



EMBRACE POSSIBILITIES, INVEST IN CERTAINTIES

Equity Investor Presentation

December 31, 2018

**ASSURED
GUARANTY®**

Forward-Looking Statements and Safe Harbor Disclosure



- This presentation contains information that includes or is based upon forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward looking statements give the expectations or forecasts of future events of Assured Guaranty Ltd. (AGL) and its subsidiaries (collectively with AGL, Assured Guaranty or the Company). These statements can be identified by the fact that they do not relate strictly to historical or current facts and relate to future operating or financial performance.
- Any or all of Assured Guaranty's forward looking statements herein are based on current expectations and the current economic environment and may turn out to be incorrect. Assured Guaranty's actual results may vary materially. Among factors that could cause actual results to differ adversely are: (1) reduction in the amount of available insurance opportunities and/or in the demand for Assured Guaranty's insurance; (2) rating agency action, including a ratings downgrade, a change in outlook, the placement of ratings on watch for downgrade, or a change in rating criteria, at any time, of AGL or any of its subsidiaries, and/or of any securities AGL or any of its subsidiaries have issued, and/or of transactions that AGL's subsidiaries have insured; (3) developments in the world's financial and capital markets that adversely affect obligors' payment rates or Assured Guaranty's loss experience; (4) the possibility that budget or pension shortfalls or other factors will result in credit losses or impairments on obligations of state, territorial and local governments and their related authorities and public corporations that Assured Guaranty insures or reinsures; (5) the failure of Assured Guaranty to realize loss recoveries that are assumed in its expected loss estimates; (6) increased competition, including from new entrants into the financial guaranty industry; (7) rating agency action on obligors, including sovereign debtors, resulting in a reduction in the value of securities in Assured Guaranty's investment portfolio and in collateral posted by and to Assured Guaranty; (8) the inability of Assured Guaranty to access external sources of capital on acceptable terms; (9) changes in the world's credit markets, segments thereof, interest rates or general economic conditions; (10) the impact of market volatility on the mark-to-market of Assured Guaranty's contracts written in credit default swap form; (11) changes in applicable accounting policies or practices; (12) changes in applicable laws or regulations, including insurance, bankruptcy and tax laws, or other governmental actions; (13) the impact of changes in the world's economy and credit and currency markets and in applicable laws or regulations relating to the decision of the United Kingdom to exit the European Union; (14) the possibility that acquisitions or alternative investments made by Assured Guaranty do not result in the benefits anticipated or subject Assured Guaranty to unanticipated consequences; (15) difficulties with the execution of Assured Guaranty's business strategy; (16) loss of key personnel; (17) the effects of mergers, acquisitions and divestitures; (18) natural or man-made catastrophes; (19) other risk factors identified in AGL's filings with the U.S. Securities and Exchange Commission (the SEC); (20) other risks and uncertainties that have not been identified at this time; (21) management's response to these factors.
- The foregoing review of important factors should not be construed as exhaustive, and should be read in conjunction with the other cautionary statements that are included in Assured Guaranty's Form 10-K. The Company 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. Investors are advised, however, to consult any further disclosures the Company makes on related subjects in the Company's reports filed with the SEC.
- If one or more of these or other risks or uncertainties materialize, or if the Company's underlying assumptions prove to be incorrect, actual results may vary materially from what the Company projected. Any forward looking statements in this presentation reflect the Company's current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to its operations, results of operations, growth strategy and liquidity.
- For these statements, the Company claims the protection of the safe harbor for forward looking statements contained in Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act).

Conventions and Non-GAAP Financial Measures



- Unless otherwise noted, the following conventions are used in this presentation:
 - Ratings on Assured Guaranty's insured portfolio and on bonds purchased pursuant to our loss mitigation or risk management strategies are our internal credit ratings. Internal credit ratings are expressed on a ratings scale similar to that used by the rating agencies and are generally reflective of an approach similar to that employed by the rating agencies, except that the Company's credit ratings focus on future performance, rather than lifetime performance. Exposures rated below investment grade are designated "BIG".
 - The Company reclassifies those portions of risks benefitting from collateralized reimbursement arrangements as the higher of AA or their current internal rating.
 - The Company excludes Company-insured securities that it has purchased for loss mitigation purposes from its disclosure of par and debt service outstanding (unless otherwise indicated) because it manages such securities as investments and not insurance exposure.
 - Ratings on the investment portfolios are the lower of the ratings from Moody's Investors Service, Inc. ("Moody's") or S&P Global Ratings Services ("S&P").
 - Percentages and totals in tables or graphs may not add due to rounding.
- This presentation references financial measures that are not in accordance with U.S. generally accepted accounting principles ("GAAP"), which management uses in order to assist analysts and investors in evaluating Assured Guaranty's financial results. These financial measures are determined on the basis of methodologies other than in accordance with GAAP ("non-GAAP financial measures"), and are defined in the Appendix. Wherever possible, the Company has separately disclosed the effect of consolidating FG VIEs on the non-GAAP financial measures. See the Appendix for a more comprehensive description of non-GAAP financial measures.
- When a financial measure is described as "operating," it is a non-GAAP measure.

