

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 twilight sky.

Financial Supplement

Assured Guaranty Ltd.
September 30, 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 or the Company) with the Securities and Exchange Commission (SEC), including its Annual Report on Form 10-K for the year ended December 31, 2017 and its Quarterly Report on Form 10-Q for the quarterly periods ended March 31, 2018, June 30, 2018 and September 30, 2018.

Some amounts in this financial supplement may not add due to rounding.

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) deterioration in the financial condition of Assured Guaranty's reinsurers, the amount and timing of reinsurance recoverables actually received and the risk that reinsurers may dispute amounts owed to Assured Guaranty under its reinsurance agreements; (16) difficulties with the execution of Assured Guaranty's business strategy; (17) loss of key personnel; (18) the effects of mergers, acquisitions and divestitures; (19) natural or man-made catastrophes; (20) other risk factors identified in AGL's filings with the SEC; (21) other risks and uncertainties that have not been identified at this time and; (22) 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 Ltd.
Selected Financial Highlights (1 of 2)
(dollars in millions, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Net income (loss)	\$ 161	\$ 208	\$ 433	\$ 678
Non-GAAP operating income ⁽¹⁾	161	156	390	570
Gain (loss) related to the effect of consolidating financial guaranty variable interest entities (FG VIE consolidation) (net of tax provision (benefit) of \$0, \$(1), \$0 and \$5) included in non-GAAP operating income	(2)	(1)	(1)	9
Net income (loss) per diluted share	\$ 1.47	\$ 1.72	\$ 3.83	\$ 5.48
Non-GAAP operating income per diluted share ⁽¹⁾	1.47	1.29	3.45	4.62
Gain (loss) related to FG VIE consolidation included in non-GAAP operating income per diluted share	(0.02)	(0.01)	(0.01)	0.08
Weighted average shares outstanding				
Basic shares outstanding	108.0	118.7	111.6	121.8
Diluted shares outstanding ⁽²⁾	109.3	120.7	112.9	123.5
Effective tax rate on net income	8.3 %	33.6 %	9.7 %	18.8%
Effective tax rate on non-GAAP operating income ⁽³⁾	7.4 %	34.2 %	8.1 %	15.7 %
Effect of FG VIE consolidation included in effective tax rate on non-GAAP operating income	(0.2)%	0.0 %	(0.1)%	0.5 %
Return on equity (ROE) calculations⁽⁴⁾:				
GAAP ROE	9.7 %	12.2 %	8.6 %	13.5%
Non-GAAP operating ROE ⁽¹⁾	10.0 %	9.5 %	8.0 %	11.7 %
Effect of FG VIE consolidation on non-GAAP operating ROE	(0.2)%	(0.1)%	(0.1)%	0.2 %
New business:				
Gross written premiums (GWP)	\$ 50	\$ 45	\$ 516	\$ 235
Present value of new business production (PVP) ⁽¹⁾	52	43	567	212
Gross par written	3,001	3,417	19,774	13,248
			As of	
			September 30, 2018	December 31, 2017
Shareholders' equity			\$ 6,583	\$ 6,839
Non-GAAP operating shareholders' equity ⁽¹⁾			6,420	6,521
Non-GAAP adjusted book value ⁽¹⁾			9,012	9,020
Gain (loss) related to FG VIE consolidation included in non-GAAP operating shareholders' equity			3	5
Gain (loss) related to FG VIE consolidation included in non-GAAP adjusted book value			(14)	(14)
Shares outstanding at the end of period			106.6	116.0
Shareholders' equity per share			\$ 61.73	\$ 58.95
Non-GAAP operating shareholders' equity per share ⁽¹⁾			60.20	56.20
Non-GAAP adjusted book value per share ⁽¹⁾			84.51	77.74
Gain (loss) related to FG VIE consolidation included in non-GAAP operating shareholders' equity			0.03	0.03
Gain (loss) related to FG VIE consolidation included in non-GAAP adjusted book value			(0.14)	(0.12)
Net debt service outstanding			\$ 378,693	\$ 401,118
Net par outstanding			246,940	264,952
Claims-paying resources ⁽⁵⁾			11,789	12,021

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

2) Non-GAAP diluted shares outstanding were the same as diluted shares calculated in accordance with accounting principles generally accepted in the United States of America (GAAP) since both net income and non-GAAP operating income were positive for all periods.

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

4) Quarterly ROE calculations represent annualized returns. See page 7 for additional information on calculation.

5) See page 9 for additional detail on claims-paying resources.

Assured Guaranty Ltd.
Selected Financial Highlights (2 of 2)
(dollars in millions, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Effect of refundings and terminations on GAAP measures:				
Net earned premiums, pre-tax	\$ 40	\$ 87	\$ 131	\$ 204
Net change in fair value of credit derivatives, pre-tax	—	8	6	24
Net income effect	31	68	108	161
Net income per diluted share	0.29	0.56	0.95	1.30
Effect of refundings and terminations on non-GAAP measures:				
Operating net earned premiums and credit derivative revenues ⁽¹⁾ , pre-tax	40	87	135	213
Non-GAAP operating income ⁽¹⁾ effect	31	61	105	149
Non-GAAP operating income per diluted share ⁽¹⁾	0.29	0.51	0.93	1.21

- 1) Condensed 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 Ltd.
Condensed Consolidated Balance Sheets (unaudited)
(dollars in millions)

	As of	
	September 30, 2018	December 31, 2017
Assets:		
Investment portfolio:		
Fixed maturity securities, available-for-sale, at fair value	\$ 10,192	\$ 10,674
Short-term investments, at fair value	738	627
Other invested assets	95	94
Total investment portfolio	11,025	11,395
Cash	82	144
Premiums receivable, net of commissions payable	916	915
Ceded unearned premium reserve	61	119
Deferred acquisition costs	103	101
Salvage and subrogation recoverable	471	572
Financial guaranty variable interest entities' (FG VIEs') assets, at fair value	596	700
Other assets	485	487
Total assets	\$ 13,739	\$ 14,433
Liabilities and shareholders' equity:		
Liabilities:		
Unearned premium reserve	\$ 3,538	\$ 3,475
Loss and loss adjustment expense (LAE) reserve	1,147	1,444
Long-term debt	1,249	1,292
Credit derivative liabilities	239	271
FG VIEs' liabilities with recourse, at fair value	545	627
FG VIEs' liabilities without recourse, at fair value	104	130
Other liabilities	334	355
Total liabilities	7,156	7,594
Shareholders' equity:		
Common stock	1	1
Additional paid-in capital	200	573
Retained earnings	6,303	5,892
Accumulated other comprehensive income	78	372
Deferred equity compensation	1	1
Total shareholders' equity	6,583	6,839
Total liabilities and shareholders' equity	\$ 13,739	\$ 14,433

Assured Guaranty Ltd.
Condensed Consolidated Statements of Operations (unaudited)
(dollars in millions, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Revenues:				
Net earned premiums	\$ 142	\$ 186	\$ 423	\$ 512
Net investment income	98	99	298	322
Net realized investment gains (losses)	(7)	7	(14)	54
Net change in fair value of credit derivatives:				
Realized gains (losses) and other settlements	1	(1)	4	19
Net unrealized gains (losses)	20	59	99	87
Net change in fair value of credit derivatives	21	58	103	106
Fair value gains (losses) on FG VIEs	5	3	11	25
Bargain purchase gain and settlement of pre-existing relationships	—	—	—	58
Commutation gains (losses)	1	255	(16)	328
Other income (loss)	14	15	(17)	53
Total revenues	274	623	788	1,458
Expenses:				
Loss and LAE	17	223	43	354
Amortization of deferred acquisition costs	3	5	12	13
Interest expense	23	24	71	73
Other operating expenses	56	58	183	183
Total expenses	99	310	309	623
Income (loss) before income taxes	175	313	479	835
Provision (benefit) for income taxes	14	105	46	157
Net income (loss)	\$ 161	\$ 208	\$ 433	\$ 678
Earnings per share:				
Basic	\$ 1.48	\$ 1.75	\$ 3.87	\$ 5.56
Diluted	\$ 1.47	\$ 1.72	\$ 3.83	\$ 5.48

Assured Guaranty Ltd.

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 September 30, 2018 and September 30, 2017

	Three Months Ended September 30, 2018		Three Months Ended September 30, 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	\$ —	\$ (3)	\$ —	\$ (4)
Net investment income	—	(1)	—	(2)
Net realized investment gains (losses)	(7)	—	7	—
Net change in fair value of credit derivatives	16	—	54	—
Fair value gains (losses) on FG VIEs	—	5	—	3
Other income (loss)	(9)	0	14	0
Total revenue adjustments	0	1	75	(3)
Adjustments to expenses:				
Loss expense	(1)	3	(1)	(1)
Total expense adjustments	(1)	3	(1)	(1)
Pre-tax adjustments	1	(2)	76	(2)
Tax effect of adjustments	1	0	24	(1)
After-tax adjustments	\$ 0	\$ (2)	\$ 52	\$ (1)

Non-GAAP Operating Income Adjustments and Effect of FG VIE Consolidation for the Nine Months Ended September 30, 2018 and September 30, 2017

	Nine Months Ended September 30, 2018		Nine Months Ended September 30, 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	\$ —	\$ (9)	\$ —	\$ (12)
Net investment income	—	(3)	—	(4)
Net realized investment gains (losses)	(14)	—	54	—
Net change in fair value of credit derivatives	88	—	85	—
Fair value gains (losses) on FG VIEs	—	11	—	25
Other income (loss)	(23)	0	45	0
Total revenue adjustments	51	(1)	184	9
Adjustments to expenses:				
Loss expense	(3)	0	25	(5)
Total expense adjustments	(3)	0	25	(5)
Pre-tax adjustments	54	(1)	159	14
Tax effect of adjustments	11	0	51	5
After-tax adjustments	\$ 43	\$ (1)	\$ 108	\$ 9

- 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.

