	-	-	-	-	-	-	-	-	-	1,089.0
Aqueduct and Sewer Authority	-	25.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	21.0	45.0	35.2	33.6	32.0	30.4	28.8	15.0	14.3	13.6	12.9	12.2	15.4	14.7	14.0	13.3	12.6	35.0	33.4	31.8	30.2	28.6	108.6	72.4	862.0
Highways and Transportation Authority (Highway Rev Bonds)	-	29.0	29.0	29.0	39.0	39.0	42.0	20.0	21.0	21.0	21.0	19.4	18.5	17.6	16.7	15.8	44.7	42.6	40.6	38.6	36.5	8.6	8.2	7.8	7.4	7.0	-	-	-	-	-	-	-	620.0
Convention Center District Authority	-	15.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	11.2	10.7	10.2	9.7	9.2	27.9	26.7	25.4	24.1	22.9	6.6	6.3	6.0	5.7	5.4	-	-	-	-	-	-	-	286.0
<b>Subtotal</b>	-	165.0	175.0	178.0	192.0	202.0	176.0	153.0	214.0	188.0	206.0	214.3	204.5	194.8	185.1	175.3	184.4	176.0	167.6	159.2	150.8	93.9	89.7	85.4	81.1	76.9	45.3	43.3	41.2	39.1	37.1	108.6	72.4	4,475.0
Commonwealth - GO	-	184.0	171.0	146.0	150.0	201.0	72.0	93.0	69.0	127.0	117.0	101.0	96.4	91.8	87.2	82.6	133.1	127.1	121.0	115.0	108.9	35.4	33.8	32.2	30.6	29.0	-	-	-	-	-	-	-	2,555.0
Municipal Finance Agency	-	64.0	64.0	62.0	56.0	47.0	40.0	39.0	21.0	16.0	15.0	12.5	12.0	11.4	10.8	10.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	481.0
Sales Tax Finance Corp. (COFINA)	-	6.0	13.0	13.0	13.0	13.0	13.0	13.0	16.0	15.0	12.0	15.0	14.3	13.6	12.9	12.2	21.7	21.6	20.6	19.6	18.5	36.1	34.4	32.8	31.2	29.5	37.4	35.7	34.0	32.3	30.6	-	-	632.0
Public Buildings Authority	-	13.0	39.0	8.0	12.0	18.0	20.0	6.0	14.0	6.0	14.0	15.8	15.1	14.4	13.7	13.0	10.8	10.3	9.8	9.3	8.8	3.7	3.6	3.4	3.2	3.1	-	-	-	-	-	-	-	288.0
Government Development Bank	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure Financing Agency	-	-	1.0	3.0	1.0	1.0	1.0	1.0	3.0	-	1.0	0.2	0.2	0.2	0.2	0.2	0.9	0.8	0.8	0.8	0.7	2.9	2.7	2.6	2.5	2.3	0.9	0.8	0.8	0.8	0.7	-	-	34.0
University of Puerto Rico	-	-	-	-	-	-	-	-	-	-	-	1.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.0
<b>Subtotal</b>	-	267.0	288.0	232.0	232.0	280.0	146.0	152.0	123.0	164.0	159.0	145.5	138.0	131.4	124.8	118.3	167.4	159.8	152.2	144.6	137.0	78.1	74.6	71.0	67.5	63.9	38.3	36.5	34.8	33.1	31.3	-	-	3,991.0
<b>Total</b>	-	432.0	463.0	410.0	424.0	482.0	322.0	305.0	337.0	352.0	365.0	359.8	342.5	326.2	309.9	293.6	351.8	335.8	319.8	303.8	287.8	172.0	164.2	156.4	148.6	140.8	83.6	79.8	76.0	72.2	68.4	108.6	72.4	8,466.0