- **Fourth Quarter 2018 and Year-End 2018 accomplishments**
- **Assured Guaranty overview**
 - Track record of creating shareholder value
 - Dividend limitation calculations
 - Simplified corporate structure
- **Underlying value**
 - High-quality investment portfolio
 - Deleveraging while maintaining total invested assets
 - Investment income generates capital
 - Historical growth
- **Creating value**
 - New business production
 - Alternative strategies
 - Commutations and reinsurance platform
- **Financial results**
- **Portfolio overview**
 - Puerto Rico exposure

Fourth Quarter 2018 Accomplishments



- **Earned \$92 million of non-GAAP operating income¹, or \$0.87 per share**
- **Increased shareholders' equity per share, non-GAAP operating shareholders' equity¹ per share and non-GAAP adjusted book value¹ per share, reaching new records of \$63.23, \$61.17 and \$86.06, respectively**
- **Generated \$96 million of new business production¹**
- **Repurchased an additional 3.0 million common shares (\$120 million) at an average price of \$40.09 per share.²**

1. For an explanation of non-GAAP financial measures, please refer to the Appendix.

2. Additionally, 1.2 million common shares (\$48 million) were repurchased between January 1, 2019 and February 28, 2019.

Year-End 2018 Accomplishments



- **Earned \$482 million of non-GAAP operating income¹, or \$4.34 per share**
- **Generated \$663 million of new business production¹, with contributions from all three major sectors**
- **Repurchased an additional 13.2 million common shares (\$500 million) at an average price of \$37.76 per share²**
- **On June 1, 2018, closed a reinsurance transaction under which Assured Guaranty Corp. assumed, generally on a 100% quota share basis, substantially all of the insured portfolio of Syncora Guarantee Inc. (SGI)**
- **The Company combined the portfolios and operations of its European subsidiaries, Assured Guaranty (Europe) plc (AGE), Assured Guaranty (UK) plc (AGUK), Assured Guaranty (London) plc (AGLN) and CIFG Europe S.A. (CIFGE), in a transaction that was completed on November 7, 2018.**
 - As a result of this combination, the obligations and bonds previously guaranteed by AGUK, AGLN and CIFGE are now insured obligations of AGE.

1. For an explanation of non-GAAP financial measures, please refer to the Appendix.

2. Additionally, 1.2 million common shares (\$48 million) were repurchased between January 1, 2019 and February 28, 2019.

Assured Guaranty Overview



Assured Guaranty Ltd.

(\$ in billions)	December 31, 2018	September 30, 2009
Net par outstanding	\$241.8	\$646.6
U.S. public finance	\$186.6	\$424.9
U.S. structured finance	\$9.9	\$142.2
Non-U.S.	\$45.3	\$79.5
Total investment portfolio + cash	\$11.0	\$10.2
Net unearned premium reserve ¹	\$3.5	\$7.5
Claims-paying resources ²	\$11.8	\$12.8
Ratio of net par outstanding / claims-paying resources²	20:1	51:1

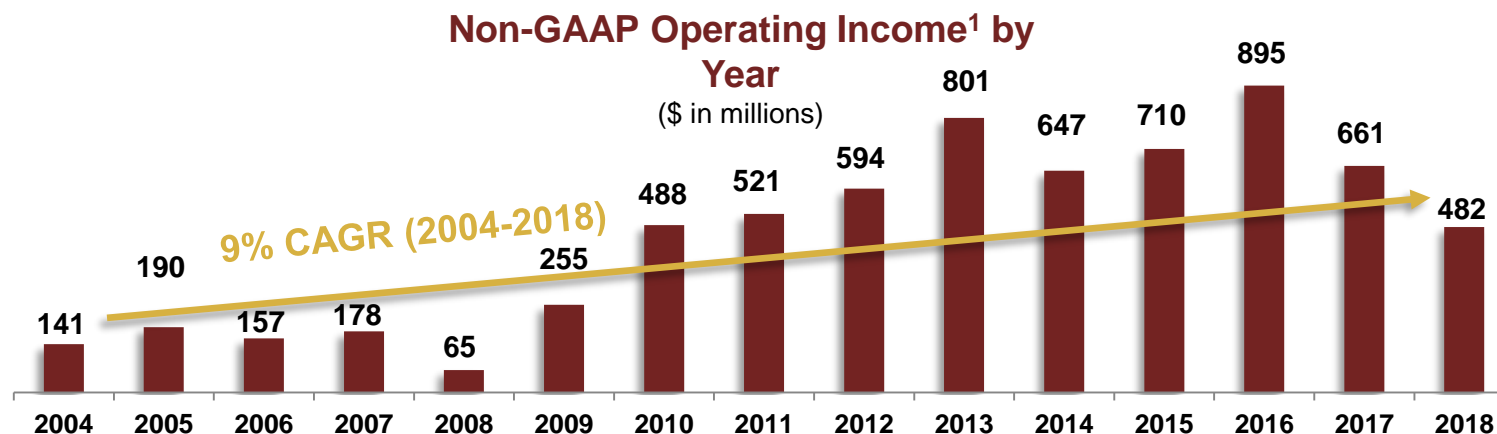
1. Unearned premium reserve net of ceded unearned premium reserve.