Assured Guaranty Ltd.
Selected Financial Highlights
GAAP to Non-GAAP Reconciliations (1 of 3)
(dollars in millions, except per share amounts)

Non-GAAP Operating Income Reconciliation

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Net income (loss)	\$ 161	\$ 208	\$ 433	\$ 678
Less pre-tax adjustments:				
Realized gains (losses) on investments	(7)	7	(14)	54
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	17	55	91	60
Fair value gains (losses) on committed capital securities (CCS) ⁽¹⁾	(1)	(4)	(3)	(4)
Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves ⁽¹⁾	(8)	18	(20)	49
Total pre-tax adjustments	1	76	54	159
Less tax effect on pre-tax adjustments	(1)	(24)	(11)	(51)
Non-GAAP operating income	<u>\$ 161</u>	<u>\$ 156</u>	<u>\$ 390</u>	<u>\$ 570</u>
 Gain (loss) related to FG VIE consolidation (net of tax provision (benefit) of \$0, \$(1), \$0 and \$5) included in non-GAAP operating income	 \$ (2)	 \$ (1)	 \$ (1)	 \$ 9
 Per diluted share:				
Net income (loss)	\$ 1.47	\$ 1.72	\$ 3.83	\$ 5.48
Less pre-tax adjustments:				
Realized gains (losses) on investments	(0.07)	0.06	(0.13)	0.43
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	0.16	0.46	0.81	0.49
Fair value gains (losses) on CCS ⁽¹⁾	(0.01)	(0.03)	(0.02)	(0.03)
Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves ⁽¹⁾	(0.07)	0.14	(0.18)	0.39
Total pre-tax adjustments	0.01	0.63	0.48	1.28
Less tax effect on pre-tax adjustments	(0.01)	(0.20)	(0.10)	(0.42)
Non-GAAP operating income	<u>\$ 1.47</u>	<u>\$ 1.29</u>	<u>\$ 3.45</u>	<u>\$ 4.62</u>
 Gain (loss) related to FG VIE consolidation included in non-GAAP operating income per diluted share	 \$ (0.02)	 \$ (0.01)	 \$ (0.01)	 \$ 0.08

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

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

ROE Reconciliation and Calculation

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

Assured Guaranty Ltd.
Selected Financial Highlights
GAAP to Non-GAAP Reconciliations (3 of 3)
(dollars in millions)

	As of					
	September 30, 2018	June 30, 2018	December 31, 2017	September 30, 2017	June 30, 2017	December 31, 2016
Reconciliation of shareholders' equity to non-GAAP adjusted book value:						
Shareholders' equity	\$ 6,583	\$ 6,634	\$ 6,839	\$ 6,878	\$ 6,750	\$ 6,504
Less pre-tax reconciling items:						
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(55)	(72)	(146)	(129)	(185)	(189)
Fair value gains (losses) on CCS	57	58	60	58	62	62
Unrealized gain (loss) on investment portfolio excluding foreign exchange effect	215	290	487	506	504	316
Less taxes	(54)	(65)	(83)	(147)	(133)	(71)
Non-GAAP operating shareholders' equity	6,420	6,423	6,521	6,590	6,502	6,386
Pre-tax reconciling items:						
Less: Deferred acquisition costs	103	102	101	106	106	106
Plus: Net present value of estimated net future revenue	211	217	146	144	148	136
Plus: Net unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed	3,012	3,083	2,966	3,091	3,173	2,922
Plus taxes	(528)	(542)	(512)	(899)	(924)	(832)
Non-GAAP adjusted book value	<u>\$ 9,012</u>	<u>\$ 9,079</u>	<u>\$ 9,020</u>	<u>\$ 8,820</u>	<u>\$ 8,793</u>	<u>\$ 8,506</u>
Gain (loss) related to FG VIE consolidation included in non-GAAP operating shareholders' equity (net of tax (provision) benefit of \$(1), \$(2), \$(2), \$(1), \$(1) and \$4)	\$ 3	\$ 7	\$ 5	\$ 3	\$ 3	\$ (7)
Gain (loss) related to FG VIE consolidation included in non-GAAP adjusted book value (net of tax benefit of \$4, \$3, \$3, \$7, \$8 and \$12)	\$ (14)	\$ (12)	\$ (14)	\$ (13)	\$ (13)	\$ (24)

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

Assured Guaranty Ltd.

Claims-Paying Resources

(dollars in millions)

As of September 30, 2018

	Assured Guaranty Municipal Corp.	Assured Guaranty Corp.	Municipal Assurance Corp.	Assured Guaranty Re Ltd. ⁽⁸⁾	Eliminations ⁽³⁾	Consolidated
Claims-paying resources						
Policyholders' surplus	\$ 2,203	\$ 1,806	\$ 269	\$ 967	\$ (319)	\$ 4,926
Contingency reserve ⁽¹⁾	1,187	655	240	—	(240)	1,842
Qualified statutory capital	3,390	2,461	509	967	(559)	6,768
Unearned premium reserve and net deferred ceding commission income ⁽¹⁾	1,863	504	207	698	(316)	2,956
Loss and LAE reserves ⁽¹⁾	544	224	0	262	0	1,030
Total policyholders' surplus and reserves	5,797	3,189	716	1,927	(875)	10,754
Present value of installment premium	173	143	(1)	139	1	455
CCS	200	200	—	—	—	400
Excess of loss reinsurance facility ⁽²⁾	180	180	180	—	(360)	180
Total claims-paying resources (including proportionate MAC ownership for AGM and AGC)	6,350	3,712	895	2,066	(1,234)	11,789
Adjustment for MAC ⁽⁴⁾	434	281	—	—	(715)	—
Total claims-paying resources (excluding proportionate MAC ownership for AGM and AGC)	\$ 5,916	\$ 3,431	\$ 895	\$ 2,066	\$ (519)	\$ 11,789
Statutory net par outstanding ⁽⁵⁾	\$ 114,974	\$ 27,757	\$ 24,881	\$ 65,662	\$ (333)	\$ 232,941
Equity method adjustment ⁽⁴⁾	15,103	9,778	—	—	(24,881)	—
Adjusted statutory net par outstanding ⁽¹⁾	<u>\$ 130,077</u>	<u>\$ 37,535</u>	<u>\$ 24,881</u>	<u>\$ 65,662</u>	<u>\$ (25,214)</u>	<u>\$ 232,941</u>
Net debt service outstanding ⁽⁵⁾	\$ 182,480	\$ 42,079	\$ 36,708	\$ 102,683	\$ (460)	\$ 363,490
Equity method adjustment ⁽⁴⁾	22,282	14,426	—	—	(36,708)	—
Adjusted net debt service outstanding ⁽¹⁾	<u>\$ 204,762</u>	<u>\$ 56,505</u>	<u>\$ 36,708</u>	<u>\$ 102,683</u>	<u>\$ (37,168)</u>	<u>\$ 363,490</u>
Ratios:						
Adjusted net par outstanding to qualified statutory capital	38:1	15:1	49:1	68:1		34:1
Capital ratio ⁽⁶⁾	60:1	23:1	72:1	106:1		54:1
Financial resources ratio ⁽⁷⁾	32:1	15:1	41:1	50:1		31:1

1) The numbers shown for Assured Guaranty Municipal Corp. (AGM) and Assured Guaranty Corp. (AGC) have been adjusted to include their indirect share of Municipal Assurance Corp. (MAC). AGM and AGC own 60.7% and 39.3%, respectively, of the outstanding stock of Municipal Assurance Holdings Inc., which owns 100% of the outstanding common stock of MAC. AGM has been adjusted to include 100% share of its European insurance subsidiaries. Amounts include financial guaranty insurance and credit derivatives. 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) Eliminations are primarily for (i) intercompany surplus notes between AGM and AGC, and (ii) MAC amounts, whose proportionate share are included in AGM and AGC based on ownership percentages, and (iii) eliminations related to the sale of European subsidiaries (Assured Guaranty (UK) plc, Assured Guaranty (London) plc and CIFG Europe S.A.) from AGC to AGM. Net par and net debt service outstanding eliminations relate to second-to-pay policies under which an Assured Guaranty insurance subsidiary guarantees an obligation already insured by another Assured Guaranty insurance subsidiary, and net par related to intercompany cessions from AGM and AGC to MAC.

4) Represents adjustments for AGM's and AGC's interest and indirect ownership of MAC.

5) Net par outstanding and net debt service outstanding are presented on a statutory basis.

6) The capital ratio is calculated by dividing adjusted net debt service outstanding by qualified statutory capital.

7) The financial resources ratio is calculated by dividing adjusted net debt service outstanding by total claims-paying resources (including MAC adjustment for AGM and AGC).

8) Assured Guaranty Re Ltd. (AG Re) numbers represent the Company's estimate of United States (U.S.) statutory accounting practices prescribed or permitted by insurance regulatory authorities, except for contingency reserves.

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

Assured Guaranty Ltd.

