

A photograph of a construction worker in silhouette, wearing a hard hat and safety harness, walking across a steel beam of a bridge under construction. The background shows the complex steel truss structure of the bridge against a clear sky.

Financial Supplement

Assured Guaranty Corp.

December 31, 2018



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This financial supplement should be read in conjunction with documents filed by Assured Guaranty Ltd. (AGL and, together with its subsidiaries, Assured Guaranty) with the Securities and Exchange Commission (SEC), including its Annual Report on Form 10-K for the year ended December 31, 2018. This financial supplement should also be read in conjunction with the Company's financial statements posted on agltd.com/investor-information. For the purposes of this financial supplement, all references to the "Company" shall mean AGC and its consolidated entities.

Cautionary Statement Regarding Forward Looking Statements:

Any forward looking statements made in this supplement reflect the current views of Assured Guaranty with respect to future events and financial performance and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements involve risks and uncertainties that may cause actual results to differ materially from those set forth in these statements. Assured Guaranty's forward looking statements could be affected by many events. These events include (1) reduction in the amount of available insurance opportunities and/or in the demand for Assured Guaranty's insurance; (2) rating agency action, including a ratings downgrade, a change in outlook, the placement of ratings on watch for downgrade, or a change in rating criteria, at any time, of AGL or any of its subsidiaries, and/or of any securities AGL or any of its subsidiaries have issued, and/or of transactions that AGL's subsidiaries have insured; (3) developments in the world's financial and capital markets that adversely affect obligors' payment rates or Assured Guaranty's loss experience; (4) the possibility that budget or pension shortfalls or other factors will result in credit losses or impairments on obligations of state, territorial and local governments and their related authorities and public corporations that Assured Guaranty insures or reinsures; (5) the failure of Assured Guaranty to realize loss recoveries that are assumed in its expected loss estimates; (6) increased competition, including from new entrants into the financial guaranty industry; (7) rating agency action on obligors, including sovereign debtors, resulting in a reduction in the value of securities in Assured Guaranty's investment portfolio and in collateral posted by and to Assured Guaranty; (8) the inability of Assured Guaranty to access external sources of capital on acceptable terms; (9) changes in the world's credit markets, segments thereof, interest rates or general economic conditions; (10) the impact of market volatility on the mark-to-market of Assured Guaranty's contracts written in credit default swap form; (11) changes in applicable accounting policies or practices; (12) changes in applicable laws or regulations, including insurance, bankruptcy and tax laws, or other governmental actions; (13) the impact of changes in the world's economy and credit and currency markets and in applicable laws or regulations relating to the decision of the United Kingdom to exit the European Union; (14) the possibility that acquisitions or alternative investments made by Assured Guaranty do not result in the benefits anticipated or subject Assured Guaranty to unanticipated consequences; (15) difficulties with the execution of Assured Guaranty's business strategy; (16) loss of key personnel; (17) the effects of mergers, acquisitions and divestitures; (18) natural or man-made catastrophes; (19) other risk factors identified in AGL's filings with the SEC; (20) other risks and uncertainties that have not been identified at this time and, (21) management's response to these factors. Readers are cautioned not to place undue reliance on these forward looking statements, which speak only as of the dates on which they are made. Assured Guaranty undertakes no obligation to update publicly or review any forward looking statement, whether as a result of new information, future developments or otherwise, except as required by law.

Assured Guaranty Corp.
Selected Financial Highlights (1 of 2)
(dollars in millions)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2018	2017	2018	2017
Net income (loss)	\$ 38	\$ 62	\$ 208	\$ 320
Non-GAAP operating income ⁽¹⁾	29	85	143	280
Gain (loss) related to the effect of consolidating financial guaranty variable interest entities (FG VIE consolidation) (net of tax provision (benefit) of \$(1), \$1, \$(1) and \$2) included in non-GAAP operating income	(3)	—	(2)	1
Effective tax rate on net income	22.8 %	62.9 %	32.4 %	31.2 %
Effective tax rate on non-GAAP operating income ⁽²⁾	23.5 %	53.0 %	37.3 %	27.3 %
Effect of FG VIE consolidation included in effective tax rate on non-GAAP operating income	0.3 %	0.6 %	0.2 %	0.4 %
Return on equity (ROE) calculations ⁽³⁾:				
GAAP ROE	6.5 %	9.8%	8.6 %	13.0%
Non-GAAP operating ROE ⁽¹⁾	5.3 %	14.4 %	6.3 %	11.8 %
Effect of FG VIE consolidation on non-GAAP operating ROE	(0.6)%	—%	(0.1)%	0.1 %
New business:				
Gross written premiums (GWP)	\$ 4	\$ (5)	\$ 336	\$ (6)
Present value of new business production (PVP) ⁽¹⁾	4	2	413	2
Gross par written	200	45	12,421	55
			As of:	
			December 31, 2018	December 31, 2017
Shareholder's equity			\$ 2,329	\$ 2,518
Non-GAAP operating shareholder's equity ⁽¹⁾			2,173	2,367
Non-GAAP adjusted book value ⁽¹⁾			2,691	2,837
Gain (loss) related to FG VIE consolidation included in non-GAAP operating shareholders' equity			(8)	(7)
Gain (loss) related to FG VIE consolidation included in non-GAAP adjusted book value			(9)	(9)
Other Information				
Net debt service outstanding			\$ 40,619	\$ 38,985
Net par outstanding			27,412	26,755
Claims-paying resources (including MAC) ⁽⁴⁾			3,659	3,710

1) Please refer to the explanation of Non-GAAP Financial Measures set forth at the end of this Financial Supplement.

2) Represents the ratio of non-GAAP operating provision for income taxes to non-GAAP operating income before income taxes.

3) Quarterly ROE calculations represent annualized returns. See page 6 for additional information on calculation.

4) See page 8 for additional detail on claims-paying resources.

Assured Guaranty Corp.
Selected Financial Highlights (2 of 2)
(dollars in millions)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2018	2017	2018	2017
Effect of refundings and terminations on GAAP measures:				
Net earned premiums, pre-tax	\$ 13	\$ 32	\$ 50	\$ 104
Net change in fair value of credit derivatives, pre-tax	—	—	3	17
Net income effect	12	25	51	93
Effect of refundings and terminations on non-GAAP measures:				
Operating net earned premiums and credit derivative revenues ⁽¹⁾ , pre-tax	13	32	53	112
Non-GAAP operating income ⁽¹⁾ effect	12	25	51	88

- 1) Consolidated statement of operations items mentioned in this Financial Supplement that are described as operating (i.e. operating net earned premiums) are non-GAAP measures and represent components of non-GAAP operating income. Please refer to the explanation of Non-GAAP Financial Measures set forth at the end of this Financial Supplement.

Assured Guaranty Corp.
Condensed Consolidated Balance Sheets (unaudited)
(dollars in millions)

	As of:	
	December 31, 2018	December 31, 2017
Assets:		
Investment portfolio:		
Fixed-maturity securities, available-for-sale, at fair value	\$ 2,907	\$ 2,937
Short-term investments, at fair value	126	57
Other invested assets	2	2
Equity method investments	234	227
Total investment portfolio	3,269	3,223
Cash	31	46
Premiums receivable, net of commissions payable	199	172
Ceded unearned premium reserve	221	223
Reinsurance recoverable on unpaid losses	171	205
Salvage and subrogation recoverable	214	310
Current income tax receivable	—	168
Financial guaranty variable interest entities (FG VIE) assets, at fair value	101	122
Other assets	252	238
Total assets	\$ 4,458	\$ 4,707
Liabilities and shareholders' equity:		
Liabilities:		
Unearned premium reserve	\$ 982	\$ 891
Loss and loss adjustment expense (LAE) reserve	386	473
Notes payable to affiliates	300	300
Credit derivative liabilities	182	223
FG VIE liabilities with recourse, at fair value	108	131
FG VIE liabilities without recourse, at fair value	1	2
Other liabilities	170	169
Total liabilities	2,129	2,189
Shareholders' equity:		
Preferred stock	—	—
Common stock	15	15
Additional paid-in capital	842	1,042
Retained earnings	1,333	1,253
Accumulated other comprehensive income	139	208
Total shareholders' equity	2,329	2,518
Total liabilities and shareholders' equity	\$ 4,458	\$ 4,707

Assured Guaranty Corp.
Condensed Consolidated Statements of Operations (unaudited)
(dollars in millions)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2018	2017	2018	2017
Revenues:				
Net earned premiums	\$ 42	\$ 56	\$ 152	\$ 231
Net investment income	33	29	128	136
Net realized investment gains (losses)	(1)	(2)	(5)	39
Net change in fair value of credit derivatives	4	(2)	95	71
Fair value gains (losses) on FG VIEs	—	2	4	6
Bargain purchase gain and settlement of pre-existing relationships, net	—	—	—	58
Other income (loss)	9	2	7	14
Total revenues	87	85	381	555
Expenses:				
Loss and LAE	28	(74)	38	54
Interest expense on note payable to affiliate	3	3	11	11
Other operating expenses	13	17	60	72
Total expenses	44	(54)	109	137
Income (loss) before income taxes and equity in net earnings of investee	43	139	272	418
Provision (benefit) for income taxes	10	87	88	130
Equity in net earnings of investee	5	10	24	32
Net income (loss)	\$ 38	\$ 62	\$ 208	\$ 320

Assured Guaranty Corp.