BTIG Research Estimates and Company Reports

## Income Statement

Assured Guaranty Ltd Earnings Model	Dec-11	Dec-12	Dec-13	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Dec-16	Dec-17
\$ millions	2011A	2012A	2013A	2014A	1Q15A	2Q15A	3Q15A	4Q15A	2015A	1Q16A	2Q16E	3Q16E	4Q16E	2016E	2017E
Present value of new business production (PVP)	242.7	209.9	140.0	168.0	36.0	26.0	41.0	76.0	179.0	38.0	38.4	38.8	39.2	154.3	192.9
Net earned premiums (NEP)	920.1	853.0	752.0	570.0	142.0	219.0	213.0	192.0	766.0	183.0	166.5	160.5	151.5	661.5	549.0
Net realized investment gains (losses)	(18.0)	1.2	52.0	(60.0)	16.0	(9.0)	(27.0)	(6.0)	(26.0)	(13.0)	-	-	-	(13.0)	-
Realized gains and settlements on credit derivatives	106.1	(15.7)	(26.4)	23.0	21.0	8.0	6.0	(53.0)	(18.0)	8.0	-	-	-	8.0	-
Incurred losses on credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-credit impairment FV gains (losses) on credit derivatives	459.0	3.0	3.0	800.0	103.0	82.0	80.0	481.0	746.0	(68.0)	-	-	-	(68.0)	-
Net change in FV of credit derivatives	565.1	(15.7)	(26.4)	23.0	21.0	8.0	6.0	(53.0)	(18.0)	8.0	-	-	-	8.0	-
Fair value gain (loss) on committed capital securities	35.1	(17.6)	10.0	(11.0)	2.0	23.0	(15.0)	17.0	27.0	(16.0)	-	-	-	(16.0)	-
Financial guaranty variable interest entity (VIE) revenue	(151.4)	209.8	346.0	255.0	(7.0)	5.0	2.0	38.0	38.0	18.0	-	-	-	18.0	-
Other income	63.4	107.3	(10.0)	14.0	(9.0)	269.0	(3.0)	(6.0)	251.0	34.0	-	-	-	34.0	-
Net investment income	390.7	404.4	393.0	403.0	101.0	98.0	112.0	112.0	423.0	99.0	100.0	101.0	102.0	402.0	409.0
<b>Total revenue</b>	<b>1,804.9</b>	<b>973.1</b>	<b>1,516.6</b>	<b>1,994.0</b>	<b>369.0</b>	<b>695.0</b>	<b>368.0</b>	<b>775.0</b>	<b>2,207.0</b>	<b>245.0</b>	<b>266.5</b>	<b>261.5</b>	<b>253.5</b>	<b>1,094.5</b>	<b>958.0</b>
Loss and loss adjustment expenses	470.8	523.3	154.0	126.0	18.0	188.0	112.0	106.0	424.0	90.0	75.0	75.0	75.0	315.0	200.0
Deferred acquisition costs	30.9	13.9	12.0	25.0	4.0	6.0	5.0	5.0	20.0	4.0	4.0	4.0	4.0	16.0	16.0
FSAH acquisition-related expenses	0.0	0.0	0.0	-	-	-	-	-	-	-	-	-	-	-	0.0
Interest expense	99.1	92.1	82.0	92.0	25.0	26.0	25.0	25.0	101.0	26.0	26.0	26.0	26.0	104.0	104.0
Financial guaranty VIE expense	0.0	0.0	0.0	-	-	-	-	-	-	-	-	-	-	-	-
Operating expenses	193.0	211.8	218.0	220.0	56.0	66.0	54.0	55.0	231.0	60.0	59.7	59.4	59.1	238.2	242.4
<b>Total expenses</b>	<b>793.8</b>	<b>841.1</b>	<b>466.0</b>	<b>463.0</b>	<b>103.0</b>	<b>286.0</b>	<b>196.0</b>	<b>191.0</b>	<b>776.0</b>	<b>180.0</b>	<b>164.7</b>	<b>164.4</b>	<b>164.1</b>	<b>673.2</b>	<b>562.4</b>
Income before income taxes	1,011.1	132.0	1,050.6	1,531.0	266.0	409.0	172.0	584.0	1,431.0	65.0	101.8	97.1	89.4	421.3	395.6
Provision for income taxes	250.3	22.5	334.0	443.0	65.0	112.0	43.0	155.0	375.0	6.0	25.4	24.3	22.3	78.1	102.9
Tax rate	24.8%	17.0%	31.8%	28.9%	24.4%	27.4%	25.0%	26.5%	26.2%	9.2%	25.0%	25.0%	25.0%	18.5%	25.0%