New Business Production

(dollars in millions)

Reconciliation of GWP to PVP for the Three Months Ended September 30, 2018 and September 30, 2017

	Three Months Ended September 30, 2018					Three Months Ended September 30, 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	\$ 24	\$ 17	\$ 9	\$ 0	\$ 50	\$ 37	\$ 8	\$ 1	\$ (1)	\$ 45
Less: Installment GWP and other GAAP adjustments ⁽¹⁾	(9)	17	4	0	12	2	8	1	(1)	10
Upfront GWP	33	—	5	—	38	35	—	—	—	35
Plus: Installment premium PVP	0	12	2	0	14	4	4	0	—	8
Total PVP	<u>\$ 33</u>	<u>\$ 12</u>	<u>\$ 7</u>	<u>\$ 0</u>	<u>\$ 52</u>	<u>\$ 39</u>	<u>\$ 4</u>	<u>\$ 0</u>	<u>\$ —</u>	<u>\$ 43</u>
Gross par written	\$ 2,338	\$ 189	\$ 473	\$ 1	\$ 3,001	\$ 3,328	\$ 89	\$ —	\$ —	\$ 3,417

Reconciliation of GWP to PVP for the Nine Months Ended September 30, 2018 and September 30, 2017

	Nine Months Ended September 30, 2018					Nine Months Ended September 30, 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	\$ 227	\$ 111	\$ 168	\$ 10	\$ 516	\$ 132	\$ 92	\$ 3	\$ 8	\$ 235
Less: Installment GWP and other GAAP adjustments ⁽¹⁾	9	72	10	1	92	(1)	90	3	(2)	90
Upfront GWP	218	39	158	9	424	133	2	—	10	145
Plus: Installment premium PVP ⁽²⁾	84	52	7	0	143	4	56	5	2	67
Total PVP	<u>\$ 302</u>	<u>\$ 91</u>	<u>\$ 165</u>	<u>\$ 9</u>	<u>\$ 567</u>	<u>\$ 137</u>	<u>\$ 58</u>	<u>\$ 5</u>	<u>\$ 12</u>	<u>\$ 212</u>
Gross par written	\$15,017	\$ 3,721	\$ 877	\$ 159	\$19,774	\$11,590	\$ 1,260	\$ 243	\$ 155	\$13,248

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 Ltd.

Gross Par Written
(dollars in millions)

Gross Par Written by Asset Type

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2018	
	Gross Par Written	Avg. Internal Rating	Gross Par Written	Avg. Internal Rating
Sector:				
U.S. public finance				
General obligation	\$ 1,077	A-	\$ 4,570	A-
Tax backed	334	A	2,732	A-
Municipal utilities	514	BBB+	2,389	A
Infrastructure finance	0	BBB-	1,116	A+
Investor owned utilities	—	--	862	A-
Transportation	16	A-	804	A
Higher education	52	BBB+	705	A
Healthcare	316	BBB	495	BBB-
Housing	19	BBB-	204	BBB
Other	10	A	1,140	A
Total U.S. public finance	2,338	BBB+	15,017	A-
Non-U.S. public finance:				
Regulated utilities	—	--	2,590	BBB+
Infrastructure finance	189	BBB	998	BBB-
Other	—	--	133	A+
Total non-U.S. public finance	189	BBB	3,721	BBB
Total public finance	\$ 2,527	BBB+	\$ 18,738	A-
U.S. structured finance:				
Residential mortgage-backed securities (RMBS)	\$ —	--	\$ 327	B-
Pooled corporate obligations	249	A-	271	A
Commercial receivables	139	BBB	139	BBB
Commercial mortgage-backed securities (CMBS)	85	BBB	85	BBB
Structured credit	—	--	41	BBB
Other	—	--	14	A-
Total U.S. structured finance	473	BBB +	877	BB+
Non-U.S. structured finance				
Commercial receivable	—	--	139	BBB+
RMBS	—	--	19	BBB
Pooled corporate obligations	1	A-	1	A-
Total Non-U.S. structured finance	1	A-	159	BBB+
Total structured finance	\$ 474	BBB +	\$ 1,036	BBB-
Total gross par written	\$ 3,001	BBB+	\$ 19,774	A-

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

Assured Guaranty Ltd.
New Business Production by Quarter
(dollars in millions)

	1Q-17	2Q-17	3Q-17	4Q-17	1Q-18	2Q-18	3Q-18	Nine Months	
								2017	2018
PVP:									
Public finance - U.S.	\$ 52	\$ 46	\$ 39	\$ 59	\$ 35	\$ 234	\$ 33	\$ 137	\$ 302
Public finance - non-U.S.	40	14	4	8	26	53	12	58	91
Structured finance - U.S.	5	0	0	7	0	158	7	5	165
Structured finance - non-U.S.	2	10	—	3	—	9	0	12	9
Total PVP	<u>\$ 99</u>	<u>\$ 70</u>	<u>\$ 43</u>	<u>\$ 77</u>	<u>\$ 61</u>	<u>\$ 454</u>	<u>\$ 52</u>	<u>\$ 212</u>	<u>\$ 567</u>
Reconciliation of GWP to PVP:									
Total GWP	\$ 111	\$ 79	\$ 45	\$ 72	\$ 73	\$ 393	\$ 50	\$ 235	\$ 516
Less: Installment GWP and other GAAP adjustments	55	25	10	9	22	58	12	90	92
Upfront GWP	56	54	35	63	51	335	38	145	424
Plus: Installment premium PVP	43	16	8	14	10	119	14	67	143
Total PVP	<u>\$ 99</u>	<u>\$ 70</u>	<u>\$ 43</u>	<u>\$ 77</u>	<u>\$ 61</u>	<u>\$ 454</u>	<u>\$ 52</u>	<u>\$ 212</u>	<u>\$ 567</u>
Gross par written:									
Public finance - U.S.	\$ 3,430	\$ 4,832	\$ 3,328	\$ 4,367	\$ 2,004	\$ 10,675	\$ 2,338	\$ 11,590	\$ 15,017
Public finance - non-U.S.	990	181	89	116	187	3,345	189	1,260	3,721
Structured finance - U.S.	243	—	—	246	11	393	473	243	877
Structured finance - non-U.S.	28	127	—	47	—	158	1	155	159
Total	<u>\$ 4,691</u>	<u>\$ 5,140</u>	<u>\$ 3,417</u>	<u>\$ 4,776</u>	<u>\$ 2,202</u>	<u>\$ 14,571</u>	<u>\$ 3,001</u>	<u>\$ 13,248</u>	<u>\$ 19,774</u>

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

Assured Guaranty Ltd.
Investment Portfolio and Cash
As of September 30, 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, available-for-sale:					
U.S. obligations of states and political subdivisions ⁽⁴⁾	\$ 4,724	3.55 %	3.30 %	\$ 4,816	\$ 167
Insured obligations of state and political subdivisions ⁽²⁾	161	4.92	4.54	172	8
U.S. Treasury securities and obligations of U.S. government agencies	179	2.75	2.21	181	5
Agency obligations	56	5.34	4.87	61	3
Corporate securities ⁽⁴⁾	2,187	3.16	2.73	2,147	69
Mortgage-backed securities:					
RMBS ⁽³⁾⁽⁴⁾	967	4.64	3.93	948	45
CMBS	537	3.30	2.86	528	18
Asset-backed securities ⁽⁴⁾	893	7.65	6.09	1,055	68
Non-U.S. government securities	302	1.50	1.21	284	5
Total fixed maturity securities	10,006	3.88	3.41	10,192	388
Short-term investments	738	1.96	1.61	738	14
Cash ⁽⁵⁾	82	—	—	82	—
Total	\$ 10,826	3.74%	3.29%	\$ 11,012	\$ 402

Ratings ⁽⁶⁾:	Fair Value	% of Portfolio
U.S. Treasury securities and obligations of U.S. government agencies	\$ 181	1.8 %
Agency obligations	61	0.6
AAA/Aaa	1,588	15.6
AA/Aa	4,702	46.1
A/A	2,029	19.9
BBB	450	4.4
Below investment grade (BIG) ⁽⁷⁾	1,128	11.1
Not rated	53	0.5
Total fixed maturity securities, available-for-sale	<u>\$ 10,192</u>	<u>100.0 %</u>

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

5.0

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, 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), average A. Includes fair value of \$44 million insured by AGC and AGM.
- 3) Includes fair value of \$212 million in subprime RMBS, which has an average rating of BIG.
- 4) Includes securities purchased or obtained as part of loss mitigation or other risk management strategies.
- 5) Cash is not included in the yield calculation.
- 6) Ratings are represented by the lower of the Moody's and S&P classifications except for bonds purchased for loss mitigation (loss mitigation securities) or other risk management strategies which use internal ratings classifications.
- 7) Includes below investment grade securities that were purchased or obtained as part of loss mitigation or other risk management strategies of \$1,593 million in par with carrying value of \$1,104 million.

Assured Guaranty Ltd.

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

	Estimated Net Debt Service Amortization	Estimated Ending Net Debt Service Outstanding	Financial Guaranty Insurance ⁽²⁾			
			Expected PV Net Earned Premiums	Accretion of Discount	Effect of FG VIE Consolidation on Expected PV Net Earned Premiums and Accretion of Discount	Future Credit Derivative Revenues
2018 (as of September 30)		\$ 378,693				
2018 Q4	\$ 8,998	369,695	\$ 91	\$ 5	\$ (3)	\$ 5
2019	29,210	340,485	329	18	(9)	15
2020	22,622	317,863	299	16	(7)	13
2021	23,419	294,444	272	15	(6)	12
2022	20,958	273,486	247	14	(5)	11
2018-2022	105,207	273,486	1,238	68	(30)	56
2023-2027	89,886	183,600	963	52	(16)	47
2028-2032	72,146	111,454	639	30	(12)	38
2033-2037	52,083	59,371	378	15	(11)	30
After 2037	59,371	—	320	14	(1)	33
Total	\$ 378,693		\$ 3,538	\$ 179	\$ (70)	\$ 204

1) Represents the future expected amortization of current debt service outstanding (principal and interest), assuming no advance refundings, as of September 30, 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 16, "Net Expected Loss to be Expensed."