2. Based upon statutory accounting. Aggregate data for operating subsidiaries within the Assured Guaranty Ltd. group. Claims on each subsidiary's insurance policies/financial guaranties are paid from the subsidiary's separate claims-paying resources. See page 30.

3. In January 2017, AGC requested that Moody's withdraw AGC's financial strength rating, but Moody's denied that request and continues to rate AGC.

- **We are the leading financial guaranty franchise, with over three decades of experience in the municipal and structured finance markets**
- **In the U.S., we serve the bond insurance market through three platforms:**
 - Assured Guaranty Municipal Corp. (AGM) focuses on global public finance and infrastructure transactions
 - Rated AA+ (stable) by KBRA, AA (stable) by S&P and A2 (stable) by Moody's
 - Municipal Assurance Corp. (MAC) focuses on smaller U.S. public finance transactions
 - Rated AA+ (stable) by KBRA and AA (stable) by S&P
 - Assured Guaranty Corp. (AGC) guarantees structured finance transactions, global infrastructure and U.S. public finance
 - Rated AA (stable) by KBRA and AA (stable) by S&P³
- **Our insured portfolio has an average internal rating of A-**

- Since our initial public offering in 2004, we have grown our annual non-GAAP operating income¹ from \$141 million in 2004 to \$482 million in 2018, a 9% compounded annual growth rate (CAGR).
- Non-GAAP operating income¹ has grown through acquisitions, new business production and other strategic activities
 - Recapture of previously ceded business
 - Acceleration of premium through termination of insured exposure
- Repurchases of our shares improve non-GAAP operating income per share¹



Gain (loss) related to FG VIE consolidation included in non-GAAP operating income:

N/A	N/A	N/A	N/A	N/A	N/A	\$(167)	\$(80)	\$59	\$192	\$156	\$11	\$12	\$11	\$(4)
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1. For explanations and reconciliations of non-GAAP operating income and non-GAAP operating income per share, which are non-GAAP financial measures, please refer to the Appendix.

Assured Guaranty Overview

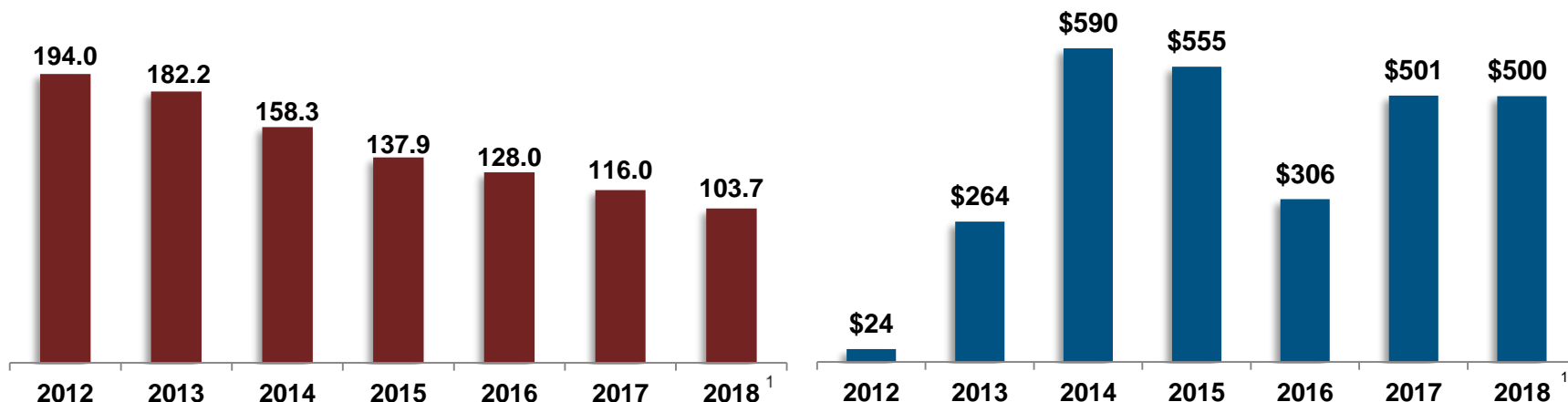
Track Record of Creating Shareholder Value