Non-GAAP Operating Income Adjustments and Effect of FG VIE Consolidation

(dollars in millions)

Non-GAAP Operating Income Adjustments and Effect of FG VIE Consolidation for the Three Months Ended December 31, 2018 and December 31, 2017

	Three Months Ended December 31, 2018		Three Months Ended December 31, 2017	
	Non-GAAP Operating Income Adjustments ⁽¹⁾	Effect of FG VIE Consolidation ⁽²⁾	Non-GAAP Operating Income Adjustments ⁽¹⁾	Effect of FG VIE Consolidation ⁽²⁾
Adjustments to revenues:				
Net earned premiums	\$ —	\$ —	\$ —	\$ —
Net investment income	—	(1)	—	(1)
Net realized investment gains (losses)	(1)	—	(2)	—
Net change in fair value of credit derivatives	—	—	(4)	—
Fair value gains (losses) on FG VIEs	—	—	—	2
Other income (loss)	9	—	1	—
Total revenue adjustments	8	(1)	(5)	1
Adjustments to expenses:				
Loss expense	(4)	3	15	—
Total expense adjustments	(4)	3	15	—
Pre-tax adjustments	12	(4)	(20)	1
Tax effect of adjustments	3	(1)	3 ⁽³⁾	1
Equity in net earnings of subsidiaries	—	—	—	—
After-tax adjustments	\$ 9	\$ (3)	\$ (23)	\$ —

Non-GAAP Operating Income Adjustments and Effect of FG VIE Consolidation for the Year Ended December 31, 2018 and December 31, 2017

	Year Ended December 31, 2018		Year Ended December 31, 2017	
	Non-GAAP Operating Income Adjustments ⁽¹⁾	Effect of FG VIE Consolidation ⁽²⁾	Non-GAAP Operating Income Adjustments ⁽¹⁾	Effect of FG VIE Consolidation ⁽²⁾
Adjustments to revenues:				
Net earned premiums	\$ —	\$ (1)	\$ —	\$ (1)
Net investment income	—	(1)	—	(1)
Net realized investment gains (losses)	(5)	—	39	—
Net change in fair value of credit derivatives	78	—	57	—
Fair value gains (losses) on FG VIEs	—	4	—	6
Other income (loss)	6	—	13	—
Total revenue adjustments	79	2	109	4
Adjustments to expenses:				
Loss expense	(4)	5	32	1
Total expense adjustments	(4)	5	32	1
Pre-tax adjustments	83	(3)	77	3
Tax effect of adjustments	18	(1)	37 ⁽³⁾	2
Equity in net earnings of subsidiaries	—	—	—	—
After-tax adjustments	\$ 65	\$ (2)	\$ 40	\$ 1

- 1) The "Non-GAAP Operating Income Adjustments" column represents the amounts recorded in the condensed consolidated statements of operations that the Company removes to arrive at non-GAAP operating income. Please refer to the explanation of Non-GAAP Financial Measures set forth at the end of this Financial Supplement.
- 2) The "Effect of FG VIE Consolidation" column represents the amounts included in the condensed consolidated statements of operations and non-GAAP operating income that the Company removes to arrive at the core financial measures that management uses in certain of its compensation calculations and its decision making process. Please refer to the explanation of Non-GAAP Financial Measures set forth at the end of this Financial Supplement.
- 3) Three months and year ended December 31, 2017 include \$10 million adjustment to tax expense related to the estimated effect of tax reform under the 2017 Tax Cuts and Jobs Act.

Assured Guaranty Corp.
Selected Financial Highlights
GAAP to Non-GAAP Reconciliations (1 of 2)
(dollars in millions)

Non-GAAP Operating Income Reconciliation

	Three Months Ended December 31,		Year Ended December 31,	
	2018	2017	2018	2017
Net income (loss)	\$ 38	\$ 62	\$ 208	\$ 320
Less pre-tax adjustments:				
Realized gains (losses) on investments	(1)	(2)	(5)	40
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	5	(19)	83	24
Fair value gains (losses) on committed capital securities (CCS) ⁽¹⁾	9	—	7	(2)
Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves ⁽¹⁾	(1)	1	(2)	15
Total pre-tax adjustments	\$ 12	\$ (20)	\$ 83	\$ 77
Less tax effect on pre-tax adjustments	(3)	(3)	(18)	(37)
Non-GAAP operating income	<u>\$ 29</u>	<u>\$ 85</u>	<u>\$ 143</u>	<u>\$ 280</u>
Gain (loss) related to FG VIE consolidation (net of tax provision (benefit) of \$(1), \$1, \$(1) and \$2) included in non-GAAP operating income	\$ (3)	\$ —	\$ (2)	\$ 1

1) Included in other income (loss) in the condensed consolidated statements of operations.

ROE Reconciliation and Calculation

	As of				
	December 31, 2018	September 30, 2018	December 31, 2017	September 30, 2017	December 31, 2016
Shareholder's equity	\$ 2,329	\$ 2,338	\$ 2,518	\$ 2,498	\$ 2,404
Non-GAAP operating shareholder's equity	2,173	2,186	2,367	2,352	2,363
Gain (loss) related to FG VIE consolidation included in non-GAAP operating shareholders' equity	(8)	(6)	(7)	(6)	(8)
	Three Months Ended December 31,		Year Ended December 31,		
	2018	2017	2018	2017	
Net income (loss)	\$ 38	\$ 62	\$ 208	\$ 320	
Non-GAAP operating income	29	85	143	280	
Gain (loss) related to FG VIE consolidation included in non-GAAP operating income	(3)	—	(2)	1	
Average shareholder's equity	\$ 2,334	\$ 2,508	\$ 2,424	\$ 2,461	
Average non-GAAP operating shareholder's equity	2,180	2,360	2,270	2,365	
Gain (loss) related to FG VIE consolidation included in average non-GAAP operating shareholder's equity	(7)	(7)	(8)	(8)	
GAAP ROE ⁽¹⁾	6.5 %	9.8%	8.6 %	13.0%	
Non-GAAP operating ROE ⁽¹⁾	5.3 %	14.4 %	6.3 %	11.8 %	
Effect of FG VIE consolidation included in non-GAAP operating ROE	(0.6)%	— %	(0.1)%	0.1 %	

1) Quarterly ROE calculations represent annualized returns.

Please refer to the explanation of Non-GAAP Financial Measures set forth at the end of this Financial Supplement.

Assured Guaranty Corp.
Selected Financial Highlights
GAAP to Non-GAAP Reconciliations (2 of 2)
(dollars in millions)

	As of				
	December 31, 2018	September 30, 2018	December 31, 2017	September 30, 2017	December 31, 2016
Reconciliation of shareholder's equity to non-GAAP adjusted book value:					
Shareholder's equity	\$ 2,329	\$ 2,338	\$ 2,518	\$ 2,498	\$ 2,404
Less pre-tax reconciling items:					
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(20)	(25)	(103)	(84)	(127)
Fair value gains (losses) on CCS	38	29	31	30	32
Unrealized gain (loss) on investment portfolio	167	176	249	250	153
Less taxes	(29)	(28)	(26)	(50)	(17)
Non-GAAP operating shareholders' equity	2,173	2,186	2,367	2,352	2,363
Pre-tax reconciling items:					
Less: Deferred acquisition costs	(8)	(12)	4	5	(8)
Plus: Net present value of estimated net future credit derivative revenue	152	156	95	97	114
Plus: Net unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed	495	535	504	571	777
Plus taxes	(137)	(147)	(125)	(232)	(314)
Non-GAAP adjusted book value	<u>\$ 2,691</u>	<u>\$ 2,742</u>	<u>\$ 2,837</u>	<u>\$ 2,783</u>	<u>\$ 2,948</u>
Gain (loss) related to FG VIE consolidation included in non-GAAP operating shareholder's equity (net of tax benefit of \$2, \$2, \$2, \$4 and \$4)	\$ (8)	\$ (6)	\$ (7)	\$ (6)	\$ (8)
Gain (loss) related to FG VIE consolidation included in non-GAAP adjusted book value (net of tax benefit of \$3, \$3, \$2, \$5 and \$5)	(9)	(7)	(9)	(8)	(9)

Please refer to the explanation of Non-GAAP Financial Measures set forth at the end of this Financial Supplement.

Assured Guaranty Corp.
Claims-Paying Resources
(dollars in millions)

As of:

	December 31, 2018	December 31, 2017
Claims-paying resources		
Policyholders' surplus	\$ 1,793	\$ 2,073
Contingency reserve ⁽¹⁾	629	642
Qualified statutory capital	2,422	2,715
Unearned premium reserve and net deferred ceding commission income ⁽¹⁾	484	354
Loss and LAE reserves ⁽¹⁾	236	135
Total policyholders' surplus and reserves	3,142	3,204
Present value of installment premium ⁽¹⁾	137	126
CCS	200	200
Excess of loss reinsurance facility ⁽²⁾	180	180
Total claims-paying resources (including proportionate MAC ownership for AGC)	3,659	3,710
Adjustment for MAC ⁽³⁾	281	292
Total claims-paying resources (excluding proportionate MAC ownership for AGC)	\$ 3,378	\$ 3,418
 Statutory net par outstanding ⁽⁴⁾	 \$ 26,263	 \$ 23,914
Equity method adjustment ⁽³⁾	9,283	11,829
Adjusted statutory net par outstanding ⁽¹⁾	<u>\$ 35,546</u>	<u>\$ 35,743</u>
 Net debt service outstanding ⁽⁴⁾	 \$ 39,473	 \$ 36,018
Equity method adjustment ⁽³⁾	13,740	17,419
Adjusted net debt service outstanding ⁽¹⁾	<u>\$ 53,213</u>	<u>\$ 53,437</u>
 Ratios:		
Adjusted net par outstanding to qualified statutory capital	15:1	13:1
Capital ratio ⁽⁵⁾	22:1	20:1
Financial resources ratio ⁽⁶⁾	15:1	14:1

- 1) The numbers shown for AGC have been adjusted to include its indirect share of Municipal Assurance Corp. (MAC). Assured Guaranty Municipal Corp. (AGM) and AGC own 60.7% and 39.3%, respectively, of the outstanding stock of Municipal Assurance Holdings Inc., which owns 100% of the outstanding common stock of MAC. Beginning in the second quarter of 2018, the Company incorporates deferred ceding commission income in claims-paying resources.
- 2) Represents the \$180 million portion placed with an unaffiliated reinsurer of a \$400 million aggregate excess-of-loss reinsurance facility for the benefit of AGC, AGM and MAC, which became effective January 1, 2018. The facility terminates on January 1, 2020 unless AGC, AGM and MAC choose to extend it.
- 3) Represents adjustment for AGC's interest and indirect ownership of MAC.
- 4) Net par outstanding and net debt service outstanding are presented on a statutory basis.
- 5) The capital ratio is calculated by dividing adjusted net debt service outstanding by qualified statutory capital.
- 6) The financial resources ratio is calculated by dividing adjusted net debt service outstanding by total claims-paying resources (including MAC adjustment for AGC).

Assured Guaranty Corp.