Assured Guaranty Ltd.
Expected Amortization of Net Par Outstanding
(dollars in millions)

Structured Finance

	Estimated Net Par Amortization					Estimated Ending Net Par Outstanding
	U.S. and Non-U.S. Pooled Corporate	U.S. RMBS	Financial Products	Other Structured Finance	Total	
2018 (as of September 30)						\$ 11,787
2018 Q4	\$ 32	\$ 266	\$ (45)	\$ 193	\$ 446	11,341
2019	71	724	6	622	1,423	9,918
2020	186	572	(2)	414	1,170	8,748
2021	148	484	1	500	1,133	7,615
2022	106	470	84	483	1,143	6,472
2018-2022	543	2,516	44	2,212	5,315	6,472
2023-2027	302	1,187	140	1,073	2,702	3,770
2028-2032	227	314	762	458	1,761	2,009
2033-2037	287	412	196	707	1,602	407
After 2037	80	137	57	133	407	—
Total structured finance	\$ 1,439	\$ 4,566	\$ 1,199	\$ 4,583	\$ 11,787	

Public Finance

	Estimated Net Par Amortization	Estimated Ending Net Par Outstanding
2018 (as of September 30)		\$ 235,153
2018 Q4	\$ 5,649	229,504
2019	17,105	212,399
2020	11,547	200,852
2021	12,962	187,890
2022	11,049	176,841
2018-2022	58,312	176,841
2023-2027	50,715	126,126
2028-2032	45,628	80,498
2033-2037	35,869	44,629
After 2037	44,629	—
Total public finance	\$ 235,153	

Net par outstanding (end of period)

	1Q-17	2Q-17	3Q-17	4Q-17	1Q-18	2Q-18	3Q-18
Public finance - U.S.	\$ 238,050	\$ 232,418	\$ 218,216	\$ 209,392	\$ 201,337	\$ 200,378	\$ 190,418
Public finance - non-U.S.	39,343	40,533	42,727	42,922	43,747	45,442	44,735
Structured finance - U.S.	18,446	15,655	13,142	11,224	10,681	10,749	10,611
Structured finance - non-U.S.	2,404	2,014	1,682	1,414	1,324	1,235	1,176
Net par outstanding	\$ 298,243	\$ 290,620	\$ 275,767	\$ 264,952	\$ 257,089	\$ 257,804	\$ 246,940

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

Assured Guaranty Ltd.
Net Expected Loss to be Expensed
As of September 30, 2018
(dollars in millions)

	Net Expected Loss to be Expensed ⁽¹⁾
	<u>GAAP</u>
2018 Q4	\$ 9
2019	37
2020	38
2021	42
2022	42
2018-2022	168
2023-2027	171
2028-2032	112
2033-2037	61
After 2037	13
Total expected present value of net expected loss to be expensed⁽²⁾	<u>525</u>
Future accretion	181
Total expected future loss and LAE	<u><u>\$ 706</u></u>

1) The present value of net expected loss to be paid is discounted using risk free rates ranging from 0.0% to 3.20% for U.S. dollar denominated obligations.

2) Excludes \$45 million related to FG VIEs, which are eliminated in consolidation.

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

Net Par Outstanding and Average Rating by Asset Type

	September 30, 2018		December 31, 2017	
	Net Par Outstanding	Avg. Internal Rating	Net Par Outstanding	Avg. Internal Rating
U.S. public finance:				
General obligation	\$ 80,521	A-	\$ 90,705	A-
Tax backed	41,308	A-	44,350	A-
Municipal utilities	29,901	A-	32,357	A-
Transportation	15,347	A-	17,030	A-
Higher education	6,739	A-	8,195	A
Healthcare	6,668	A-	8,763	A
Infrastructure finance	5,300	A-	4,216	BBB+
Housing revenue	1,367	BBB+	1,319	BBB+
Investor-owned utilities	1,061	A-	523	A-
Other public finance	2,206	A-	1,934	A
Total U.S. public finance	190,418	A-	209,392	A-
Non-U.S. public finance:				
Regulated utilities	18,561	BBB+	16,689	BBB+
Infrastructure finance	18,380	BBB	18,234	BBB
Pooled infrastructure	1,408	AAA	1,561	AAA
Other public finance	6,386	A	6,438	A
Total non-U.S. public finance	44,735	BBB+	42,922	BBB+
Total public finance	\$ 235,153	A-	\$ 252,314	A-
U.S. structured finance:				
RMBS	\$ 4,566	BBB-	\$ 4,818	BBB-
Insurance securitizations	1,435	A+	1,449	A+
Consumer receivables	1,318	A-	1,590	A-
Pooled corporate obligations	1,313	A+	1,347	A
Financial products	1,199	AA-	1,418	AA-
Other structured finance	780	A-	602	A
Total U.S. structured finance	10,611	BBB+	11,224	BBB+
Non-U.S. structured finance:				
RMBS	594	A-	637	A-
Pooled corporate obligations	126	A	157	A+
Other structured finance	456	A+	620	A
Total non-U.S. structured finance	1,176	A	1,414	A
Total structured finance	\$ 11,787	A-	\$ 12,638	A-
Total	\$ 246,940	A-	\$ 264,952	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 Ltd.
Financial Guaranty Profile (2 of 3)
As of September 30, 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	\$ 428	0.2 %	\$ 2,422	5.4 %	\$ 1,691	15.9 %	\$ 278	23.6 %	\$ 4,819	1.9 %
AA	22,715	12.0	200	0.4	3,412	32.2	65	5.5	26,392	10.7
A	108,914	57.2	14,047	31.4	1,532	14.4	213	18.1	124,706	50.5
BBB	52,190	27.4	26,995	60.4	1,027	9.7	518	44.1	80,730	32.7
BIG	6,171	3.2	1,071	2.4	2,949	27.8	102	8.7	10,293	4.2
Net Par Outstanding ⁽¹⁾	\$ 190,418	100.0%	\$ 44,735	100.0%	\$ 10,611	100.0%	\$ 1,176	100.0%	\$ 246,940	100.0%

1) As of September 30, 2018, excludes \$1.9 billion of net par attributable to loss mitigation strategies, including loss mitigation securities held in the investment portfolio, which are primarily BIG.

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 Ltd.
Financial Guaranty Profile (3 of 3)
As of September 30, 2018
(dollars in millions)

Geographic Distribution of Financial Guaranty Portfolio

	Net Par Outstanding	% of Total
U.S.:		
U.S. public finance:		
California	\$ 33,930	13.7%
Pennsylvania	17,317	7.0
Texas	16,960	6.9
Illinois	15,496	6.3
New York	15,135	6.1
New Jersey	11,529	4.7
Florida	9,273	3.8
Michigan	5,325	2.2
Puerto Rico	4,767	1.9
Alabama	4,318	1.7
Other	56,368	22.8
Total U.S. public finance	190,418	77.1
U.S. structured finance	10,611	4.3
Total U.S.	201,029	81.4
Non-U.S.:		
United Kingdom	31,536	12.8
France	3,247	1.3
Canada	2,697	1.1
Australia	2,158	0.9
Italy	1,216	0.5
Other	5,057	2.0
Total non-U.S.	45,911	18.6
Total net par outstanding	\$ 246,940	100.0%

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

Assured Guaranty Ltd.
Non-Financial Guaranty Exposure
As of September 30, 2018
(dollars in millions)

	Gross Exposure		Net Exposure	
	As of September 30, 2018	As of December 31, 2017	As of September 30, 2018	As of December 31, 2017
Capital relief triple-X life reinsurance ⁽¹⁾	\$ 883	\$ 773	\$ 766	\$ 675
Aircraft residual value insurance policies	340	201	218	140

1) The capital relief triple-X life reinsurance net exposure is expected to increase to approximately \$1.0 billion prior to September 30, 2036.

Assured Guaranty Ltd.
Exposure to Puerto Rico (1 of 3)
As of September 30, 2018
(dollars in millions)

Exposure to Puerto Rico

	Par Outstanding		Debt Service Outstanding	
	Gross	Net	Gross	Net
Total	\$ 4,971	\$ 4,767	\$ 8,037	\$ 7,746

Exposure to Puerto Rico by Risk

	Net Par Outstanding					
	AGM	AGC	AG Re	Eliminations (1)	Total Net Par Outstanding (2)	Gross Par Outstanding
Commonwealth Constitutionally Guaranteed						
Commonwealth of Puerto Rico - General Obligation Bonds ⁽³⁾	\$ 647	\$ 302	\$ 393	\$ (1)	\$ 1,341	\$ 1,385
Puerto Rico Public Buildings Authority (PBA)	9	141	0	(9)	141	146
Public Corporations - Certain Revenues Potentially Subject to Clawback						
Puerto Rico Highways and Transportation Authority (PRHTA) (Transportation revenue) ⁽³⁾	233	495	195	(79)	844	874
PRHTA (Highways revenue) ⁽³⁾	351	84	40	—	475	536
Puerto Rico Convention Center District Authority (PRCCDA)	—	152	—	—	152	152
Puerto Rico Infrastructure Financing Authority (PRIFA)	—	15	1	—	16	16
Other Public Corporations						
Puerto Rico Electric Power Authority (PREPA) ⁽³⁾	544	72	232	—	848	866
Puerto Rico Aqueduct and Sewer Authority (PRASA) ⁽⁴⁾	—	284	89	—	373	373
Puerto Rico Municipal Finance Agency (MFA) ⁽⁴⁾	189	40	74	—	303	349
Puerto Rico Sales Tax Financing Corporation (COFINA) ⁽³⁾	264	—	9	—	273	273
University of Puerto Rico (U of PR) ⁽⁴⁾	—	1	—	—	1	1
Total exposure to Puerto Rico	\$ 2,237	\$ 1,586	\$ 1,033	\$ (89)	\$ 4,767	\$ 4,971