- **We have returned excess capital to shareholders by distributing dividends and repurchasing our common shares**
 - Since 2013, when we started our capital management strategy of repurchasing our common shares, through February 28, 2019, we have repurchased approximately 95.7 million shares, or roughly 49% of our shares outstanding at the beginning of the repurchase program in 2013, for approximately \$2.8 billion.
 - In the fourth quarter of 2018, we repurchased 3.0 million common shares for \$120 million at an average price per share of \$40.09. Combined with the prior three quarters, in 2018 we repurchased 13.2 million common shares for \$500 million at an average price per share of \$37.76. Between January 1, 2019 and February 28, 2019, the Company repurchased an additional 1.2 million common shares for \$48 million at an average price per share of \$40.03.
 - On February 27, 2019, the Board of Directors approved an incremental \$300 million share repurchase authorization. As of February 28, 2019, the Company's remaining share repurchase authorization was \$350 million.
 - Since our 2004 IPO, we have more than tripled our quarterly dividend per share. In February 2019, our Board of Directors authorized an increase in the quarterly dividend to \$0.18 per share. We have raised our quarterly dividends for eight consecutive years.

End of Period Share Count
(in millions)

Share Repurchase Amounts
(\$ in millions)



1. From January 1, 2019 to February 28, 2019, the Company repurchased an additional 1.2 million common shares at a cost of \$48 million.

Dividend Limitation Calculations

Assured Guaranty Municipal Corp. (Domiciled in New York)	Assured Guaranty Corp. (Domiciled in Maryland)	Assured Guaranty Re Ltd. (AG Re) (Domiciled in Bermuda)
<ul style="list-style-type: none"> Based on most recently filed quarterly or annual statement Only out of "earned surplus"¹ Cannot exceed the lesser of: <ul style="list-style-type: none"> (i) 10% of policyholders' surplus, and (ii) 100% of adjusted net investment income <ul style="list-style-type: none"> Prior 12 months' net investment income (excluding realized gains) increased by the excess, if any, of net investment income over dividends paid for the 24 months preceding the prior 12 months. 	<ul style="list-style-type: none"> Based on most recently filed annual statement Cannot exceed the lesser of: <ul style="list-style-type: none"> (i) 10% of policyholders' surplus, and (ii) 100% of adjusted net investment income <ul style="list-style-type: none"> Prior year net investment income (excluding realized gains) increased by the excess, if any, of net investment income for the three years preceding the prior year over dividends paid for the three prior years. 	<ul style="list-style-type: none"> Cannot exceed 25% of prior year total statutory capital and surplus without certification to the regulator Cannot exceed current outstanding statutory surplus Must be paid from current unencumbered assets Additionally, AG Re can make capital distributions which cannot exceed 15% of its total prior year statutory capital (total stat capital of \$857 million, 15% of which is \$128 million)