New Business Production

(dollars in millions)

Reconciliation of GWP to PVP for the Three Months Ended December 31, 2018 and December 31, 2017

	Three Months Ended December 31, 2018					Three Months Ended December 31, 2017				
	Public Finance		Structured Finance		Total	Public Finance		Structured Finance		Total
	U.S.	Non-U.S.	U.S.	Non-U.S.		U.S.	Non-U.S.	U.S.	Non-U.S.	
Total GWP	\$ (1)	\$ 5	\$ 0	\$ —	\$ 4	\$ (1)	\$ (2)	\$ (3)	\$ 1	\$ (5)
Less: Installment GWP and other GAAP adjustments ⁽¹⁾	(1)	5	(1)	—	3	(1)	(2)	(3)	1	(5)
Upfront GWP	—	—	1	—	1	—	—	—	—	—
Plus: Installment premium PVP	—	—	—	3	3	—	—	2	—	2
Total PVP	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1</u>	<u>\$ 3</u>	<u>\$ 4</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2</u>	<u>\$ —</u>	<u>\$ 2</u>
Gross par written	\$ —	\$ —	\$ 25	\$ 175	\$ 200	\$ —	\$ —	\$ 45	\$ —	\$ 45

Reconciliation of GWP to PVP for the Year Ended December 31, 2018 and December 31, 2017

	Year Ended December 31, 2018					Year Ended December 31, 2017				
	Public Finance		Structured Finance		Total	Public Finance		Structured Finance		Total
	U.S.	Non - U.S.	U.S.	Non - U.S.		U.S.	Non - U.S.	U.S.	Non - U.S.	
Total GWP	\$ 112	\$ 58	\$ 165	\$ 1	\$ 336	\$ (2)	\$ (1)	\$ (3)	\$ —	\$ (6)
Less: Installment GWP and other GAAP adjustments ⁽¹⁾	11	35	6	1	53	(2)	(1)	(3)	—	(6)
Upfront GWP	101	23	159	—	283	—	—	—	—	—
Plus: Installment premium PVP ⁽²⁾	85	35	7	3	130	—	—	2	—	2
Total PVP	<u>\$ 186</u>	<u>\$ 58</u>	<u>\$ 166</u>	<u>\$ 3</u>	<u>\$ 413</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2</u>	<u>\$ —</u>	<u>\$ 2</u>
Gross par written	\$ 7,608	\$ 3,716	\$ 902	\$ 195	\$ 12,421	\$ 10	\$ —	\$ 45	\$ —	\$ 55

1) Includes present value of new business on installment policies discounted at the prescribed GAAP discount rates, GWP adjustments on existing installment policies due to changes in assumptions, any cancellations of assumed reinsurance contracts, and other GAAP adjustments.

2) Includes PVP of credit derivatives assumed in the Syncora Guarantee Inc. (SGI) transaction in the second quarter of 2018.

Please refer to the explanation of Non-GAAP Financial Measures set forth at the end of this Financial Supplement.

Assured Guaranty Corp.

Gross Par Written
(dollars in millions)

Gross Par Written by Asset Type

Sector	Three Months Ended December 31, 2018		Year Ended December 31, 2018	
	Gross Par Written	Avg. Internal Rating	Gross Par Written	Avg. Internal Rating
U.S. public finance				
Municipal utilities	\$ —	—	\$ 1,514	A
Infrastructure finance	—	—	1,110	A+
General obligation	—	—	1,019	A
Tax backed	—	—	997	BBB+
Investor-owned utilities	—	—	862	A-
Transportation	—	—	442	A
Higher education	—	—	411	A
Housing revenue	—	—	113	BBB+
Other public finance	—	—	1,140	A
Total U.S. public finance	—	—	7,608	A
Non-U.S. public finance:				
Regulated utilities	—	—	2,590	BBB+
Infrastructure finance	—	—	992	BBB-
Other public finance	—	—	134	A+
Total non-U.S. public finance	—	—	3,716	BBB
Total public finance	—	—	11,324	A-
U.S. structured finance:				
Residential mortgage-backed securities (RMBS)	—	—	327	B-
Pooled corporate obligations	—	—	271	A
Commercial receivables	—	—	139	BBB
Commercial mortgage-backed securities (CMBS)	—	—	85	BBB
Structured credit	25	BBB	66	BBB
Other structured finance	—	—	14	A-
Total U.S. structured finance	25	BBB	902	BB+
Non-U.S. structured finance:				
RMBS	—	—	19	BBB
Pooled corporate obligations	—	—	1	A-
Other structured finance	175	BBB-	175	BBB-
Total non-U.S. structured finance	175	BBB-	195	BBB-
Total structured finance	200	BBB-	1,097	BBB-
Total gross par written	\$ 200	BBB-	\$ 12,421	A-

Please refer to the Glossary for a description of internal ratings and sectors.

Assured Guaranty Corp.
Investment Portfolio and Cash
As of December 31, 2018
(dollars in millions)

	Amortized Cost	Pre-Tax Book Yield	After-Tax Book Yield	Fair Value	Annualized Investment Income ⁽¹⁾
Investment portfolio:					
Fixed-maturity securities:					
U.S. obligations of states and political subdivisions ⁽³⁾	\$ 1,633	3.51 %	3.20 %	\$ 1,684	\$ 57
Insured obligations of state and political subdivisions ⁽²⁾	26	4.62	3.67	26	1
U.S. Treasury securities and obligations of U.S. government agencies	33	3.19	2.52	33	1
Agency obligations	18	5.37	4.24	19	1
Corporate securities	292	3.35	2.64	288	10
Mortgage-backed securities (MBS):					
Residential MBS (RMBS) ⁽³⁾	105	4.48	3.54	105	5
Commercial MBS (CMBS)	43	3.15	2.49	42	2
Asset-backed securities ⁽³⁾	593	9.48	7.49	710	56
Total fixed-maturity securities	2,743	4.83	4.07	2,907	133
Short-term investments	126	2.59	2.04	126	3
Cash ⁽⁴⁾	31	—	—	31	—
Total	\$ 2,900	4.73%	3.98%	\$ 3,064	\$ 136

Ratings ⁽⁵⁾:		
	Fair Value	% of Portfolio
U.S. Treasury securities and obligations of U.S. government agencies	\$ 33	1.1 %
Agency obligations	19	0.7
AAA/Aaa	277	9.5
AA/Aa	1,325	45.6
A/A	441	15.2
BBB	118	4.0
Below investment grade (BIG) ⁽⁶⁾	639	22.0
Not rated	55	1.9
Total fixed-maturity securities, available-for-sale	\$ 2,907	100.0%

Duration of fixed-maturity securities and short-term investments (in years):

5.8

Average ratings of fixed-maturity securities and short-term investments

A-

- 1) Represents annualized investment income based on amortized cost and pre-tax book yields.
- 2) Reflects obligations of state and local political subdivisions that have been insured by other financial guarantors. The underlying ratings of these bonds average BBB, after giving effect to the lower of the rating assigned by S&P Global Ratings, a division of Standard & Poor's Financial Services LLC (S&P) or Moody's Investors Service, Inc. (Moody's).
- 3) Includes securities purchased or obtained for loss mitigation purposes.
- 4) Cash is not included in the yield calculation.
- 5) Ratings are represented by the lower of the Moody's or S&P classifications except for bonds purchased for loss mitigation (loss mitigation securities) or other risk management strategies which use internal ratings classifications.
- 6) Includes below investment grade securities that were purchased or obtained as part of loss mitigation or other risk management strategies of \$913 million in par with carrying value of \$638 million.

Assured Guaranty Corp.
Estimated Net Exposure Amortization⁽¹⁾ and Estimated Future Net Premium
and Credit Derivative Revenues
(dollars in millions)

	Estimated Net Debt Service Amortization ⁽¹⁾	Estimated Ending Net Debt Service Outstanding ⁽¹⁾	Financial Guaranty Insurance ⁽²⁾			Future Credit Derivative Revenues
			Expected PV Net Earned Premiums	Accretion of Discount	Effect of FG VIE Consolidation on Expected PV Net Earned Premiums and Accretion of Discount	
2018 (as of December 31)		\$ 40,619				
2019 Q1	\$ 1,651	38,968	\$ 24	\$ 1	\$ —	\$ 4
2019 Q2	1,188	37,780	24	1	—	3
2019 Q3	1,127	36,653	22	1	—	3
2019 Q4	911	35,742	22	—	—	3
2020	2,765	32,977	82	2	1	10
2021	3,034	29,943	72	2	1	10
2022	2,355	27,588	63	2	1	9
2023	1,734	25,854	57	2	—	8
2019-2023	14,765	25,854	366	11	3	50
2024-2028	8,062	17,792	216	7	2	38
2029-2033	6,391	11,401	136	4	1	32
2034-2038	5,344	6,057	63	1	1	24
After 2038	6,057	—	29	1	—	24
Total	\$ 40,619		\$ 810	\$ 24	\$ 7	\$ 168

1) Represents the future expected amortization of current debt service outstanding (principal and interest), assuming no advance refundings, as of December 31, 2018. Actual amortization differs from expected maturities because borrowers may have the right to call or prepay guaranteed obligations, terminations and because of management's assumptions on structured finance amortization.

2) See page 13 for “Net Expected Loss to be Expensed.”

Assured Guaranty Corp.
Net Expected Loss to be Expensed
As of December 31, 2018
(dollars in millions)

	Net Expected Loss to be Expensed ⁽¹⁾
	GAAP
2019 Q1	\$ 5
2019 Q2	7
2019 Q3	6
2019 Q4	6
2020	25
2021	27
2022	28
2023	29
2019-2023	133
2024-2028	121
2029-2033	80
2034-2038	35
After 2038	6
Total expected present value of net expected loss to be expensed⁽²⁾	375
Future accretion	45
Total expected future loss and LAE	\$ 420

1) The present value of net expected loss to be paid is discounted using risk-free rates ranging from 0.0% to 3.06% for U.S. dollar denominated obligations.

2) Excludes \$4 million related to FG VIEs, which are eliminated in consolidation.

Assured Guaranty Corp.
Financial Guaranty Profile (1 of 3)
(dollars in millions)

Net Par Outstanding and Average Rating by Asset Type

	December 31, 2018		December 31, 2017	
	Net Par Outstanding	Avg. Internal Rating	Net Par Outstanding	Avg. Internal Rating
U.S. public finance:				
Tax backed	\$ 4,168	BBB-	\$ 4,480	BBB-
General obligation	3,777	BBB+	4,276	BBB+
Transportation	2,255	A-	2,759	A-
Infrastructure finance	2,051	A	1,072	A-
Municipal utilities	1,928	BBB	2,107	BBB+
Healthcare	1,371	A-	2,048	A
Investor-owned utilities	603	A-	246	A-
Higher education	585	A-	785	A-
Housing revenue	145	BBB	96	BBB
Other public finance	994	A-	502	A-
Total U.S. public finance	17,877	BBB+	18,371	BBB+
Non-U.S. public finance:				
Regulated utilities	2,347	BBB+	1,227	BBB+
Infrastructure finance	1,509	BBB-	989	BBB
Pooled infrastructure	687	AAA	780	AAA
Other public finance	362	A-	323	A-
Total non-U.S. public finance	4,905	A-	3,319	A
Total public finance	22,782	BBB+	21,690	BBB+
U.S. structured finance:				
RMBS	1,399	BBB-	1,452	A-
Pooled corporate obligations	1,015	AA-	1,149	A
Consumer receivables	720	A+	955	A
Insurance securitizations	510	AA	510	AA
Other structured finance	414	BBB+	243	BBB+
Total U.S. structured finance	4,058	A	4,309	A
Non-U.S. structured finance:				
RMBS	215	A+	230	AA-
Pooled corporate obligations	47	AA	78	AA+
Other structured finance	310	A-	448	BBB+
Total non-U.S. structured finance	572	A	756	A
Total structured finance	4,630	A	5,065	A
Total	\$ 27,412	BBB+	\$ 26,755	A-

Please refer to the Glossary for an explanation of the presentation of net par outstanding and the Company's internal rating approach, and of the various sectors.