- 1) Net par outstanding eliminations relate to second-to-pay policies under which an Assured Guaranty insurance subsidiary guarantees an obligation already insured by another Assured Guaranty insurance subsidiary.
- 2) Includes exposure to capital appreciation bonds with a current aggregate net par outstanding of \$23 million and a fully accreted net par at maturity of \$53 million. Of these amounts, current net par of \$21 million and fully accreted net par at maturity of \$50 million relate to the COFINA and current net par of \$2 million and fully accreted net par at maturity of \$3 million relate to the Commonwealth General Obligation Bonds.
- 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 Ltd.
Exposure to Puerto Rico (2 of 3)
As of September 30, 2018
(dollars in millions)

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

	2018 (4Q)	2019 (1Q)	2019 (2Q)	2019 (3Q)	2019 (4Q)	2020	2021	2022	2023	2024	2025	2026	2027	2028 - 2032	2033 - 2037	2038 - 2042	2043 - 2047	Total
Commonwealth Constitutionally Guaranteed																		
Commonwealth of Puerto Rico - General Obligation Bonds	\$ 0	\$ 0	\$ 0	\$ 87	\$ —	\$ 141	\$ 15	\$ 37	\$ 14	\$ 73	\$ 68	\$ 34	\$ 90	\$ 215	\$ 567	\$ —	\$ —	\$ 1,341
PBA	—	—	—	3	—	5	13	0	6	0	7	11	40	16	40	—	—	141
Public Corporations - Certain Revenues Potentially Subject to Clawback																		
PRHTA (Transportation revenue)	—	—	—	32	—	25	18	28	34	4	29	24	29	157	279	185	—	844
PRHTA (Highway revenue)	—	—	—	21	—	22	35	6	32	33	34	1	—	112	179	—	—	475
PRCCDA	—	—	—	—	—	—	—	—	—	—	—	—	19	24	109	—	—	152
PRIFA	—	—	—	—	—	—	—	—	2	—	—	—	—	—	—	14	—	16
Other Public Corporations																		
PREPA	—	—	—	26	—	48	28	28	95	93	68	106	105	238	13	—	—	848
PRASA	—	—	—	—	—	—	—	—	—	2	25	26	28	29	—	2	261	373
MFA	—	—	—	55	—	45	40	40	22	17	17	34	12	21	—	—	—	303
COFINA	0	0	0	0	0	(1)	(2)	(2)	1	0	(2)	(2)	(2)	(1)	30	252	2	273
U of PR	—	—	—	0	—	0	0	0	0	0	0	0	0	1	0	—	—	1
Total	\$ 0	\$ 0	\$ 0	\$ 224	\$ 0	\$ 285	\$ 147	\$ 137	\$ 206	\$ 222	\$ 246	\$ 234	\$ 321	\$ 812	\$ 1,217	\$ 453	\$ 263	\$ 4,767

- 1) Includes exposure to capital appreciation bonds with a current aggregate net par outstanding of \$23 million and a fully accreted net par at maturity of \$53 million. Of these amounts, current net par of \$21 million and fully accreted net par at maturity of \$50 million relate to the COFINA and current net par of \$2 million and fully accreted net par at maturity of \$3 million relate to the Commonwealth General Obligation Bonds.

Assured Guaranty Ltd.
Exposure to Puerto Rico (3 of 3)
As of September 30, 2018
(dollars in millions)

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

	2018 (4Q)	2019 (1Q)	2019 (2Q)	2019 (3Q)	2019 (4Q)	2020	2021	2022	2023	2024	2025	2026	2027	2028 - 2032	2033 - 2037	2038 - 2042	2043 - 2047	Total
Commonwealth Constitutionally Guaranteed																		
Commonwealth of Puerto Rico - General Obligation Bonds	\$ 0	\$ 35	\$ 0	\$ 121	\$ —	\$ 206	\$ 74	\$ 94	\$ 71	\$ 128	\$ 119	\$ 82	\$ 136	\$ 396	\$ 649	\$ —	\$ —	\$ 2,111
PBA	—	3	—	7	—	12	20	6	13	6	12	17	44	31	45	—	—	216
Public Corporations - Certain Revenues Potentially Subject to Clawback																		
PRHTA (Transportation revenue)	—	22	—	54	—	67	59	68	72	41	66	59	63	300	372	210	—	1,453
PRHTA (Highway revenue)	—	13	—	34	—	46	58	27	52	51	51	17	15	182	203	—	—	749
PRCCDA	—	3	—	4	—	7	7	7	7	7	7	7	26	54	121	—	—	257
PRIFA	—	0	—	0	—	1	1	1	2	1	1	1	1	4	3	16	—	32
Other Public Corporations																		
PREPA	3	17	3	43	3	87	63	62	128	121	91	126	122	273	15	—	—	1,157
PRASA	—	10	—	10	—	19	19	19	19	21	44	44	44	99	68	69	314	799
MFA	—	8	—	62	—	58	50	48	28	23	21	37	14	22	—	—	—	371
COFINA	0	6	0	6	0	13	13	13	16	15	13	13	13	74	96	307	2	600
U of PR	—	0	—	0	—	0	0	0	0	0	0	0	0	1	0	—	—	1
Total	\$ 3	\$ 117	\$ 3	\$ 341	\$ 3	\$ 516	\$ 364	\$ 345	\$ 408	\$ 414	\$ 425	\$ 403	\$ 478	\$ 1,436	\$ 1,572	\$ 602	\$ 316	\$ 7,746

- 1) Includes exposure to capital appreciation bonds with a current aggregate net par outstanding of \$23 million and a fully accreted net par at maturity of \$53 million. Of these amounts, current net par of \$21 million and fully accreted net par at maturity of \$50 million relate to the COFINA and current net par of \$2 million and fully accreted net par at maturity of \$3 million relate to the Commonwealth General Obligation Bonds.

Assured Guaranty Ltd.
Direct Pooled Corporate Obligations Profile
As of September 30, 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	\$ 277	20.1 %	46.5%	67.0%
AA	494	35.8 %	45.8%	55.4%
A	382	27.7 %	34.7%	35.4%
BBB	103	7.5 %	35.3%	32.4%
BIG	123	8.9 %	48.4%	61.9%
Total exposures	\$ 1,379	100.0%	42.0%	50.1%

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:					
Trust preferred					
Banks and insurance	\$ 865	62.8 %	44.7%	54.2%	AA-
U.S. mortgage and real estate investment trusts	149	10.8	47.4%	61.4%	BBB
Collateralized bond obligations / collateralized loan obligations	250	18.1	29.2%	29.2%	A-
Other pooled corporates	115	8.3	N/A	N/A	A+
Total exposures	\$ 1,379	100.0%	42.0%	50.1%	A+

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

Assured Guaranty Ltd.
Consolidated U.S. RMBS Profile
As of September 30, 2018
(dollars in millions)

Distribution of U.S. RMBS by Rating and Type of Exposure

Ratings:	Prime First Lien	Alt-A First Lien	Option ARMs	Subprime First Lien	Second Lien	Total Net Par Outstanding
AAA	\$ 4	\$ 136	\$ 22	\$ 1,125	\$ 2	\$ 1,289
AA	30	145	22	224	—	421
A	0	—	0	101	0	101
BBB	0	11	—	29	155	196
BIG	108	434	49	1,167	802	2,560
Total exposures	\$ 142	\$ 727	\$ 93	\$ 2,645	\$ 959	\$ 4,566

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	\$ 29	\$ 24	\$ 2	\$ 752	\$ 74	\$ 880
2005	63	248	30	236	183	760
2006	50	51	15	489	282	887
2007	—	404	46	1,107	420	1,977
2008	—	—	—	61	—	61
Total exposures	\$ 142	\$ 727	\$ 93	\$ 2,645	\$ 959	\$ 4,566

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

Assured Guaranty Ltd.
Below Investment Grade Exposures (1 of 4)
(dollars in millions)

BIG Exposures by Asset Exposure Type

	<u>September 30, 2018</u>	<u>December 31, 2017</u>
U.S. public finance:		
Tax backed	\$ 2,281	\$ 2,408
General obligation	2,040	3,097
Municipal utilities	1,491	1,324
Transportation	87	94
Healthcare	72	77
Higher education	70	102
Housing revenue	18	18
Infrastructure finance	2	2
Other public finance	110	18
Total U.S. public finance	<u>6,171</u>	<u>7,140</u>
Non-U.S. public finance:		
Infrastructure finance	680	1,320
Other public finance	391	411
Total non-U.S. public finance	<u>1,071</u>	<u>1,731</u>
Total public finance	<u>\$ 7,242</u>	<u>\$ 8,871</u>
U.S. structured finance:		
RMBS	\$ 2,560	\$ 2,761
Consumer receivables	176	186
Insurance securitizations	85	85
Pooled corporate obligations	81	161
Other structured finance	47	68
Total U.S. structured finance	<u>2,949</u>	<u>3,261</u>
Non-U.S. structured finance:		
RMBS	45	48
Pooled corporate obligations	42	42
Other structured finance	15	16
Total non-U.S. structured finance	<u>102</u>	<u>106</u>
Total structured finance	<u>\$ 3,051</u>	<u>\$ 3,367</u>
Total BIG net par outstanding	<u>\$ 10,293</u>	<u>\$ 12,238</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 Ltd.
Below Investment Grade Exposures (2 of 4)
(dollars in millions)

Net Par Outstanding by BIG Category⁽¹⁾

	<u>September 30, 2018</u>	<u>December 31, 2017</u>
Category 1		
U.S. public finance	\$ 1,558	\$ 2,368
Non-U.S. public finance	821	1,455
U.S. structured finance	424	603
Non-U.S. structured finance	99	102
Total Category 1	<u>2,902</u>	<u>4,528</u>
Category 2		
U.S. public finance	391	663
Non-U.S. public finance	250	276
U.S. structured finance	335	418
Non-U.S. structured finance	—	4
Total Category 2	<u>976</u>	<u>1,361</u>
Category 3		
U.S. public finance	4,222	4,109
Non-U.S. public finance	—	—
U.S. structured finance	2,190	2,240
Non-U.S. structured finance	3	—
Total Category 3	<u>6,415</u>	<u>6,349</u>
BIG Total	<u><u>\$ 10,293</u></u>	<u><u>\$ 12,238</u></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 Ltd.
Below Investment Grade Exposures (3 of 4)
As of September 30, 2018
(dollars in millions)