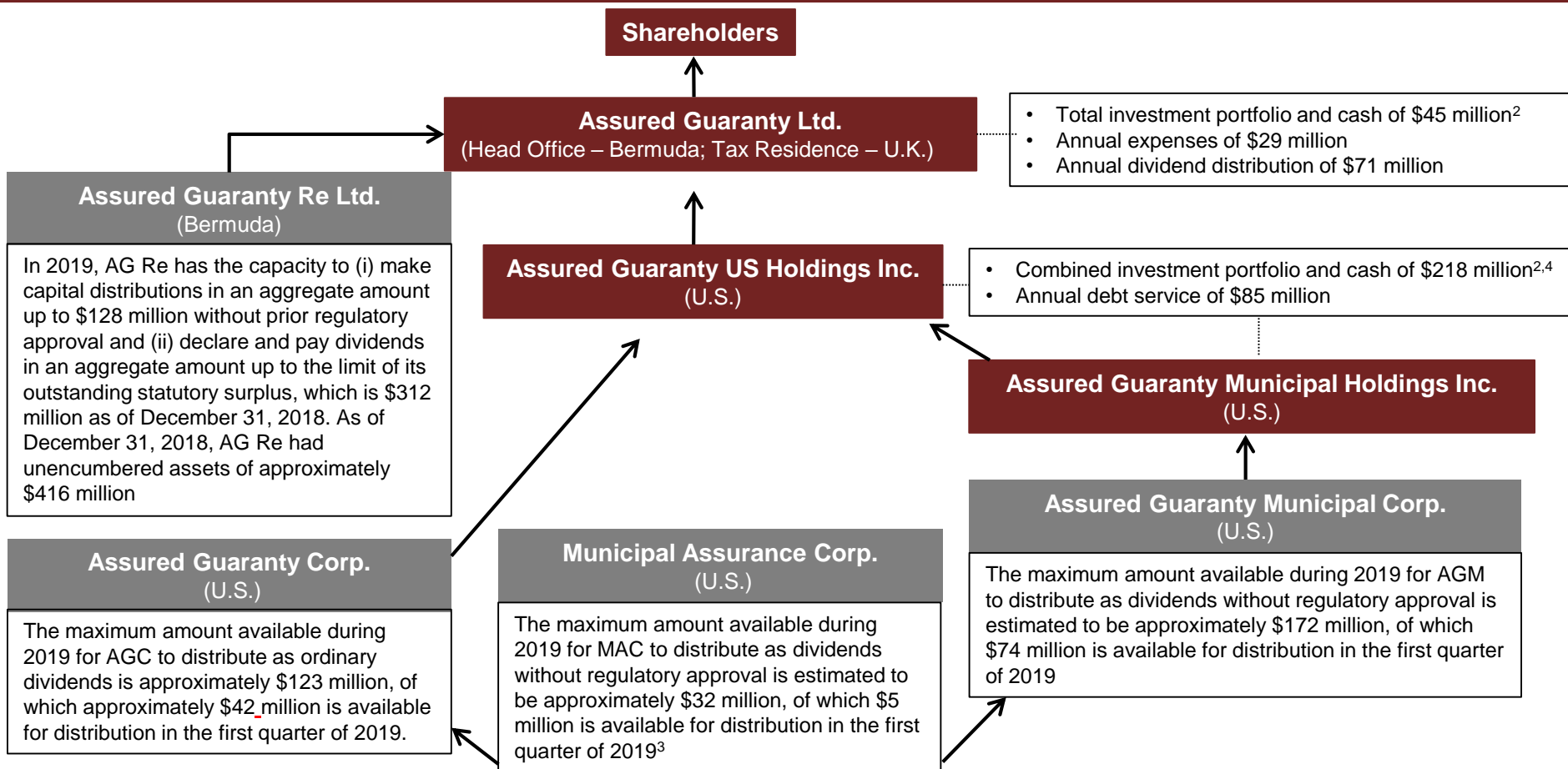
(\$ in millions)

Policyholders' surplus	\$2,533	Policyholders' surplus	\$1,793	Total stat capital and surplus	\$1,249
10% of policyholders' surplus	\$253	10% of policyholders' surplus	\$179	25% of stat capital and surplus	\$312
1Q-18 through 4Q-18 investment income	\$172	2018 investment income	\$123	Outstanding statutory surplus	\$391
Net investment income		Net investment income		Unencumbered assets	\$416
1Q-16 through 4Q-16	189	2015	79		
1Q-17 through 4Q-17	190	2016	107		
Total	\$379	2017	133		
		Total	\$319		
Dividends paid		Dividends paid		2019 Dividend Limitation	\$312
1Q-16 through 4Q-16	(247)	2016	(78)		
1Q-16 through 4Q-17	(196)	2017	(107)		
Total	(\$443)	2018	(133)		
		Total	(\$319)		
Excess of investment income over dividends	\$0	Excess of investment income over dividends	\$0		
Adjusted net investment income		Adjusted net investment income			
(\$172 + \$0 = \$172)	\$172	(\$123 + 0 = \$123)	\$123		
2019 Dividend Limitation	\$172	2019 Dividend Limitation	\$123		

1. Earned surplus is currently approximately \$1.8 billion. Earned surplus is the portion of the company's surplus that represents the net earnings, gains or profits (after deduction of all losses) that have not been distributed to shareholders as dividends or transferred to stated capital or capital surplus, or applied to other purposes permitted by law, but does not include unrealized appreciation of assets.

Assured Guaranty Overview

Simplified Corporate Structure¹



1. Represents dividend capacity as of December 31, 2018. Please see our Form 10-K for the year ended December 31, 2018 for a discussion of the dividend limitations to which we are subject under applicable U.S. and Bermuda law, including the New York Insurance Law and the Maryland Insurance Code.
2. As of December 31, 2018. The investment portfolio includes fixed-maturity securities and short-term investments.
3. Dividends from MAC are distributed to AGM and AGC, which may affect AGM's and AGC's dividend capacity in future periods.
4. Excludes AGUS's investment in AGMH's debt and investments in affiliates.

A photograph of three construction workers wearing white hard hats and safety gear, working on a large-scale construction project. They are standing on a dense grid of steel reinforcement bars (rebar) that has been laid out on a wooden formwork structure. The workers are focused on their task, with one worker in the foreground pointing towards the rebar. The background shows more of the construction site, including additional rebar and wooden forms, suggesting a large concrete foundation or floor slab is being prepared.