Assured Guaranty Corp.
Financial Guaranty Profile (2 of 3)
As of December 31, 2018
(dollars in millions)

Distribution by Ratings of Financial Guaranty Portfolio

Ratings:	Public Finance - U.S.			Public Finance - Non-U.S.			Structured Finance - U.S.			Structured Finance - Non-U.S.			Total		
	Net Par Outstanding	%		Net Par Outstanding	%		Net Par Outstanding	%		Net Par Outstanding	%		Net Par Outstanding	%	
AAA	\$ 19	0.1 %		\$ 778	15.9 %		\$ 639	15.7 %		\$ 136	23.8 %		\$ 1,572	5.7 %	
AA	3,092	17.3		187	3.8		1,438	35.5		41	7.2		4,758	17.4	
A	7,883	44.1		916	18.6		726	17.9		142	24.8		9,667	35.3	
BBB	5,044	28.2		2,887	58.9		519	12.8		253	44.2		8,703	31.7	
BIG	1,839	10.3		137	2.8		736	18.1		—	—		2,712	9.9	
Net Par Outstanding⁽¹⁾	\$ 17,877	100.0%		\$ 4,905	100.0%		\$ 4,058	100.0%		\$ 572	100.0%		\$ 27,412	100.0%	

- 1) As of December 31, 2018, excludes \$688 million of net par attributable to loss mitigation strategies, including loss mitigation securities held in the investment portfolio which are primarily BIG.

Ceded Par Outstanding

	Ceded Par Outstanding ⁽¹⁾⁽²⁾	% of Total
Affiliated reinsurers	\$ 21,168	99.5 %
Non-affiliated reinsurers	99	0.5 %
Total	\$ 21,267	100.0%

- 1) Of the total ceded par to reinsurers rated BIG or not rated, none is rated BIG.

- 2) There was no collateral posted by third party reinsurers and \$310 million posted by an affiliated reinsurer as of December 31, 2018.

Please refer to the Glossary for an explanation of the presentation of net par outstanding and the Company's internal rating approach, and of the various sectors.

Assured Guaranty Corp.
Financial Guaranty Profile (3 of 3)
As of December 31, 2018
(dollars in millions)

Geographic Distribution of Financial Guaranty Portfolio

	Net Par Outstanding	% of Total
U.S.:		
U.S. public finance:		
California	\$ 3,477	12.7 %
Puerto Rico	1,586	5.8
Texas	1,582	5.8
New Jersey	1,332	4.9
New York	1,329	4.8
Florida	863	3.1
Illinois	739	2.7
District of Columbia	631	2.3
Pennsylvania	587	2.1
Massachusetts	484	1.8
Other	5,267	19.2
Total U.S public finance	17,877	65.2
U.S. structured finance:	4,058	14.8
Total U.S.	21,935	80.0
Non-U.S.:		
United Kingdom	3,318	12.1
Australia	565	2.1
Chile	237	0.9
New Zealand	232	0.8
Mexico	198	0.7
Other	927	3.4
Total non-U.S.	5,477	20.0
Total net par outstanding	\$ 27,412	100.0%

Please refer to the Glossary for an explanation of the presentation of net par outstanding and of the various sectors.

Assured Guaranty Corp.
Exposure to Puerto Rico (1 of 3)
As of December 31, 2018
(dollars in millions)

Exposure to Puerto Rico

	<u>Gross Par Outstanding</u>	<u>Net Par Outstanding</u>	<u>Gross Debt Service Outstanding</u>	<u>Net Debt Service Outstanding</u>
Total	<u>\$ 1,939</u>	<u>\$ 1,586</u>	<u>\$ 3,295</u>	<u>\$ 2,668</u>

Exposure to Puerto Rico by Risk⁽¹⁾

	<u>Net Par Outstanding (2)</u>	<u>Gross Par Outstanding</u>
Commonwealth Constitutionally Guaranteed		
Commonwealth of Puerto Rico - General Obligation Bonds ⁽³⁾	\$ 301	\$ 352
Puerto Rico Public Buildings Authority (PBA)	142	143
Public Corporations - Certain Revenues Potentially Subject to Clawback		
Puerto Rico Highways and Transportation Authority (PRHTA) (Transportation revenue) ⁽³⁾	495	630
PRHTA (Highways revenue) ⁽³⁾	84	87
Puerto Rico Convention Center District Authority (PRCCDA)	152	152
Puerto Rico Infrastructure Financing Authority (PRIFA)	15	16
Other Public Corporations		
Puerto Rico Electric Power Authority (PREPA) ⁽³⁾	72	121
Puerto Rico Aqueduct and Sewer Authority (PRASA) ⁽⁴⁾	284	373
Puerto Rico Municipal Finance Agency (MFA) ⁽⁴⁾	40	64
University of Puerto Rico (U of PR) ⁽⁴⁾	1	1
Total exposure to Puerto Rico	<u>\$ 1,586</u>	<u>\$ 1,939</u>

- 1) The general obligation bonds of Puerto Rico and various obligations of its related authorities and public corporations are rated BIG.
- 2) Includes exposure to capital appreciation bonds with a current aggregate net par of \$2.4 million and a fully accreted net par at maturity of \$2.5 million.
- 3) As of the date of this filing, the seven-member financial oversight board established by the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) has certified a filing under Title III of PROMESA for these exposures.
- 4) As of the date of this filing, the Company has not paid claims on these credits.

Assured Guaranty Corp.
Exposure to Puerto Rico (2 of 3)
As of December 31, 2018
(dollars in millions)

Amortization Schedule of Net Par Outstanding of Puerto Rico⁽¹⁾

	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029 -2033	2034 -2038	2039 -2043	2044 -2047	Total
Commonwealth Constitutionally Guaranteed																		
Commonwealth of Puerto Rico - General Obligation Bonds	\$ —	\$ —	\$ 33	\$ —	\$ 84	\$ 15	\$ 13	\$ 8	\$ 9	\$ 8	\$ 16	\$ 23	\$ 7	\$ 62	\$ 23	\$ —	\$ —	\$ 301
PBA	—	—	3	—	5	13	—	7	—	7	11	40	—	36	20	—	—	142
Public Corporations - Certain Revenues Potentially Subject to Clawback																		
PRHTA (Transportation revenue)	—	—	15	—	8	5	14	19	4	21	17	8	12	54	235	83	—	495
PRHTA (Highway revenue)	—	—	10	—	11	12	—	—	—	1	—	—	1	34	15	—	—	84
PRCCDA	—	—	—	—	—	—	—	—	—	—	—	19	—	50	83	—	—	152
PRIFA	—	—	—	—	—	—	—	2	—	—	—	—	—	—	3	10	—	15
Other Public Corporations																		
PREPA	—	—	—	—	1	1	1	1	1	1	20	17	17	12	—	—	—	72
PRASA	—	—	—	—	—	—	—	—	2	19	19	21	22	—	2	—	199	284
MFA	—	—	7	—	9	8	7	3	1	—	2	1	1	1	—	—	—	40
U of PR	—	—	—	—	—	—	—	—	—	—	—	—	—	1	—	—	—	1
Total	\$ —	\$ —	\$ 68	\$ —	\$ 118	\$ 54	\$ 35	\$ 40	\$ 17	\$ 57	\$ 85	\$ 129	\$ 60	\$ 250	\$ 381	\$ 93	\$ 199	\$1,586

1) Includes exposure to capital appreciation bonds with a current aggregate net par of \$2.4 million and a fully accreted net par at maturity of \$2.5 million.

Assured Guaranty Corp.
Exposure to Puerto Rico (3 of 3)
As of December 31, 2018
(dollars in millions)

Amortization Schedule of Net Debt Service Outstanding of Puerto Rico⁽¹⁾

	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029 -2033	2034 -2038	2039 -2043	2044 -2047	Total
Commonwealth Constitutionally Guaranteed																		
Commonwealth of Puerto Rico - General Obligation Bonds	\$ 8	\$ —	\$ 40	\$ —	\$ 97	\$ 24	\$ 22	\$ 16	\$ 17	\$ 16	\$ 23	\$ 29	\$ 12	\$ 75	\$ 25	\$ —	\$ —	\$ 404
PBA	3	—	7	—	13	19	6	13	6	13	17	45	3	50	23	—	—	218
Public Corporations - Certain Revenues Potentially Subject to Clawback																		
PRHTA (Transportation revenue)	13	—	27	—	33	30	38	43	27	44	38	28	32	144	283	91	—	871
PRHTA (Highway revenue)	2	—	13	—	15	15	3	3	3	3	3	3	3	44	16	—	—	126
PRCCDA	3	—	3	—	7	7	7	7	7	7	7	26	6	79	91	—	—	257
PRIFA	—	—	—	—	1	1	1	2	1	1	1	1	1	3	6	12	—	31
Other Public Corporations																		
PREPA	2	—	2	—	4	5	4	5	4	4	22	19	18	14	—	—	—	103
PRASA	8	—	7	—	15	15	15	15	16	33	33	33	33	52	54	52	229	610
MFA	1	—	8	—	11	9	8	3	1	1	2	1	1	1	—	—	—	47
U of PR	—	—	—	—	—	—	—	—	—	—	—	—	—	1	—	—	—	1
Total	\$ 40	\$ —	\$ 107	\$ —	\$ 196	\$ 125	\$ 104	\$ 107	\$ 82	\$ 122	\$ 146	\$ 185	\$ 109	\$ 463	\$ 498	\$ 155	\$ 229	\$2,668

1) Includes exposure to capital appreciation bonds with a current aggregate net par of \$2.4 million and a fully accreted net par at maturity of \$2.5 million.