Public Finance BIG Exposures with Revenue Sources Greater Than \$50 Million

Name or description	Net Par Outstanding	Internal Rating
U.S. public finance:		
Puerto Rico, General Obligation, Appropriations and Guarantees of the Commonwealth	\$ 1,498	CCC-
Puerto Rico Highways & Transportation Authority	1,319	CC-
Puerto Rico Electric Power Authority	848	CC
Puerto Rico Aqueduct & Sewer Authority	373	CCC
Puerto Rico Municipal Finance Agency	303	CCC-
Puerto Rico Sales Tax Financing Corporation	273	CC
Jackson Water & Sewer System, Mississippi	193	BB
Virgin Islands Public Finance Authority	169	BB
Puerto Rico Convention Center District Authority	152	C
Stockton Pension Obligation Bonds, California	110	B
Penn Hills School District, Pennsylvania	107	BB
Pennsylvania Economic Development Financing Authority (Capitol Region Parking System)	70	BB
Atlantic City, New Jersey	60	BB
Virgin Islands Water and Power Authority	54	BB
Total U.S. public finance	\$ 5,529	
Non-U.S. public finance:		
Valencia Fair	\$ 320	BB-
Road Management Services PLC (A13 Highway)	200	B+
M6 Duna Autopalya Koncesszios Zartkoruen Mukodo Reszvenytarsasag	179	BB+
Autovia de la Mancha, S.A.	114	BB
CountyRoute (A130) plc	83	BB-
Metropolitano de Porto Lease and Sublease of Railroad Equipment	51	B+
Total non-U.S. public finance	\$ 947	
Total	\$ 6,476	

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 Ltd.
Below Investment Grade Exposures (4 of 4)
As of September 30, 2018
(dollars in millions)

Structured Finance BIG Exposures Greater Than \$50 Million

Name or description	Net Par Outstanding	Internal Rating	60+ Day Delinquencies
U.S. structured finance:			
RMBS:			
Option One 2007-FXD2	\$ 200	CCC	14.1%
Soundview 2007-WMC1	160	CCC	34.8%
Nomura Asset Accept. Corp. 2007-1	126	CCC	21.0%
Option One MLT 2007-HI, CI I-A-1	113	CCC	26.3%
MABS 2007-NCW	109	CCC	21.7%
New Century 2005-A	96	CCC	14.0%
Argent Securities Inc. 2005-W4	93	CCC	14.2%
Countrywide Home Equity Loan 2007-D	80	B	2.7%
Countrywide HELOC 2007-A	76	BB	3.9%
Countrywide HELOC 2006-F	73	B	2.3%
Countrywide HELOC 2007-B	73	B	2.6%
Countrywide HELOC 2005-D	66	B	3.5%
Countrywide Home Equity Loan 2005-J	66	B	3.9%
Soundview (Delta) 2008-1	61	CCC	21.4%
ACE 2007-D1 (formerly DMSI 2007-D1)	59	CCC	24.6%
IndyMac 2007-H1 HELOC	57	CCC	3.7%
ACE 2007-SL1	54	CCC	4.2%
Subtotal RMBS	\$ 1,562		
Non-RMBS:			
Ballantyne Re Plc Class A-2	\$ 85	CC	N/A
Taberna Preferred Funding II, Ltd.	81	BB	N/A
National Collegiate Trust 2006-2	68	CCC	3.2%
Subtotal non-RMBS	\$ 234		
Total U.S. structured finance	\$ 1,796		
Total non-U.S. structured finance	\$ —		
Total	\$ 1,796		

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

Assured Guaranty Ltd.
Largest Exposures by Sector (1 of 4)
As of September 30, 2018
(dollars in millions)

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

Credit Name:	Net Par Outstanding	Internal Rating
New Jersey (State of)	\$ 4,638	BBB
Illinois (State of)	2,059	BBB
Pennsylvania (Commonwealth of)	1,998	A-
Puerto Rico, General Obligation, Appropriations and Guarantees of the Commonwealth	1,498	CCC-
Chicago (City of) Illinois	1,326	BBB
Puerto Rico Highways & Transportation Authority	1,319	CC-
North Texas Tollway Authority	1,226	BBB+
Massachusetts (Commonwealth of)	1,200	AA-
California (State of)	1,180	A
Wisconsin (State of)	1,130	A+
New York (City of) New York	1,118	AA-
Philadelphia (City of) Pennsylvania	1,089	BBB+
Chicago Public Schools, Illinois	1,030	BBB-
Great Lakes Water Authority (Sewerage), Michigan	1,005	BBB+
New York Metropolitan Transportation Authority	979	A
San Diego Family Housing, LLC Military Housing	963	AA
Philadelphia School District, Pennsylvania	857	A-
Port Authority of New York & New Jersey	854	BBB-
Puerto Rico Electric Power Authority	848	CC
Massachusetts (Commonwealth of) Water Resources	848	AA
Clarksville Natural Gas Acquisition Corporation, Tennessee	816	A
Long Island Power Authority	806	BBB+
Metropolitan Pier & Exposition Authority, Illinois	804	BBB-
Arizona (State of)	797	A+
Connecticut (State of)	788	A-
Georgia Board of Regents	783	A
Pennsylvania Turnpike Commission	756	A-
Suffolk County, New York	754	BBB
Miami-Dade County Aviation, Florida	719	A
Regional Transportation Authority, Illinois	693	AA-
Jefferson County Alabama Sewer	675	BBB-
LCOR Alexandria LLC	615	BBB+
Kentucky (Commonwealth of)	613	A
Metro Washington Airports Authority (Dulles Toll Road)	609	BBB+
Garden State Preservation Trust (Open Space & Farmland), New Jersey	603	BBB+
Nassau County, New York	601	A-
Oglethorpe Power Corporation, Georgia	575	BBB
Sacramento County, California	567	A-
New Jersey Turnpike Authority, New Jersey	546	A-
Miami-Dade County, Florida	523	A+
Pittsburgh Water & Sewer, Pennsylvania	522	BBB+
Atlanta, Georgia Water & Sewer System	472	BBB+
Yankee Stadium LLC New York City Industrial Development Authority	466	BBB-
Miami-Dade County School Board, Florida	464	A
San Bernardino County, California	458	A+
Oyster Bay, New York	452	BBB-
Anaheim (City of), California	451	BBB+
Central Florida Expressway Authority, Florida (fka Orlando-Orange County Expressway Authority)	442	A+
Oregon School Boards Association	441	A+
New Haven (City of), Connecticut	430	BBB-
Total top 50 U.S. public finance exposures	\$ 45,406	

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

Assured Guaranty Ltd.
Largest Exposures by Sector (2 of 4)
As of September 30, 2018
(dollars in millions)

50 Largest U.S. Structured Finance Exposures

Credit Name:	Net Par Outstanding	Internal Rating	Credit Enhancement
Private US Insurance Securitization	\$ 500	AA	N/A
SLM Private Credit Student Trust 2007-A	500	A+	20.0%
Private US Insurance Securitization	424	AA	N/A
SLM Private Credit Student Loan Trust 2006-C	274	A+	33.3%
Private US Insurance Securitization	250	AA	N/A
Brightwood Fund III Static 2018-1, LLC	249	A-	29.2%
Option One 2007-FXD2	200	CCC	0.0%
Timberlake Financial, LLC Floating Insured Notes	176	BBB-	N/A
Soundview 2007-WMC1	160	CCC	—%
Countrywide HELOC 2006-I	139	BBB-	0.0%
CWABS 2007-4	127	A+	0.0%
Nomura Asset Accept. Corp. 2007-1	126	CCC	0.0%
CWALT Alternative Loan Trust 2007-HY9	120	A	0.0%
Option One Mortgage Loan Trust 2007-HI1	113	CCC	—%
OwnIt Mortgage Loan ABS Certificates 2006-3	111	AAA	24.7%
New Century Home Equity Loan Trust 2006-1	111	AAA	9.2%
Soundview Home Equity Loan Trust 2006-OPT1	111	AAA	54.1%
MABS 2007-NCW	109	CCC	0.0%
Structured Asset Investment Loan Trust 2006-1	104	AAA	10.7%
ALESCO Preferred Funding XIII, Ltd.	104	AA	57.8%
New Century 2005-A	96	CCC	2.8%
Countrywide 2007-13	93	AA-	19.5%
Argent Securities Inc., Asset Backed Pass Through Certificates 2005-W4	93	CCC	—%
ALESCO Preferred Funding XI	92	AA	56.1%
Private Commercial Receivable Transaction	86	BBB	N/A
Preferred Term Securities XXIV, Ltd.	86	AA-	47.9%
ALESCO Preferred Funding XII, Ltd.	85	A-	48.3%
Ballantyne Re Plc	85	CC	N/A
Trapeza CDO XI	85	AA-	59.8%
National Collegiate Trust Series 2005-GT3 Grantor Trust Certificates	84	BBB	12.0%
Taberna Preferred Funding II, Ltd.	81	BB	61.9%
Countrywide Home Equity Loan Trust 2007-D	80	B	0.0%
Private Other Structured Finance Transaction	79	AAA	N/A
Countrywide HELOC 2007-A	76	BB	0.0%
Trapeza CDO X, Ltd.	74	AAA	60.2%
Countrywide HELOC 2006-F	73	B	0.0%
Countrywide HELOC 2007-B	73	B	0.0%
IMPAC CMB Trust Series 2007-A	73	AAA	41.8%
Private Commercial Receivable Transaction	68	BBB	N/A
National Collegiate Trust Series 2006-2	68	CCC	—%
Private Other Structured Finance Transaction	66	A-	N/A
Countrywide HELOC 2005-D	66	B	0.0%
Countrywide Home Equity Loan Trust 2005-J	66	B	0.0%
Alesco Preferred Funding XVI, Ltd.	65	BBB-	26.8%
CAPCO - Excess SIPC Excess of Loss Reinsurance	63	BBB	N/A
MASTR Asset Backed Securities Trust 2005-NC2	61	AAA	—%
Soundview (Delta) 2008-1	61	CCC	0.0%
Preferred Term Securities XXIII	60	AA	51.0%
National Collegiate Trust Series 2006-3	60	BBB-	8.2%
Private Balloon Note Guarantee	60	BBB	N/A
Total top 50 U.S. structured finance exposures	\$ 6,266		