<b>Net income</b>	<b>760.8</b>	<b>109.5</b>	<b>808.0</b>	<b>1,088.0</b>	<b>201.0</b>	<b>297.0</b>	<b>129.0</b>	<b>429.0</b>	<b>1,056.0</b>	<b>59.0</b>	<b>76.3</b>	<b>72.8</b>	<b>67.0</b>	<b>275.2</b>	<b>292.8</b>
Realized losses on investments, after tax	(20.0)	(4.5)	40.0	(34.0)	9.0	(8.0)	(22.0)	(4.0)	(25.0)	-9	-	-	-	-	-
Unrealized (losses) gains on credit derivatives, after tax	247.5	(486.6)	(40.0)	500.0	66.0	-	(3.0)	295.0	358.0	-43	-	-	-	-	-
Unrealized gains (losses) on capital securities, after tax	22.8	(12.2)	7.0	(7.0)	1.0	15.0	(9.0)	10.0	17.0	-10	-	-	-	-	-
Foreign exchange gains (losses) on revaluation of premiums receivable	(3.5)	15.2	(1.0)	(15.0)	(9.0)	9.0	(7.0)	(3.0)	(10.0)	-2	-	-	-	-	-
Non-economic fair value adjustment and net interest margin of VIEs	2.9	62.4	193.0	153.0	(6.0)	3.0	6.0	14.0	17.0	10	-	-	-	-	-
<b>Operating income</b>	<b>511.1</b>	<b>548.2</b>	<b>609.0</b>	<b>491.0</b>	<b>140.0</b>	<b>278.0</b>	<b>164.0</b>	<b>117.0</b>	<b>699.0</b>	<b>113.0</b>	<b>76.3</b>	<b>72.8</b>	<b>67.0</b>	<b>329.2</b>	<b>292.8</b>
Net income/share	4.1	0.53	4.41	6.48	1.28	1.96	0.88	3.03	7.15	0.43	0.58	0.56	0.53	2.10	2.43
After-tax realized losses on investments	(0.1)	(0.0)	0.2	(0.2)	0.06	(0.05)	(0.15)	(0.03)	(0.2)	(0.07)	-	-	-	-	-
After-tax unrealized (losses) gains on credit derivatives	1.4	(2.6)	(0.1)	3.1	0.42	0.00	(0.02)	2.08	2.5	(0.32)	-	-	-	-	-
Unrealized gains (losses) on committed capital securities	0.1	(0.1)	0.0	(0.0)	0.01	0.10	(0.06)	0.07	0.1	(0.07)	-	-	-	-	-
Forex gains (losses) on revaluation of premiums receivable	(0.1)	0.1	(0.0)	(0.1)	(0.06)	0.06	(0.05)	(0.02)	(0.1)	(0.01)	-	-	-	-	-
Effect of consolidating VIE	(0.9)	0.3	1.0	0.9	(0.04)	0.02	0.04	0.10	0.1	0.07	-	-	-	-	-
<b>Operating income/share</b>	<b>\$3.24</b>	<b>\$2.79</b>	<b>\$3.26</b>	<b>\$2.83</b>	<b>\$0.89</b>	<b>\$1.83</b>	<b>\$1.12</b>	<b>\$0.83</b>	<b>\$4.69</b>	<b>\$0.83</b>	<b>\$0.58</b>	<b>\$0.56</b>	<b>\$0.53</b>	<b>\$2.51</b>	<b>\$2.43</b>
Book value per share	\$25.52	\$25.74	\$28.07	\$35.48	\$36.90	\$38.30	\$39.72	\$42.85	\$42.85	\$45.05	\$45.96	\$46.89	\$47.82	\$47.82	\$51.43
Operating book value per share	\$28.54	\$30.05	\$33.83	\$36.56	\$37.47	\$39.65	\$40.85	\$42.02	\$42.02	\$43.88	\$45.10	\$46.33	\$47.56	\$47.56	\$52.31
Unearned premium reserve less DAC, after tax	\$18.75	\$16.83	\$15.83	\$16.08	\$16.16	\$17.71	\$17.66	\$17.84	\$17.84	\$17.64	\$17.41	\$17.20	\$17.01	\$17.01	\$16.11
Present value of future installment premiums	\$2.03	\$1.14	\$0.80	\$0.67	\$0.63	\$1.02	\$1.01	\$0.82	\$0.82	\$0.67	\$0.65	\$0.63	\$0.62	\$0.62	\$0.54
<b>Adjusted book value per share</b>	<b>\$49.32</b>	<b>\$47.17</b>	<b>\$49.58</b>	<b>\$52.34</b>	<b>\$53.28</b>	<b>\$57.39</b>	<b>\$58.51</b>	<b>\$59.64</b>	<b>\$59.64</b>	<b>\$61.12</b>	<b>\$62.08</b>	<b>\$63.07</b>	<b>\$64.07</b>	<b>\$64.07</b>	<b>\$67.81</b>
Weighted average diluted shares	183.4	190.7	187.0	173.7	156.8	151.6	146.5	141.5	149.1	135.7	132.7	129.7	126.7	131.2	120.5