Assured Guaranty Corp.
Direct Pooled Corporate Obligations Profile
As of December 31, 2018
(dollars in millions)

Distribution of Direct Pooled Corporate Obligations by Ratings

	Net Par Outstanding	% of Total	Avg. Initial Credit Enhancement	Avg. Current Credit Enhancement
Ratings:				
AAA	\$ 170	17.0 %	46.7%	67.7%
AA	501	50.3	45.5	57.3
A	206	20.7	31.7	33.7
BBB	120	12.0	41.0	43.8
BIG	—	—	—	—
Total exposures	\$ 997	100.0%	42.3%	52.6%

Distribution of Direct Pooled Corporate Obligations by Asset Class

	Net Par Outstanding	% of Total	Avg. Initial Credit Enhancement	Avg. Current Credit Enhancement	Avg. Rating
Asset class:					
CBOs/CLOs	\$ 174	17.5 %	29.2 %	31.1 %	A-
Trust preferred					
Banks and insurance	720	72.2	44.7	56.9	AA
U.S. mortgage and real estate investment trusts	103	10.3	47.4	58.9	A-
Total exposures	\$ 997	100.0%	42.3%	52.6%	AA-

Please refer to the Glossary for an explanation of internal ratings, performance indicators and sectors.

Assured Guaranty Corp.

U.S. RMBS Profile

As of December 31, 2018

(dollars in millions)

Distribution of U.S. RMBS by Rating and Type of Exposure ⁽¹⁾

Ratings:	Prime First Lien	Alt-A First Lien	Option ARMs	Subprime First Lien	Second Lien	Total Net Par Outstanding
AAA	\$ 9	\$ 60	\$ 15	\$ 332	\$ 1	\$ 417
AA	15	100	3	51	—	169
A	—	—	—	16	—	16
BBB	12	31	—	27	3	73
BIG	39	106	18	360	201	724
Total exposures	\$ 75	\$ 297	\$ 36	\$ 786	\$ 205	\$ 1,399

Distribution of U.S. RMBS by Year Insured and Type of Exposure

Year insured:	Prime First Lien	Alt-A First Lien	Option ARMs	Subprime First Lien	Second Lien	Total Net Par Outstanding
2004 and prior	\$ 24	\$ 1	\$ 1	\$ 111	\$ 33	\$ 170
2005	42	86	12	94	41	275
2006	9	1	9	299	22	340
2007	—	209	14	282	109	614
Total exposures	\$ 75	\$ 297	\$ 36	\$ 786	\$ 205	\$ 1,399

1) AGC has not insured any new U.S. RMBS transactions since 2008.

Please refer to the Glossary for an explanation of the Company's presentation of net par outstanding, internal ratings and a description of sectors.

Assured Guaranty Corp.
Credit Derivative Net Par Outstanding Profile
As of December 31, 2018
(dollars in millions)

Distribution of Credit Derivative Net Par Outstanding by Rating

Rating	Net Par Outstanding	% of Total
AAA	\$ 1,041	24.9%
AA	1,628	38.9
A	608	14.5
BBB	776	18.5
BIG	133	3.2
Total credit derivative net par outstanding	\$ 4,186	100.0%

Distribution of Credit Derivative Net Par Outstanding by Sector and Average Rating

	Net Par Outstanding	Average Internal Rating
Public finance		
U.S. public finance	\$ 1,092	AA
Non-U.S. public finance	1,732	A+
Total public finance	2,824	AA-
U.S. structured finance:		
Pooled corporate obligations	595	AA-
RMBS	520	A+
Consumer receivables	116	A+
Other structured finance	2	A
Total U.S. structured finance	1,233	A+
Non-U.S. structured finance:		
RMBS	128	A
Other structured finance	1	A
Total non-U.S. structured finance	129	A
Total structured finance	1,362	A+
Total credit derivative net par outstanding	\$ 4,186	AA-

Please refer to the Glossary for a description of net par outstanding, internal ratings and sectors.

Assured Guaranty Corp.
Below Investment Grade Exposures (1 of 3)
(dollars in millions)

BIG Exposures by Asset Exposure Type

	BIG Net Par Outstanding	
	December 31, 2018	December 31, 2017
U.S. public finance:		
Tax backed	\$ 815	\$ 863
General obligation	524	621
Municipal utilities	375	380
Healthcare	55	77
Higher education	41	64
Housing revenue	18	18
Transportation	5	12
Investor-owned utilities	4	—
Infrastructure finance	2	2
Other public finance	—	6
Total U.S. public finance	<u>1,839</u>	<u>2,043</u>
Non-U.S. public finance:		
Infrastructure finance	99	98
Other public finance	38	40
Total non-U.S. public finance	<u>137</u>	<u>138</u>
Total public finance	<u>1,976</u>	<u>2,181</u>
U.S. structured finance:		
RMBS	724	597
Pooled corporate obligations	—	122
Consumer receivables	4	6
Other structured finance	8	18
Total U.S. structured finance	<u>736</u>	<u>743</u>
Non-U.S. structured finance:		
Pooled corporate obligations	—	1
Other structured finance	—	—
Total non-U.S. structured finance	<u>—</u>	<u>1</u>
Total structured finance	<u>736</u>	<u>744</u>
Total BIG net par outstanding	<u><u>\$ 2,712</u></u>	<u><u>\$ 2,925</u></u>

Please refer to the Glossary for an explanation of the Company's presentation of net par outstanding and a description of various sectors.

Assured Guaranty Corp.
Below Investment Grade Exposures (2 of 3)
(dollars in millions)

Net Par Outstanding by BIG Category⁽¹⁾

	Financial Guaranty Insurance and Credit Derivatives Surveillance Categories	
	December 31, 2018	December 31, 2017
Category 1		
U.S. public finance	\$ 252	\$ 381
Non-U.S. public finance	89	83
U.S. structured finance	85	278
Non-U.S. structured finance	—	1
Total Category 1	<u>426</u>	<u>743</u>
Category 2		
U.S. public finance	305	302
Non-U.S. public finance	48	55
U.S. structured finance	171	109
Non-U.S. structured finance	—	—
Total Category 2	<u>524</u>	<u>466</u>
Category 3		
U.S. public finance	1,282	1,360
Non-U.S. public finance	—	—
U.S. structured finance	480	356
Non-U.S. structured finance	—	—
Total Category 3	<u>1,762</u>	<u>1,716</u>
BIG Total	<u>\$ 2,712</u>	<u>\$ 2,925</u>

- 1) Assured Guaranty's surveillance department is responsible for monitoring the Company's portfolio of credits and maintains a list of BIG credits. BIG Category 1: Below-investment-grade transactions showing sufficient deterioration to make future losses possible, but for which none are currently expected. BIG Category 2: Below-investment-grade transactions for which future losses are expected but for which no claims (other than liquidity claims which are claims that the Company expects to be reimbursed within one year) have yet been paid. BIG Category 3: Below-investment-grade transactions for which future losses are expected and on which claims (other than liquidity claims) have been paid.

Please refer to the Glossary for an explanation of the Company's internal rating approach, presentation of net par outstanding and a description of various sectors.

Assured Guaranty Corp.
Below Investment Grade Exposures (3 of 3)
As of December 31, 2018
(dollars in millions)

BIG Exposures with Revenue Sources Greater Than \$50 Million

Name or description	Net Par Outstanding	Internal Rating (1)
U.S. public finance:		
Puerto Rico Highways & Transportation Authority	\$ 579	CCC
Puerto Rico, General Obligation, Appropriations and Guarantees of the Commonwealth	458	CCC
Puerto Rico Aqueduct & Sewer Authority	284	CCC
Puerto Rico Convention Center District Authority	152	CCC
Puerto Rico Electric Power Authority	72	CCC
Subtotal U.S. public finance	1,545	
Non-U.S. public finance:		
Subtotal non-U.S. public finance	—	
U.S. structured finance		
RMBS:		
Option One MLT 2007-HI	113	CCC
Argent Securities Inc. 2005-W4	93	CCC
Countrywide Home Equity Loan 2007-D	62	B
Subtotal RMBS	268	
Non-RMBS:		
Subtotal non-RMBS	—	
Subtotal U.S. structured finance	268	
Total	\$ 1,813	

Please refer to the Glossary for an explanation of the Company's internal rating approach, presentation of net par outstanding and a description of various sectors.

1) Transactions rated below B- are categorized as CCC.

Assured Guaranty Corp.
Largest Exposures by Sector (1 of 3)
As of December 31, 2018
(dollars in millions)

50 Largest U.S. Public Finance Exposures by Revenue Source

Credit Name	Net Par Outstanding	Internal Rating (1)
San Diego Family Housing, LLC Military Housing	\$ 963	AA
New Jersey (State of)	949	BBB
North Texas Tollway Authority	743	A
Puerto Rico Highways & Transportation Authority	579	CCC
Puerto Rico, General Obligation, Appropriations and Guarantees of the Commonwealth	458	CCC
LCOR Alexandria LLC	450	BBB+
Metro Washington Airports Authority (Dulles Toll Road)	327	BBB+
Puerto Rico Aqueduct & Sewer Authority	284	CCC
DOT Headquarters II Lease-Backed Mortgage Finance Trust	275	A+
California (State of)	248	A
Yankee Stadium LLC New York City Industrial Development Authority	223	BBB-
Dallas (City of) Civic Center Convention Complex, Texas	216	A+
Miami-Dade County, Florida	208	A+
Clarksville Natural Gas Acquisition Corporation, Tennessee	203	A
Dodger Tickets LLC	200	BBB
San Joaquin Hills Transportation, California	179	BBB-
Philadelphia (City of), Pennsylvania	177	BBB+
Indianapolis Local Public Improvement Bond Bank, Indiana	166	A+
Kentucky (Commonwealth of)	165	A
Denver (City & County) Airport System, Colorado	154	A+
New York (City of), New York	153	AA-
Puerto Rico Convention Center District Authority	152	CCC
Duke Energy - Florida	149	A
Nassau County, New York	145	A-
Georgia Board of Regents	143	A
New Jersey Economic Development Authority (Motor Vehicle Surcharge)	138	BBB
San Francisco Airports Commission (San Francisco International Airport), California	138	A+
CHRISTUS Health	132	A-
New York Metropolitan Transportation Authority	129	BBB+
Niagara Mohawk Power Corporation	128	A
Navy Midwest Family Housing LLC	127	A-
UnityPoint Health System (f/k/a Iowa Health System)	127	AA-
Virtua Health	121	AA-
Massachusetts (Commonwealth of)	117	AA-
Southern California Logistic Airport, California	114	BBB-
Orange County Schools, Florida	110	A+
San Bernardino County, California	109	A+
Essentia Health	108	A-
Washington Water Power (Avista Project) First Mortgage Bonds	107	A-
Covenant Health	106	A
San Diego County, California	106	AA-
Chicago-O'Hare International Airport, Illinois	97	A-
St. Louis, Missouri	97	BBB
Offutt Air Force Base, Nebraska	94	A-
Municipal Gas Authority of Georgia	91	A+
Piedmont Municipal Power Authority, South Carolina	91	A-
New York (State of)	89	A+
Ohana Military Communities, LLC	86	A-
Massachusetts State College Building Authority	84	AA-
Anderson Area Medical Center, South Carolina	81	A
Total top 50 U.S. public finance exposures	\$ 10,636	

Please refer to the Glossary for an explanation of net par outstanding, internal ratings and sectors.