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

Assured Guaranty Ltd.
Largest Exposures by Sector (3 of 4)
As of September 30, 2018
(dollars in millions)

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

Credit Name:	Country	Net Par Outstanding	Internal Rating
Southern Water Services Limited	United Kingdom	\$ 2,639	A-
Hydro-Quebec, Province of Quebec	Canada	2,082	A+
Thames Water Utility Finance Plc	United Kingdom	1,923	A-
Societe des Autoroutes du Nord et de l'Est de France S.A.	France	1,748	BBB+
Southern Gas Networks PLC	United Kingdom	1,655	BBB
Anglian Water Services Financing	United Kingdom	1,433	A-
Dwr Cymru Financing Limited	United Kingdom	1,412	A-
British Broadcasting Corporation (BBC)	United Kingdom	1,334	A+
National Grid Gas PLC	United Kingdom	1,257	BBB+
Channel Link Enterprises Finance PLC	France, United Kingdom	1,230	BBB
Verbund - Lease and Sublease of Hydro-Electric equipment	Austria	990	AAA
Capital Hospitals (Barts)	United Kingdom	893	BBB-
Aspire Defence Finance plc	United Kingdom	874	BBB+
Verdun Participations 2 S.A.S.	France	728	BBB-
National Grid Company PLC	United Kingdom	681	BBB+
Sydney Airport Finance Company	Australia	641	BBB+
Yorkshire Water Services Finance Plc	United Kingdom	621	A-
InspirED Education (South Lanarkshire) plc	United Kingdom	615	BBB-
Campania Region - Healthcare receivable	Italy	608	BBB-
Envestra Limited	Australia	599	BBB+
Coventry & Rugby Hospital Company	United Kingdom	552	BBB-
Derby Healthcare PLC	United Kingdom	522	BBB
Wessex Water Services Finance plc	United Kingdom	502	BBB+
Severn Trent Water Utilities Finance Plc	United Kingdom	495	BBB+
International Infrastructure Pool	United Kingdom	469	AAA
Total top 25 non-U.S. exposures		\$ 26,503	

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

Assured Guaranty Ltd.
Largest Exposures by Sector (4 of 4)
As of September 30, 2018
(dollars in millions)

10 Largest U.S. Residential Mortgage Servicer Exposures

Servicer:	Net Par Outstanding
Specialized Loan Servicing, LLC	\$ 1,371
Ocwen Loan Servicing, LLC ⁽¹⁾	1,369
Bank of America, N.A. ⁽²⁾	831
Wells Fargo Bank N.A.	335
JPMorgan Chase Bank	187
Select Portfolio Servicing, Inc.	179
Carrington Mortgage Services, LLC	67
Ditech Financial LLC	58
Banco Popular de Puerto Rico	50
Citicorp Mortgage Securities, Inc.	26
Total top 10 U.S. residential mortgage servicer exposures	\$ 4,473

1) Includes GMAC Mortgage LLC, Residential Funding Company LLC and Homeward Residential Inc.

2) Includes Countrywide Home Loans, Inc.

10 Largest U.S. Healthcare Exposures

Credit Name:	Net Par Outstanding	Internal Rating	State
Montefiore Medical Center Obligated Group, New York	\$ 377	BBB	NY, WI
CHRISTUS Health	314	A-	TX
Methodist Healthcare	292	A+	TN
Atrium Health (fka Carolinas HealthCare System)	289	AA-	NC
Dignity Health, California	282	A-	CA
Asante Health System	254	A+	OR
Palomar Pomerado Health	251	BBB-	CA
OU Medicine, Oklahoma	246	BBB-	OK
Bon Secours Health System Obligated Group	228	A	MD
UnityPoint Health System (fka Iowa Health System)	211	AA-	IA
Total top 10 U.S. healthcare exposures	\$ 2,744		

Please refer to the Glossary for the Company's internal rating approach and presentation of net par outstanding.

Assured Guaranty Ltd.

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 September 30, 2018

	Net Expected Loss to be Paid (Recovered) as of June 30, 2018	Economic Loss Development During 3Q-18	(Paid) Recovered Losses During 3Q-18	Net Expected Loss to be Paid (Recovered) as of September 30, 2018
Public Finance:				
U.S. public finance	\$ 1,041	\$ 42	\$ (251)	\$ 832
Non-U.S public finance	41	(3)	—	38
Public Finance	<u>1,082</u>	<u>39</u>	<u>(251)</u>	<u>870</u>
Structured Finance:				
U.S. RMBS ⁽²⁾	326	(40)	17	303
Other structured finance	24	1	(7)	18
Structured Finance	<u>350</u>	<u>(39)</u>	<u>10</u>	<u>321</u>
Total	<u>\$ 1,432</u>	<u>\$ 0</u>	<u>\$ (241)</u>	<u>\$ 1,191</u>

Rollforward of Net Expected Loss and LAE to be Paid⁽¹⁾ for the Nine Months Ended September 30, 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 September 30, 2018
Public Finance:					
U.S. public finance	\$ 1,157	\$ 0	\$ 59	\$ (384)	\$ 832
Non-U.S public finance	46	1	(9)	0	38
Public Finance	<u>1,203</u>	<u>1</u>	<u>50</u>	<u>(384)</u>	<u>870</u>
Structured Finance:					
U.S. RMBS ⁽²⁾	73	130	(52)	152	303
Other structured finance	27	—	(3)	(6)	18
Structured Finance	<u>100</u>	<u>130</u>	<u>(55)</u>	<u>146</u>	<u>321</u>
Total	<u>\$ 1,303</u>	<u>\$ 131</u>	<u>\$ (5)</u>	<u>\$ (238)</u>	<u>\$ 1,191</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 receivable of \$13 million as of September 30, 2018, \$17 million as of June 30, 2018 and \$117 million as of December 31, 2017.

Assured Guaranty Ltd.

Loss Measures

As of September 30, 2018

(dollars in millions)

	Total Net Par Outstanding for BIG Transactions	3Q-18 Loss and LAE	3Q-18 Loss and LAE included in Non-GAAP Operating Income (1)	3Q-18 Effect of FG VIE Consolidation (2)	2018 Loss and LAE	2018 Loss and LAE included in Non-GAAP Operating Income (1)	2018 Effect of FG VIE Consolidation (2)
Public finance:							
U.S. public finance	\$ 6,171	\$ 42	\$ 42	\$ —	\$ 76	\$ 76	\$ —
Non-U.S public finance	1,071	(3)	(3)	—	(5)	(5)	—
Public finance	7,242	39	39	—	71	71	—
Structured finance:							
U.S. RMBS	2,560	(21)	(23)	3	(17)	(18)	0
Other structured finance	491	(1)	2	—	(11)	(7)	—
Structured finance	3,051	(22)	(21)	3	(28)	(25)	0
Total	\$ 10,293	\$ 17	\$ 18	\$ 3	\$ 43	\$ 46	\$ 0

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 Ltd.
Summary of Financial and Statistical Data
(dollars in millions, except per share amounts)