Source: BTIG Estimates and Company Documents

## Appendix: Analyst Certification and Other Important Disclosures

### Analyst Certification

I, Mark Palmer, hereby certify that the views about the companies and securities discussed in this report are accurately expressed and that I have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report.

I, Giuliano Bologna, hereby certify that the views about the companies and securities discussed in this report are accurately expressed and that I have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report.

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#### Analyst Stock Ratings Definitions

**BTIG LLC's ("BTIG") ratings, effective May 10, 2010, are defined as follows:**

**BUY** – A stock that is expected at initiation to produce a positive total return of 15% or greater over the 12 months following the initial recommendation. The BUY rating may be maintained following initiation as long as it is deemed appropriate, notwithstanding price fluctuations that would cause the target to fall outside of the 15% return.

**SELL** – A stock that is expected at initiation to produce a negative total return of 15% or greater over the next 12 months following the initial recommendation. The SELL rating may be maintained following initiation as long as it is deemed appropriate, notwithstanding price fluctuations that would cause the target to fall outside of the 15% return.

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**NOT RATED** – A stock that is not rated but that is covered by BTIG.

#### Distribution of Ratings and Investment Banking Clients

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**Distribution of BTIG's Research Recommendations (as of March 31, 2016):**

**BUY: 62.6%; NEUTRAL: 34.1%; SELL: 3.3%**

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**BUY: 92.9%; NEUTRAL: 7.1%; SELL: 0%**

For purposes of FINRA ratings distribution rules, BTIG's stock ratings of Buy, Neutral and Sell fall into Buy, Hold and Sell categories, respectively.

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#### Assured Guaranty Ltd. (AGO, Buy, \$35 PT)

**Valuation:** Our \$35 price target is based on 0.60x our YE16E adjusted book value (ABV) per share of \$64.07, minus \$5.19 per share representing the estimated impact of potential losses related to AGO's insured exposure to Puerto Rico's debt.

**Risks:** The primary risk to achieving our target price include ratings downgrade risks, credit risk related to municipal bond and structured product exposures, and exposures to troubled Puerto Rico credits.

## Assured Guaranty Ltd. (AGO)



*Note: Closing Price and Target Price have been adjusted for corporate actions.*

Date	Closing Price (\$)	Target Price (\$)	Analyst	Rating
05-Dec-11	12.23	35	Mark Palmer	Buy
29-Feb-12	16.80	37	Mark Palmer	Buy
07-Aug-12	11.72	35	Mark Palmer	Buy
08-Aug-13	21.91	37	Mark Palmer	Buy
07-Nov-14	24.53	39	Mark Palmer	Buy
25-Feb-15	26.37	40	Mark Palmer	Buy
07-May-15	26.11	41	Mark Palmer	Buy
29-Jun-15	23.76		Mark Palmer	Neutral
08-Jul-15	24.49	34	Mark Palmer	Buy
05-Nov-15	29.47	35	Mark Palmer	Buy

## Company-Specific Regulatory Disclosures

BTIG LLC expects to receive or intends to seek compensation for investment banking services in the next 3 months from: Assured Guaranty Ltd. (AGO)

BTIG LLC has received compensation for investment banking services in the past 12 months from: Assured Guaranty Ltd. (AGO)

BTIG LLC had an investment banking services client relationship during the past 12 months with: Assured Guaranty Ltd. (AGO)

## Other Disclosures

Additional Information Available Upon Request

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