1) Transactions rated below B- are categorized as CCC.

Assured Guaranty Corp.
Largest Exposures by Sector (2 of 3)
As of December 31, 2018
(dollars in millions)

25 Largest U.S. Structured Finance Exposures

Credit Name	Net Par Outstanding	Internal Rating (1)
SLM Private Credit Student Trust 2007-A	\$ 425	A+
SLM Private Credit Student Loan Trust 2006-C	193	AA-
Private US Insurance Securitization	180	AA
Private US Insurance Securitization	180	AA
Brightwood Fund III Static 2018-1, LLC	174	A-
Private US Insurance Securitization	150	AA
Option One Mortgage Loan Trust 2007-HL1	113	CCC
CWALT Alternative Loan Trust 2007-HY9	99	A
Argent Securities Inc., Asset Backed Pass Through Certificates 2005-W4	93	CCC
ALESCO Preferred Funding XIII, Ltd.	88	AA
New Century Home Equity Loan Trust 2006-1	83	AAA
Soundview Home Equity Loan Trust 2006-OPT1	83	AAA
OwnIt Mortgage Loan ABS Certificates 2006-3	83	AAA
Preferred Term Securities XXIV, Ltd.	81	AA-
Structured Asset Investment Loan Trust 2006-1	75	AAA
ALESCO Preferred Funding XII, Ltd.	72	AA
Trapeza CDO XI	70	AA-
Countrywide Home Equity Loan Trust 2007-D	63	B
Private Commercial Receivable Transaction	61	BBB
Preferred Term Securities XXIII	60	AA
Private Balloon Note Guarantee	59	BBB
IMPAC CMB Trust Series 2007-A	59	AAA
ALESCO Preferred Funding XI	56	AA
Trapeza CDO X, Ltd.	56	AAA
CAPCO - Excess SIPC Excess of Loss Reinsurance	53	BBB
Total top 25 U.S. structured finance exposures	\$ 2,709	

Please refer to the Glossary for the Company's internal rating approach, presentation of net par outstanding and a description of various sectors.

1) Transactions rated below B- are categorized as CCC.

Assured Guaranty Corp.
Largest Exposures by Sector (3 of 3)
As of December 31, 2018
(dollars in millions)

50 Largest Non-U.S. Exposures by Revenue Source

Credit Name	Country	Net Par Outstanding	Internal Rating
Thames Water Utility Finance PLC	United Kingdom	\$ 465	A-
InspirED Education (South Lanarkshire) PLC	United Kingdom	340	BBB-
BBi (DBCT) Finance Property Limited	Australia	237	BBB
International Infrastructure Pool	United Kingdom	229	AAA
International Infrastructure Pool	United Kingdom	229	AAA
International Infrastructure Pool	United Kingdom	229	AAA
Comision Federal De Electricidad (CFE) El Cajon Project	Mexico	186	BBB-
National Grid Gas PLC	United Kingdom	172	BBB+
Mighty River Power, New Zealand	New Zealand	144	BBB+
Sydney Airport Finance Company	Australia	144	BBB+
Regione Lazio	Italy	140	BBB-
Titularizadora Centroamericana De DPRs	Guatemala	131	BBB-
Dali Capital (Northumbrian Water) PLC	United Kingdom	128	BBB+
Private International Residential Mortgage Transaction	United Kingdom	128	A
Airspeed Limited Series 2007-1 Class G-1	Refer to Note 1	123	A+
Wessex Water Services Finance PLC	United Kingdom	120	AA
M77 - Glasgow Southern Orbital PFI Road Project	United Kingdom	119	BBB-
Chillan-Collipulli Chilean Toll Road Sociedad Concesionaria Autopista del Bosque-Chillan-Collipulli	Chile	109	BBB-
Channel Link Enterprises Finance PLC	France, United Kingdom	109	BBB
Vespucio Sur Chilean Toll Road Sociedad Concesionaria Autopista Vespucio Sur, S.A.	Chile	100	BBB
Anglian Water Services Financing	United Kingdom	95	A-
Orange and Associated Health Services Ancora (OAHS) Pty Ltd.	Australia	91	BBB
Verbund - Lease and Sublease of Hydro-Electric equipment	Austria	90	AAA
National Grid Company PLC	United Kingdom	84	BBB+
Yorkshire Water Services Finance PLC	United Kingdom	80	A-
United Utilities Water PLC	United Kingdom	80	BBB+
Southern Gas Networks PLC	United Kingdom	78	BBB
Envestra Limited	Australia	76	A-
Vector Limited	New Zealand	74	BBB+
Capital Hospitals (Barts)	United Kingdom	72	BBB-
Hydro-Quebec, Province of Quebec	Canada	71	AA-
Southern Water Services Limited	United Kingdom	64	A-
Dwr Cymru Financing Limited	United Kingdom	60	A-
Societe des Autoroutes du Nord et de l'Est de France S.A.	France	56	BBB+
Breeze Finance S.A.	Germany	46	B-
Electricity North West Ltd	United Kingdom	44	BBB+
ALBA 2005-1 A3	United Kingdom	41	AAA
Augusta Funding Limited 02	Int'l-Multi Country	40	AA
Valencia Fair	Spain	37	BB-
Newcastle Hospitals PFI Project	United Kingdom	35	BB+
Severn Trent Water Utilities Finance PLC	United Kingdom	33	BBB+
Garanti DPR 2014-C	Turkey	32	BBB+
Southern Electric Power PLC	United Kingdom	25	BBB+
Derby Healthcare PLC	United Kingdom	23	BBB
Western Power Distribution (South Wales) PLC	United Kingdom	21	BBB+
Private Commercial Receivable Transaction	Refer to Note 2	20	AAA
Verdun Participations 2 S.A.S.	France	20	BBB-
Western Power Distribution (SW) PLC	United Kingdom	19	BBB+
Autopista Del Maipo Sociedad SA	Chile	19	BBB
ALBA 2006-1 A3b	United Kingdom	19	AAA
Total top 50 non-U.S. exposures		\$ 5,127	

1) Primarily China, Thailand, New Zealand, India, and Germany

2) Primarily United Kingdom, Egypt, Mexico, South Korea, and Chile

Please refer to the Glossary for an explanation of net par outstanding, internal ratings and sectors.

Assured Guaranty Corp.
Rollforward of Net Expected Loss and LAE to be Paid
(dollars in millions)

Rollforward of Net Expected Loss and LAE to be Paid⁽¹⁾ for the Three Months Ended December 31, 2018

	Net Expected Loss to be Paid (Recovered) at September 30, 2018	Economic Loss Development During 4Q-18	(Paid) Recovered Losses During 4Q-18	Net Expected Loss to be Paid (Recovered) as of December 31, 2018
Public Finance:				
U.S. public finance	\$ 312	\$ 5	\$ (3)	\$ 314
Non-U.S public finance	5	(1)	—	4
Public Finance	<u>317</u>	<u>4</u>	<u>(3)</u>	<u>318</u>
Structured Finance:				
U.S. RMBS ⁽²⁾	127	(8)	4	123
Other structured finance	(113)	29	(3)	(87)
Structured Finance	<u>14</u>	<u>21</u>	<u>1</u>	<u>36</u>
Total	<u>\$ 331</u>	<u>\$ 25</u>	<u>\$ (2)</u>	<u>\$ 354</u>

Rollforward of Net Expected Loss and LAE to be Paid⁽¹⁾ for the Year Ended December 31, 2018

	Net Expected Loss to be Paid (Recovered) as of December 31, 2017	Net Expected Loss to be Paid on SGI Portfolio as of June 1, 2018	Economic Loss Development During 2018	(Paid) Recovered Losses During 2018	Net Expected Loss to be Paid (Recovered) as of December 31, 2018
Public Finance:					
U.S. public finance	444	—	20	(150)	314
Non-U.S public finance	5	1	(2)	—	4
Public Finance	<u>449</u>	<u>1</u>	<u>18</u>	<u>(150)</u>	<u>318</u>
Structured Finance:					
U.S. RMBS ⁽²⁾	(111)	130	(24)	128	123
Other structured finance	(114)	—	23	4	(87)
Structured Finance	<u>(225)</u>	<u>130</u>	<u>(1)</u>	<u>132</u>	<u>36</u>
Total	<u>224</u>	<u>131</u>	<u>17</u>	<u>(18)</u>	<u>354</u>

1) Includes expected loss to be paid, economic loss development and paid (recovered) losses for all contracts (i.e. those accounted for as insurance, credit derivatives and FG VIEs).

2) Includes future net representations and warranties (R&W) receivable of \$25 million as of December 31, 2018, \$27 million as of September 30, 2018 and \$140 million as of December 31, 2017.

Assured Guaranty Corp.

Loss Measures

As of December 31, 2018

(dollars in millions)

	Total Net Par Outstanding for BIG Transactions	4Q-18 Loss and LAE	4Q-18 Loss and LAE included in non-GAAP Operating Income (1)	4Q-18 Effect of FG VIE Consolidation (2)	YTD 2018 Loss and LAE	YTD 2018 Loss and LAE included in non-GAAP Operating Income (1)	YTD 2018 Effect of FG VIE Consolidation(2)
Public finance:							
U.S. public finance	\$ 1,839	\$ 6	\$ 6	\$ —	\$ 39	\$ 39	\$ —
Non-U.S. public finance	137	(1)	(1)	—	(1)	(1)	—
Public finance	1,976	5	5	—	38	38	—
Structured finance:							
U.S. RMBS	724	(1)	(1)	3	(7)	(8)	5
Other structured finance	12	24	28	—	7	12	—
Structured finance	736	23	27	3	—	4	5
Total	\$ 2,712	\$ 28	\$ 32	\$ 3	\$ 38	\$ 42	\$ 5

1) Non-GAAP operating income includes financial guaranty insurance and credit derivatives.