	As of and for Nine Months Ended September 30, 2018	Year Ended December 31,			
		2017	2016	2015	2014
GAAP Summary Statements of Operations Data					
Net earned premiums	\$ 423	\$ 690	\$ 864	\$ 766	\$ 570
Net investment income	298	418	408	423	403
Realized gains and other settlements on credit derivatives	4	(10)	29	(18)	23
Total expenses	309	748	660	776	463
Income (loss) before income taxes	479	991	1,017	1,431	1,531
Net income (loss)	433	730	881	1,056	1,088
Net income (loss) per diluted share	3.83	5.96	6.56	7.08	6.26
GAAP Summary Balance Sheet Data					
Total investments and cash	\$ 11,107	\$ 11,539	\$ 11,103	\$ 11,358	\$ 11,459
Total assets	13,739	14,433	14,151	14,544	14,919
Unearned premium reserve	3,538	3,475	3,511	3,996	4,261
Loss and LAE reserve	1,147	1,444	1,127	1,067	799
Long-term debt	1,249	1,292	1,306	1,300	1,297
Shareholders' equity	6,583	6,839	6,504	6,063	5,758
Shareholders' equity per share	61.73	58.95	50.82	43.96	36.37
Other Financial Information (GAAP Basis)					
Net debt service outstanding (end of period)	\$ 378,693	\$ 401,118	\$ 437,535	\$ 536,341	\$ 609,622
Gross debt service outstanding (end of period)	382,301	408,492	455,000	559,470	646,722
Net par outstanding (end of period)	246,940	264,952	296,318	358,571	403,729
Gross par outstanding (end of period)	249,403	269,386	307,474	373,192	426,705
Other Financial Information (Statutory Basis)⁽¹⁾					
Net debt service outstanding (end of period)	\$ 363,490	\$ 373,340	\$ 401,004	\$ 502,331	\$ 583,598
Gross debt service outstanding (end of period)	367,047	380,478	417,072	524,104	619,475
Net par outstanding (end of period)	232,941	239,003	262,468	327,306	379,714
Gross par outstanding (end of period)	235,355	243,217	272,286	340,662	401,552
Claims-paying resources⁽²⁾					
Policyholders' surplus	\$ 4,926	\$ 5,305	\$ 5,126	\$ 4,631	\$ 4,222
Contingency reserve	1,842	1,750	2,008	2,263	2,330
Qualified statutory capital	6,768	7,055	7,134	6,894	6,552
Unearned premium reserve and net deferred ceding commission income	2,956	2,849	2,672	3,225	3,492
Loss and LAE reserves	1,030	1,092	888	1,043	852
Total policyholders' surplus and reserves	10,754	10,996	10,694	11,162	10,896
Present value of installment premium	455	445	500	645	716
CCS and standby line of credit	400	400	400	400	400
Excess of loss reinsurance facility	180	180	360	360	450
Total claims-paying resources	\$ 11,789	\$ 12,021	\$ 11,954	\$ 12,567	\$ 12,462
Ratios:					
Net par outstanding to qualified statutory capital	34:1	34:1	37:1	47:1	58:1
Capital ratio	54:1	53:1	56:1	73:1	89:1
Financial resources ratio	31:1	31:1	34:1	40:1	47:1
Par and Debt Service Written					
Gross debt service written:					
Public finance - U.S.	\$ 23,764	\$ 26,988	\$ 25,423	\$ 25,832	\$ 20,804
Public finance - non-U.S.	7,011	2,811	848	2,054	233
Structured finance - U.S.	1,154	500	1,143	355	423
Structured finance - non-U.S.	174	202	30	69	387
Total gross debt service written	\$ 32,103	\$ 30,501	\$ 27,444	\$ 28,310	\$ 21,847
Net debt service written	\$ 32,017	\$ 30,476	\$ 27,444	\$ 28,310	\$ 21,847
Net par written	19,574	17,962	17,854	17,336	13,171
Gross par written	19,774	18,024	17,854	17,336	13,171

- Statutory amounts prepared on a consolidated basis. The National Association of Insurance Commissioners Annual Statements for U.S. Domiciled Insurance Subsidiaries are prepared on a stand-alone basis.
- See page 9 for additional detail on claims-paying resources. 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.

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 debt service and net par outstanding and of the various sectors.

Assured Guaranty Ltd.

Summary of GAAP to Non-GAAP Reconciliations⁽¹⁾ (1 of 2) (dollars in millions, except per share amounts)

	Nine Months Ended September 30, 2018	Year Ended December 31,			
		2017	2016	2015	2014
Total GWP	\$ 516	\$ 307	\$ 154	\$ 181	\$ 104
Less: Installment GWP and other GAAP adjustments ⁽²⁾	92	99	(10)	55	(22)
Upfront GWP	424	208	164	126	126
Plus: Installment premium PVP	143	81	50	53	42
Total PVP	\$ 567	\$ 289	\$ 214	\$ 179	\$ 168
PVP:					
Public finance - U.S.	\$ 302	\$ 196	\$ 161	\$ 124	\$ 128
Public finance - non-U.S.	91	66	25	27	7
Structured finance - U.S.	165	12	27	22	24
Structured finance - non-U.S.	9	15	1	6	9
Total PVP	\$ 567	\$ 289	\$ 214	\$ 179	\$ 168
Non-GAAP operating income reconciliation:					
Net income (loss)	\$ 433	\$ 730	\$ 881	\$ 1,056	\$ 1,088
Less pre-tax adjustments:					
Realized gains (losses) on investments	(14)	40	(30)	(27)	(56)
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	91	43	36	505	687
Fair value gains (losses) on CCS	(3)	(2)	0	27	(11)
Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves	(20)	57	(33)	(15)	(21)
Total pre-tax adjustments	54	138	(27)	490	599
Less tax effect on pre-tax adjustments	(11)	(69)	13	(144)	(158)
Non-GAAP operating income	\$ 390	\$ 661	\$ 895	\$ 710	\$ 647
Gain (loss) related to FG VIE consolidation included in non-GAAP operating income (net of tax provision of \$0, \$6, \$7, \$4, and \$84)	\$ (1)	\$ 11	\$ 12	\$ 11	\$ 156
Non-GAAP operating income per diluted share reconciliation:					
Net income (loss) per diluted share	\$ 3.83	\$ 5.96	\$ 6.56	\$ 7.08	\$ 6.26
Less pre-tax adjustments:					
Realized gains (losses) on investments	(0.13)	0.33	(0.23)	(0.18)	(0.32)
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	0.81	0.35	0.27	3.39	3.95
Fair value gains (losses) on CCS	(0.02)	(0.02)	0.00	0.18	(0.06)
Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves	(0.18)	0.46	(0.25)	(0.10)	(0.12)
Total pre-tax adjustments	0.48	1.12	(0.21)	3.29	3.45
Less tax effect on pre-tax adjustments	(0.10)	(0.57)	0.09	(0.97)	(0.92)
Non-GAAP operating income per diluted share	\$ 3.45	\$ 5.41	\$ 6.68	\$ 4.76	\$ 3.73
Gain (loss) related to FG VIE consolidation included in non-GAAP operating income per diluted share	\$ (0.01)	\$ 0.10	\$ 0.10	\$ 0.07	\$ 0.90

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

2) 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.

Assured Guaranty Ltd.
Summary of GAAP to Non-GAAP Reconciliations⁽¹⁾ (2 of 2)
(dollars in millions, except per share amounts)

	As of and for Nine Months Ended September 30, 2018	As of December 31,			
		2017	2016	2015	2014
Adjusted book value reconciliation:					
Shareholders' equity	\$ 6,583	\$ 6,839	\$ 6,504	\$ 6,063	\$ 5,758
Less pre-tax adjustments:					
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(55)	(146)	(189)	(241)	(741)
Fair value gains (losses) on CCS	57	60	62	62	35
Unrealized gain (loss) on investment portfolio excluding foreign exchange effect	215	487	316	373	523
Less taxes	(54)	(83)	(71)	(56)	45
Non-GAAP operating shareholders' equity	6,420	6,521	6,386	5,925	5,896
Pre-tax adjustments:					
Less: Deferred acquisition costs	103	101	106	114	121
Plus: Net present value of estimated net future revenue	211	146	136	169	159
Plus: Net unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed	3,012	2,966	2,922	3,384	3,461
Plus taxes	(528)	(512)	(832)	(968)	(960)
Non-GAAP adjusted book value	<u>\$ 9,012</u>	<u>\$ 9,020</u>	<u>\$ 8,506</u>	<u>\$ 8,396</u>	<u>\$ 8,435</u>
Gain (loss) related to FG VIE consolidation included in non-GAAP operating shareholders' equity (net of tax (provision) benefit of \$(1), \$(2), \$4, \$11, and \$20)	\$ 3	\$ 5	\$ (7)	\$ (21)	\$ (37)
Gain (loss) related to FG VIE consolidation included in non-GAAP adjusted book value (net of tax benefit of \$4, \$3, \$12, \$22, and \$33)	\$ (14)	\$ (14)	\$ (24)	\$ (43)	\$ (60)
Adjusted book value per share reconciliation:					
Shareholders' equity per share	\$ 61.73	\$ 58.95	\$ 50.82	\$ 43.96	\$ 36.37
Less pre-tax adjustments:					
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(0.51)	(1.26)	(1.48)	(1.75)	(4.68)
Fair value gains (losses) on CCS	0.53	0.52	0.48	0.45	0.22
Unrealized gain (loss) on investment portfolio excluding foreign exchange effect	2.02	4.20	2.47	2.71	3.30
Less taxes	(0.51)	(0.71)	(0.54)	(0.41)	0.29
Non-GAAP operating shareholders' equity per share	60.20	56.20	49.89	42.96	37.24
Pre-tax adjustments:					
Less: Deferred acquisition costs	0.97	0.87	0.83	0.83	0.76
Plus: Net present value of estimated net future revenue	1.99	1.26	1.07	1.23	1.00
Plus: Net unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed	28.24	25.56	22.83	24.53	21.86
Plus taxes	(4.95)	(4.41)	(6.50)	(7.02)	(6.07)
Non-GAAP adjusted book value per share	<u>\$ 84.51</u>	<u>\$ 77.74</u>	<u>\$ 66.46</u>	<u>\$ 60.87</u>	<u>\$ 53.27</u>
Gain (loss) related to FG VIE consolidation included in non-GAAP operating shareholders' equity per share	\$ 0.03	\$ 0.03	\$ (0.06)	\$ (0.15)	\$ (0.24)
Gain (loss) related to FG VIE consolidation included in non-GAAP adjusted book value per share	\$ (0.14)	\$ (0.12)	\$ (0.18)	\$ (0.31)	\$ (0.39)

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

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, 2017.

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.

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.

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.

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 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.

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.

CBOs/CLOs (collateralized bond obligations and collateralized loan obligations) are asset-backed securities largely backed by non-investment grade/high yield collateral.

Financial Products Business is how the Company refers to the guaranteed investment contracts (GICs) portion of a line of business previously conducted by Assured Guaranty Municipal Holdings Inc. (AGMH) that the Company did not acquire when it purchased AGMH in 2009 from Dexia SA and that is being run off. That line of business was comprised of AGMH's GICs business, its medium term notes business and the equity payment agreements associated with AGMH's leveraged lease business. Assured Guaranty is indemnified by Dexia SA and certain of its affiliates against loss from the former Financial Products Business.

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.

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 the Company.

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. The Company 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 on non-financial guaranty contracts. 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 Financial Measures (continued)

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 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 non-financial guaranty insurance contracts. There is no corresponding GAAP financial measure. This amount represents the present value of estimated future revenue from the Company's non-financial guaranty insurance 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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