Underlying Value

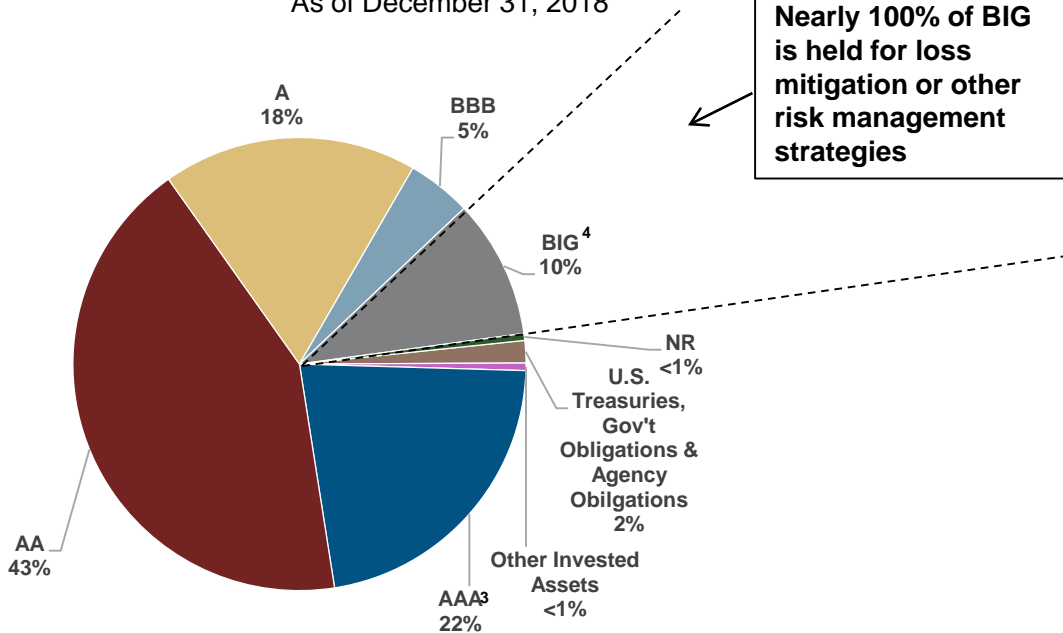
Underlying Value

High-Quality Investment Portfolio



Total Invested Assets and Cash^{1,2}

As of December 31, 2018



\$11.0 billion, A+ average rating²

- **Highly rated fixed maturity and short-term investments, 66% rated AA or higher, and cash**
- **Approximately \$833 million invested in liquid, short-term investments and cash**
- **Overall duration of the fixed maturity securities and short-term investments is 4.9 years**

1. Includes securities purchased or obtained as part of loss mitigation or other risk management strategies.
2. Ratings are represented by the lower of the Moody's and S&P classifications except for bonds purchased for loss mitigation or other risk management strategies, which use internal ratings classifications. Other invested assets are not rated.
3. Included in the AAA category are short-term securities and cash.
4. Includes long-term BIG securities that were purchased or obtained as part of loss mitigation or other risk management strategies of \$1,609 million in par with carrying value of \$1,084 million.

Underlying Value

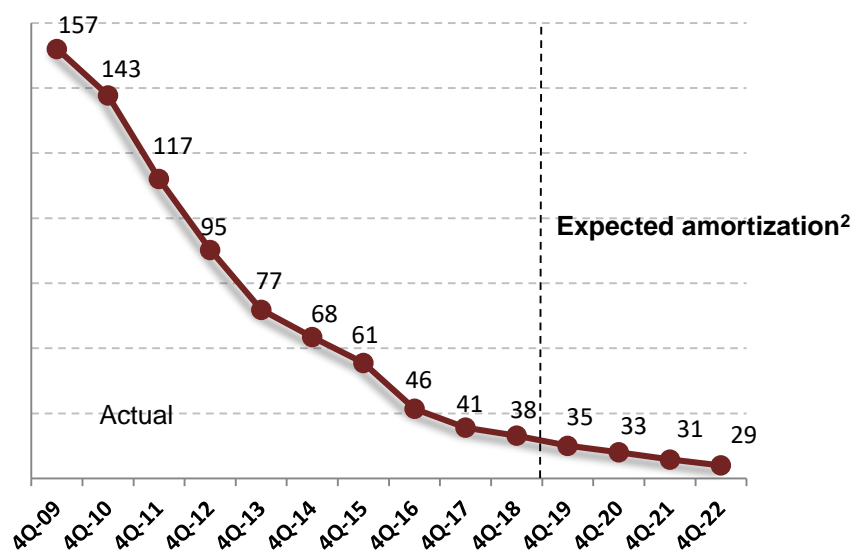
Deleveraging While Maintaining Total Invested Assets