2) The "Effect of FG VIE Consolidation" column represents amounts included in the condensed consolidated statements of operations and non-GAAP operating income that the Company removes to arrive at the core financial measures that management uses in certain of its compensation calculations and its decision making process. Please refer to the explanation of Non-GAAP Financial Measures set forth at the end of this Financial Supplement.

Please refer to the Glossary for an explanation of the presentation of net par outstanding and of the various sectors.

Assured Guaranty Corp.
Summary of Statutory Financial and Statistical Data
(dollars in millions)

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Statutory Data					
Policyholders' surplus	\$ 1,793	\$ 2,073	\$ 1,896	\$ 1,365	\$ 1,086
Contingency reserve	629	642	772	906	834
Qualified statutory capital	2,422	2,715	2,668	2,271	1,920
Unearned premium reserve and net deferred ceding commission income ⁽¹⁾	484	354	498	663	663
Loss and LAE reserves	236	135	140	224	93
Total policyholders' surplus and reserves	3,142	3,204	3,306	3,158	2,676
Present value of installment premium	137	126	156	215	224
CCS	200	200	200	200	200
Excess of loss reinsurance facility	180	180	360	360	450
Total claims-paying resources (including proportionate MAC ownership for AGC)	3,659	3,710	4,022	3,933	3,550
Adjustment for MAC	281	292	425	544	553
Total claims-paying resources (excluding proportionate MAC ownership for AGC)	\$ 3,378	\$ 3,418	\$ 3,597	\$ 3,389	\$ 2,997
Ratios:					
Net par outstanding to qualified statutory capital	15:1	13:1	19:1	31:1	41:1
Capital ratio ⁽²⁾	22:1	20:1	28:1	46:1	61:1
Financial resources ratio ⁽²⁾	15:1	14:1	19:1	26:1	33:1
Other Financial Information (Statutory Basis)					
Net debt service outstanding (end of period) ⁽²⁾	\$ 53,213	\$ 53,437	\$ 75,532	\$ 103,862	\$ 116,211
Gross debt service outstanding (end of period) ⁽²⁾	70,087	67,865	97,249	137,292	159,140
Net par outstanding (end of period) ⁽²⁾	35,546	35,743	50,965	69,766	78,077
Gross par outstanding (end of period) ⁽²⁾	47,202	45,664	65,503	92,273	106,866
Ceded to Assured Guaranty affiliates	11,556	9,846	13,905	21,448	27,354
Gross debt service written:					
Public finance - U.S.	\$ 10,932	15	1	\$ 38	\$ 15
Public finance - non-U.S.	6,370	—	—	—	—
Structured finance - U.S.	1,191	56	105	349	423
Structured finance - non-U.S.	230	—	30	63	387
Total gross debt service written	\$ 18,723	\$ 71	\$ 136	\$ 450	\$ 825

1) Beginning in the second quarter of 2018, the Company incorporates deferred ceding commission income in claims-paying resources. The claims-paying resources in prior periods have been updated to reflect this change.

2) See page 8 for additional detail on claims-paying resources and exposure.

Please refer to the Glossary for an explanation of the presentation of net debt service and net par outstanding and of the various sectors.

Glossary

Net Par Outstanding and Internal Ratings

Net Par Outstanding is insured par exposure, net of reinsurance cessions. Unless otherwise indicated, GAAP net par outstanding amounts exclude amounts as a result of loss mitigation strategies, including securities the Company has purchased for loss mitigation purposes that are held in the investment portfolio.

Internal Rating utilizes the Company's ratings scale, which is similar to that used by the nationally recognized statistical rating organizations; however, the ratings in the tables may not be the same as ratings assigned by any such rating agency.

Statutory Net Par and Net Debt Service Outstanding. Under statutory accounting, net par and net debt service outstanding would be reduced both when an outstanding issue is legally defeased (i.e., an issuer has legally discharged its obligations with respect to a municipal security by satisfying conditions set forth in defeasance provisions contained in transaction documents and is no longer responsible for the payment of debt service with respect to such obligations) and when such issue is economically defeased (i.e., transaction documents for a municipal security do not contain defeasance provisions but the issuer establishes an escrow account with U.S. government securities in amounts sufficient to pay the refunded bonds when due; the refunded bonds are not considered paid and continue to be outstanding under the transaction documents and the issuer remains responsible to pay debt service when due to the extent monies on deposit in the escrow account are insufficient for such purpose).

Performance Indicators

The performance information described below is obtained from third parties and/or provided by the trustee and may be subject to revision as updated or additional information is obtained:

60+ Day Delinquencies are defined as loans that are greater than 60 days delinquent and all loans that are in foreclosure, bankruptcy or real estate owned divided by current collateral balance.

Average Credit Enhancement is intended to provide a measure of the amount of equity and/or subordinated tranches that are junior in the capital structure to Assured Guaranty's exposure, expressed as a percentage of the total transaction size, and reflects any reduction of that credit support resulting from defaults or other factors. For transactions where excess spread may be available to absorb certain losses, the amounts shown do not include any benefit from excess spread. The calculation methodologies differ for the various asset classes to reflect differences in transaction structures in order to provide a measure that management believes is comparable across asset classes. Some asset classes may not have subordinated tranches so they are excluded from the weighted averages.

Sectors

Below are brief descriptions of selected types of public and structured finance obligations that the Company insures and reinsures. For a more complete description, please refer to Assured Guaranty Ltd.'s Annual Report on Form 10-K for the year ended December 31, 2018.

Public Finance:

General Obligation Bonds are full faith and credit bonds that are issued by states, their political subdivisions and other municipal issuers, and are supported by the general obligation of the issuer to pay from available funds and by a pledge of the issuer to levy ad valorem taxes in an amount sufficient to provide for the full payment of the bonds.

Tax-Backed Bonds are obligations that are supported by the issuer from specific and discrete sources of taxation. They include tax-backed revenue bonds, general fund obligations and lease revenue bonds. Tax-backed obligations may be secured by a lien on specific pledged tax revenues, such as a gasoline or excise tax, or incrementally from growth in property tax revenue associated with growth in property values. These obligations also include obligations secured by special assessments levied against property owners and often benefit from issuer covenants to enforce collections of such assessments and to foreclose on delinquent properties. Lease revenue bonds typically are general fund obligations of a municipality or other governmental authority that are subject to annual appropriation or abatement; projects financed and subject to such lease payments ordinarily include real estate or equipment serving an essential public purpose. Bonds in this category also include moral obligations of municipalities or governmental authorities.

Municipal Utility Bonds are obligations of all forms of municipal utilities, including electric, water and sewer utilities and resource recovery revenue bonds. These utilities may be organized in various forms, including municipal enterprise systems, authorities or joint action agencies.

Transportation Bonds include a wide variety of revenue-supported bonds, such as bonds for airports, ports, tunnels, municipal parking facilities, toll roads and toll bridges.

Healthcare Bonds are obligations of healthcare facilities, including community-based hospitals and systems, as well as of health maintenance organizations and long-term care facilities.

Higher Education Bonds are obligations secured by revenue collected by either public or private secondary schools, colleges and universities. Such revenue can encompass all of an institution's revenue, including tuition and fees, or in other cases, can be specifically restricted to certain auxiliary sources of revenue.

Glossary (continued)

Sectors (continued)

Infrastructure Bonds include obligations issued by a variety of entities engaged in the financing of infrastructure projects, such as roads, airports, ports, social infrastructure and other physical assets delivering essential services supported by long-term concession arrangements with a public sector entity.

Investor-Owned Utility Bonds are obligations primarily backed by investor-owned utilities, first mortgage bond obligations of for-profit electric or water utilities providing retail, industrial and commercial service, and also include sale-leaseback obligation bonds supported by such entities.

Housing Revenue Bonds are obligations relating to both single and multi-family housing, issued by states and localities, supported by cash flow and, in some cases, insurance from entities such as the Federal Housing Administration.

Regulated Utility Obligations are issued by government-regulated providers of essential services and commodities, including electric, water and gas utilities. The majority of the Company's international regulated utility business is conducted in the United Kingdom.

Pooled Infrastructure Obligations are synthetic asset-backed obligations that take the form of credit default swap obligations or credit-linked notes that reference either infrastructure finance obligations or a pool of such obligations, with a defined deductible to cover credit risks associated with the referenced obligations.

Other Public Finance primarily includes government insured student loans, government-sponsored project finance and structured municipal transactions, which include excess of loss reinsurance on portfolios of municipal credits.

Structured Finance:

Pooled Corporate Obligations are securities primarily backed by various types of corporate debt obligations, such as secured or unsecured bonds, bank loans or loan participations and trust preferred securities (TruPS). These securities are often issued in "tranches," with subordinated tranches providing credit support to the more senior tranches. The Company's financial guaranty exposures generally are to the more senior tranches of these issues.

Residential Mortgage-Backed Securities (RMBS) are obligations backed by closed-end and open-end first and second lien mortgage loans on one-to-four family residential properties, including condominiums and cooperative apartments. First lien mortgage loan products in these transactions include fixed rate, adjustable rate (ARM) and option adjustable-rate (Option ARM) mortgages. The credit quality of borrowers covers a broad range, including "prime", "subprime" and "Alt-A". A prime borrower is generally defined as one with strong risk characteristics as measured by factors such as payment history, credit score, and debt-to-income ratio. A subprime borrower is a borrower with higher risk characteristics, usually as determined by credit score and/or credit history. An Alt-A borrower is generally defined as a prime quality borrower that lacks certain ancillary characteristics, such as fully documented income.

Additional insured obligations within RMBS include Home Equity Lines of Credit (HELOCs), which refers to a type of residential mortgage-backed transaction backed by second-lien loan collateral consisting of home equity lines of credit. U.S. Prime First Lien is a type of residential mortgage-backed securities transaction backed primarily by prime first-lien loan collateral plus an insignificant amount of other miscellaneous RMBS transactions.

Consumer Receivables Securities are obligations backed by non-mortgage consumer receivables, such as student loans, automobile loans and leases, manufactured home loans and other consumer receivables.

Insurance Securitization Obligations are obligations secured by the future earnings from pools of various types of insurance/reinsurance policies and income produced by invested assets.

Other Structured Finance Obligations are obligations backed by assets not generally described in any of the other described categories.

Non-GAAP Financial Measures

To reflect the key financial measures that management analyzes in evaluating the Company's operations and progress towards long-term goals, the Company discloses both financial measures determined in accordance with GAAP and financial measures not determined in accordance with GAAP (non-GAAP financial measures).

Financial measures identified as non-GAAP should not be considered substitutes for GAAP financial measures. The primary limitation of non-GAAP financial measures is the potential lack of comparability to financial measures of other companies, whose definitions of non-GAAP financial measures may differ from those of Assured Guaranty.

By disclosing non-GAAP financial measures, the Company gives investors, analysts and financial news reporters access to information that management and the Board of Directors review internally. Assured Guaranty believes its presentation of non-GAAP financial measures, along with the effect of FG VIE consolidation, provides information that is necessary for analysts to calculate their estimates of Assured Guaranty's financial results in their research reports on Assured Guaranty and for investors, analysts and the financial news media to evaluate Assured Guaranty's financial results.

GAAP requires the Company to consolidate certain VIEs that have issued debt obligations insured by the Company. However, the Company does not own such VIEs and its exposure is limited to its obligation under its financial guaranty insurance contract. Management and the Board of Directors use non-GAAP financial measures adjusted to remove FG VIE consolidation (which the Company refers to as its core financial measures), as well as GAAP financial measures and other factors, to evaluate the Company's results of operations, financial condition and progress towards long-term goals. The Company uses these core financial measures in its decision making process and in its calculation of certain components of management compensation. Wherever possible, the Company has separately disclosed the effect of FG VIE consolidation.

Many investors, analysts and financial news reporters use non-GAAP operating shareholders' equity, adjusted to remove the effect of FG VIE consolidation, as the principal financial measure for valuing AGL's current share price or projected share price and also as the basis of their decision to recommend, buy or sell AGL's common shares. Many of the Company's fixed income investors also use this measure to evaluate the Company's capital adequacy.

Many investors, analysts and financial news reporters also use non-GAAP adjusted book value, adjusted to remove the effect of FG VIE consolidation, to evaluate AGL's share price and as the basis of their decision to recommend, buy or sell the AGL common shares. Non-GAAP operating income adjusted for the effect of FG VIE consolidation enables investors and analysts to evaluate the Company's financial results in comparison with the consensus analyst estimates distributed publicly by financial databases.

The core financial measures that the Company uses to help determine compensation are: (1) non-GAAP operating income, adjusted to remove the effect of FG VIE consolidation, (2) non-GAAP operating shareholders' equity, adjusted to remove the effect of FG VIE consolidation, (3) growth in non-GAAP adjusted book value per share, adjusted to remove the effect of FG VIE consolidation, and (4) PVP.

The following paragraphs define each non-GAAP financial measure disclosed by the Company and describe why it is useful. To the extent there is a directly comparable GAAP financial measure, a reconciliation of the non-GAAP financial measure and the most directly comparable GAAP financial measure is presented within this financial supplement.

Non-GAAP Operating Income: Management believes that non-GAAP operating income is a useful measure because it clarifies the understanding of the underwriting results and financial condition of the Company and presents the results of operations of the Company excluding the fair value adjustments on credit derivatives and CCS that are not expected to result in economic gain or loss, as well as other adjustments described below. Management adjusts non-GAAP operating income further by removing FG VIE consolidation to arrive at its core operating income measure. Non-GAAP operating income is defined as net income (loss) attributable to AGL, as reported under GAAP, adjusted for the following:

- 1) Elimination of realized gains (losses) on the Company's investments, except for gains and losses on securities classified as trading. The timing of realized gains and losses, which depends largely on market credit cycles, can vary considerably across periods. The timing of sales is largely subject to the Company's discretion and influenced by market opportunities, as well as the Company's tax and capital profile.
- 2) Elimination of non-credit-impairment unrealized fair value gains (losses) on credit derivatives that are recognized in net income, which is the amount of unrealized fair value gains (losses) in excess of the present value of the expected estimated economic credit losses, and non-economic payments. Such fair value adjustments are heavily affected by, and in part fluctuate with, changes in market interest rates, the Company's credit spreads, and other market factors and are not expected to result in an economic gain or loss.
- 3) Elimination of fair value gains (losses) on the Company's CCS that are recognized in net income. Such amounts are affected by changes in market interest rates, the Company's credit spreads, price indications on the Company's publicly traded debt, and other market factors and are not expected to result in an economic gain or loss.

Non-GAAP Financial Measures (continued)

4) Elimination of foreign exchange gains (losses) on remeasurement of net premium receivables and loss and LAE reserves that are recognized in net income. Long-dated receivables and loss and LAE reserves represent the present value of future contractual or expected cash flows. Therefore, the current period's foreign exchange remeasurement gains (losses) are not necessarily indicative of the total foreign exchange gains (losses) that the Company will ultimately recognize.

5) Elimination of the tax effects related to the above adjustments, which are determined by applying the statutory tax rate in each of the jurisdictions that generate these adjustments.

Non-GAAP Operating Shareholders' Equity and Non-GAAP Adjusted Book Value: Management believes that non-GAAP operating shareholders' equity is a useful measure because it presents the equity of the Company excluding the fair value adjustments on investments, credit derivatives and CCS, that are not expected to result in economic gain or loss, along with other adjustments described below. Management adjusts non-GAAP operating shareholders' equity further by removing FG VIE consolidation to arrive at its core operating shareholders' equity and core adjusted book value.

Non-GAAP operating shareholders' equity is the basis of the calculation of non-GAAP adjusted book value (see below). Non-GAAP operating shareholders' equity is defined as shareholders' equity attributable to AGL, as reported under GAAP, adjusted for the following:

1) Elimination of non-credit-impairment unrealized fair value gains (losses) on credit derivatives, which is the amount of unrealized fair value gains (losses) in excess of the present value of the expected estimated economic credit losses, and non-economic payments. Such fair value adjustments are heavily affected by, and in part fluctuate with, changes in market interest rates, credit spreads and other market factors and are not expected to result in an economic gain or loss.

2) Elimination of fair value gains (losses) on the Company's CCS. Such amounts are affected by changes in market interest rates, the Company's credit spreads, price indications on the Company's publicly traded debt, and other market factors and are not expected to result in an economic gain or loss.

3) Elimination of unrealized gains (losses) on the Company's investments that are recorded as a component of accumulated other comprehensive income (AOCI) (excluding foreign exchange remeasurement). The AOCI component of the fair value adjustment on the investment portfolio is not deemed economic because the Company generally holds these investments to maturity and therefore should not recognize an economic gain or loss.

4) Elimination of the tax effects related to the above adjustments, which are determined by applying the statutory tax rate in each of the jurisdictions that generate these adjustments.

Management uses non-GAAP adjusted book value, adjusted for FG VIE consolidation, to measure the intrinsic value of the Company, excluding franchise value. Growth in non-GAAP adjusted book value per share adjusted for FG VIE consolidation (core adjusted book value), is one of the key financial measures used in determining the amount of certain long-term compensation elements to management and employees and used by rating agencies and investors. Management believes that non-GAAP adjusted book value is a useful measure because it enables an evaluation of the Company's in-force premiums and revenues net of expected losses. Non-GAAP adjusted book value is non-GAAP operating shareholders' equity, as defined above, further adjusted for the following:

1) Elimination of deferred acquisition costs, net. These amounts represent net deferred expenses that have already been paid or accrued and will be expensed in future accounting periods.

2) Addition of the net present value of estimated net future revenue. See below.

3) Addition of the deferred premium revenue on financial guaranty contracts in excess of expected loss to be expensed, net of reinsurance. This amount represents the expected future net earned premiums, net of expected losses to be expensed, which are not reflected in GAAP equity.

4) Elimination of the tax effects related to the above adjustments, which are determined by applying the statutory tax rate in each of the jurisdictions that generate these adjustments.

The unearned premiums and revenues included in non-GAAP adjusted book value will be earned in future periods, but actual earnings may differ materially from the estimated amounts used in determining current non-GAAP adjusted book value due to changes in foreign exchange rates, prepayment speeds, terminations, credit defaults and other factors.

Non-GAAP Operating Return on Equity (Non-GAAP Operating ROE): Non-GAAP operating ROE represents non-GAAP operating income for a specified period divided by the average of non-GAAP operating shareholders' equity at the beginning and the end of that period. Management believes that non-GAAP operating ROE is a useful measure to evaluate the Company's return on invested capital. Many investors, analysts and members of the financial news media use non-GAAP operating ROE, adjusted for FG VIE consolidation, to evaluate AGL's share price and as

Non-GAAP Financial Measures (continued)

the basis of their decision to recommend, buy or sell the AGL common shares. Quarterly and year-to-date non-GAAP operating ROE are calculated on an annualized basis. Non-GAAP operating ROE, adjusted for FG VIE consolidation, is one of the key management financial measures used in determining the amount of certain long-term compensation to management and employees and used by rating agencies and investors.

Net Present Value of Estimated Net Future Revenue: Management believes that this amount is a useful measure because it enables an evaluation of the value of future estimated revenue for contracts other than financial guaranty insurance contracts (such as non-financial guaranty insurance contracts and credit derivatives). There is no corresponding GAAP financial measure. This amount represents the present value of estimated future revenue from these contracts, net of reinsurance, ceding commissions and premium taxes, for contracts without expected economic losses, and is discounted at 6%. Estimated net future revenue may change from period to period due to changes in foreign exchange rates, prepayment speeds, terminations, credit defaults or other factors that affect par outstanding or the ultimate maturity of an obligation.

PVP or Present Value of New Business Production: Management believes that PVP is a useful measure because it enables the evaluation of the value of new business production for the Company by taking into account the value of estimated future installment premiums on all new contracts underwritten in a reporting period as well as premium supplements and additional installment premium on existing contracts as to which the issuer has the right to call the insured obligation but has not exercised such right, whether in insurance or credit derivative contract form, which management believes GAAP gross written premiums and the net credit derivative premiums received and receivable portion of net realized gains and other settlements on credit derivatives (Credit Derivative Realized Gains (Losses)) do not adequately measure. PVP in respect of contracts written in a specified period is defined as gross upfront and installment premiums received and the present value of gross estimated future installment premiums, discounted, in each case, at 6%. Under GAAP, financial guaranty installment premiums are discounted at a risk free rate. Additionally, under GAAP, management records future installment premiums on financial guaranty insurance contracts covering non-homogeneous pools of assets based on the contractual term of the transaction, whereas for PVP purposes, management records an estimate of the future installment premiums the Company expects to receive, which may be based upon a shorter period of time than the contractual term of the transaction. Actual future earned or written premiums and Credit Derivative Realized Gains (Losses) may differ from PVP due to factors including, but not limited to, changes in foreign exchange rates, prepayment speeds, terminations, credit defaults, or other factors that affect par outstanding or the ultimate maturity of an obligation.



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