- **Our insured net par outstanding to non-GAAP operating shareholders' equity¹ has declined from 157:1 in 4Q-09 to 38:1 as of 4Q-18**
 - Deleveraging is expected to continue in the near term as new business is not expected to fully replace the amortization of the portfolio
- **Meanwhile, total invested assets and cash remains comparable to prior amounts**

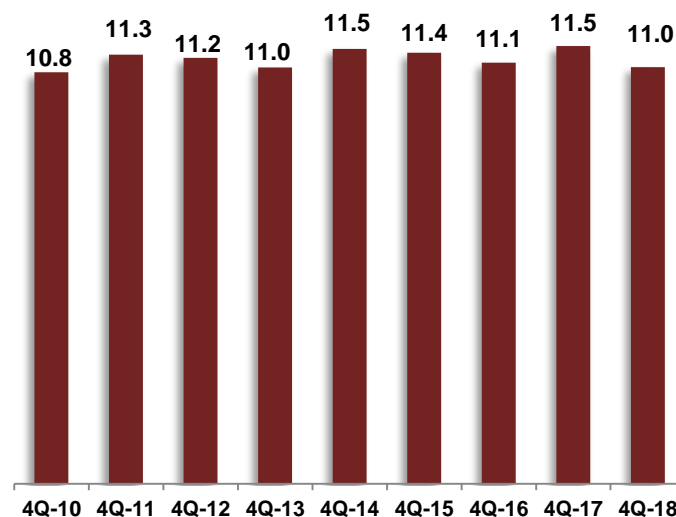
Non-GAAP Operating Portfolio Leverage

Insured Net Par Outstanding / non-GAAP Operating Shareholders' Equity¹



Total Invested Assets and Cash

(\$ in billions)



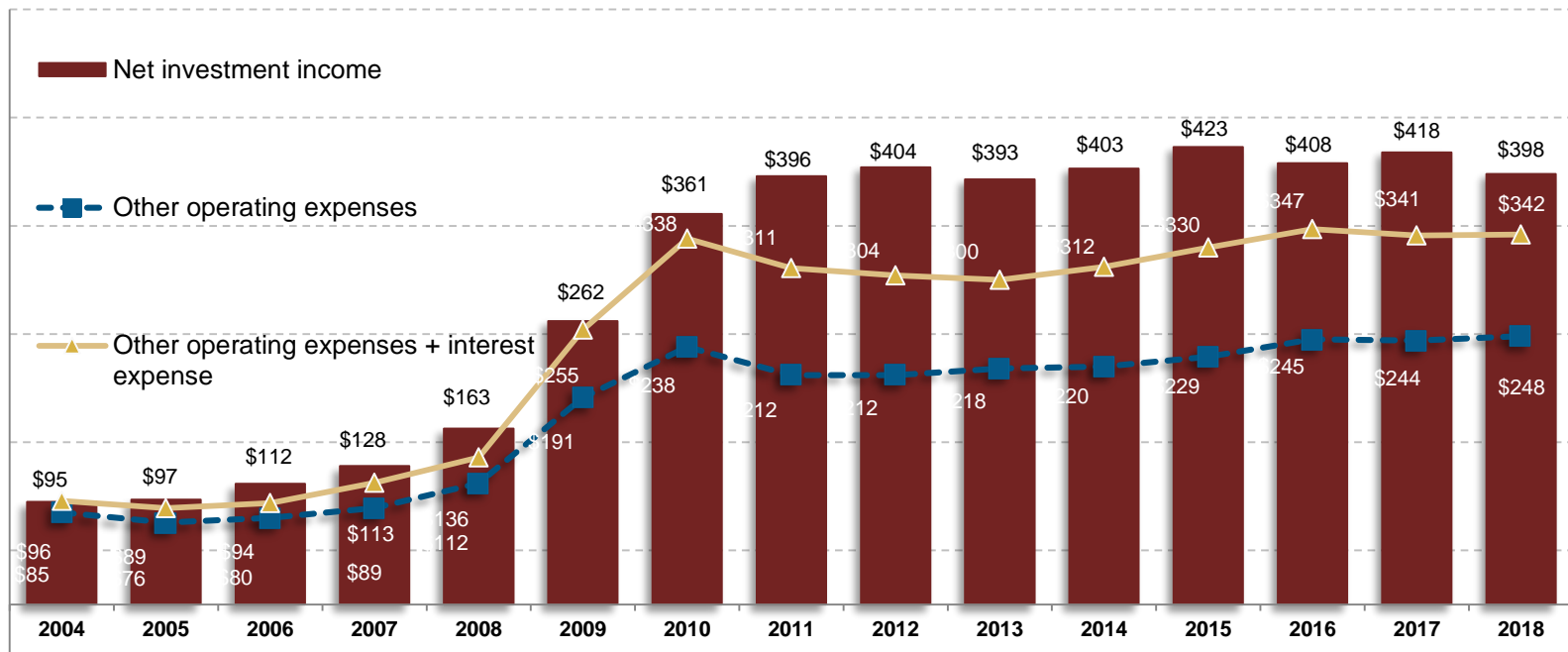
1. For an explanation of non-GAAP operating shareholders' equity, please refer to the Appendix.
2. Assumes no new business production and calculates estimated amortization divided by current non-GAAP operating shareholders' equity.

Underlying Value

Net Investment Income Generates Capital

- Net investment income is higher than the combination of operating and interest expenses, a spread that fosters capital growth

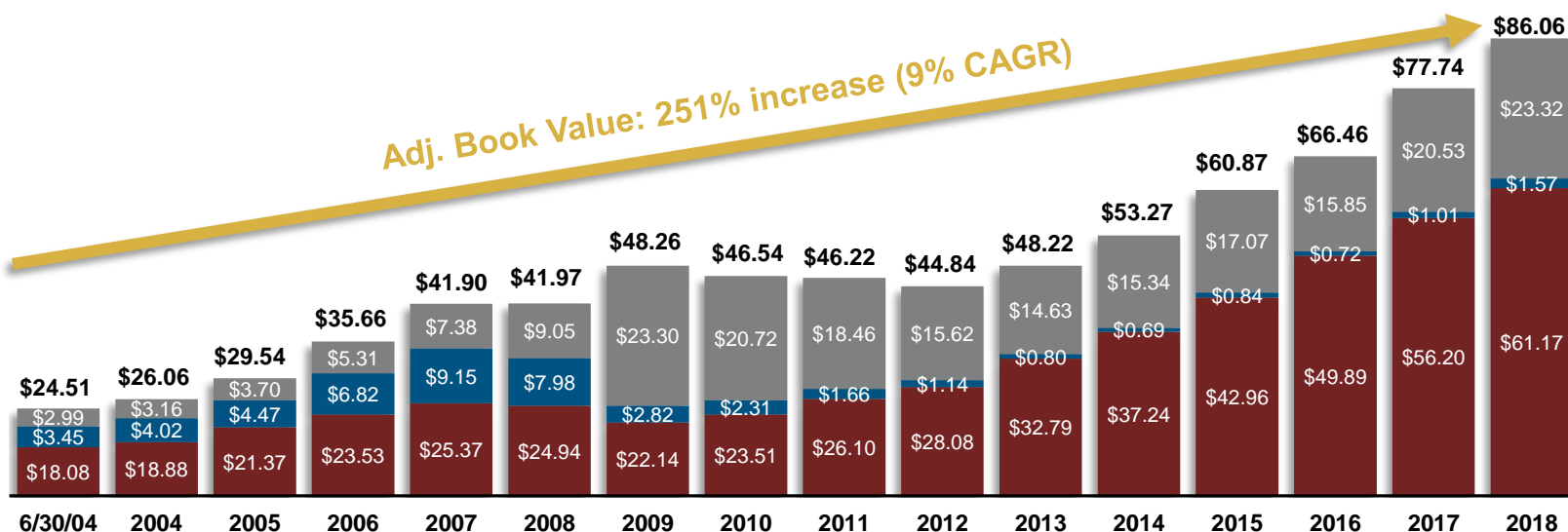
Net Investment Income (\$ in millions)



Underlying Value Historical Growth



Non-GAAP Adjusted Book Value¹ per Share



Shareholders' equity per share (GAAP):	\$18.73	\$20.19	\$22.22	\$24.44	\$20.33	\$20.62	\$18.76	\$19.97	\$25.52	\$25.74	\$28.07	\$36.37	\$43.96	\$50.82	\$58.95	\$63.23
Gain (loss) related to FG VIE consolidation included in non-GAAP operating shareholders' equity per share ¹ :								\$(2.02)	\$(2.44)	\$(1.97)	\$(1.04)	\$(0.24)	\$(0.15)	\$(0.06)	\$0.03	\$0.03
Gain (loss) related to FG VIE consolidation included in non-GAAP adjusted book value per share ¹ :								\$(2.38)	\$(3.10)	\$(2.33)	\$(1.36)	\$(0.39)	\$(0.31)	\$(0.18)	\$(0.12)	\$(0.15)

- Net unearned premium reserve on financial guaranty contracts in excess of net expected loss to be expensed less deferred acquisition costs, after tax
- Net present value of estimated net future revenue in force and net unearned revenue, after tax
- Non-GAAP operating shareholders' equity¹

1. For explanations of non-GAAP adjusted book value and net present value of estimated net future revenue and non-GAAP operating shareholders' equity, please refer to the Appendix

Creating Value



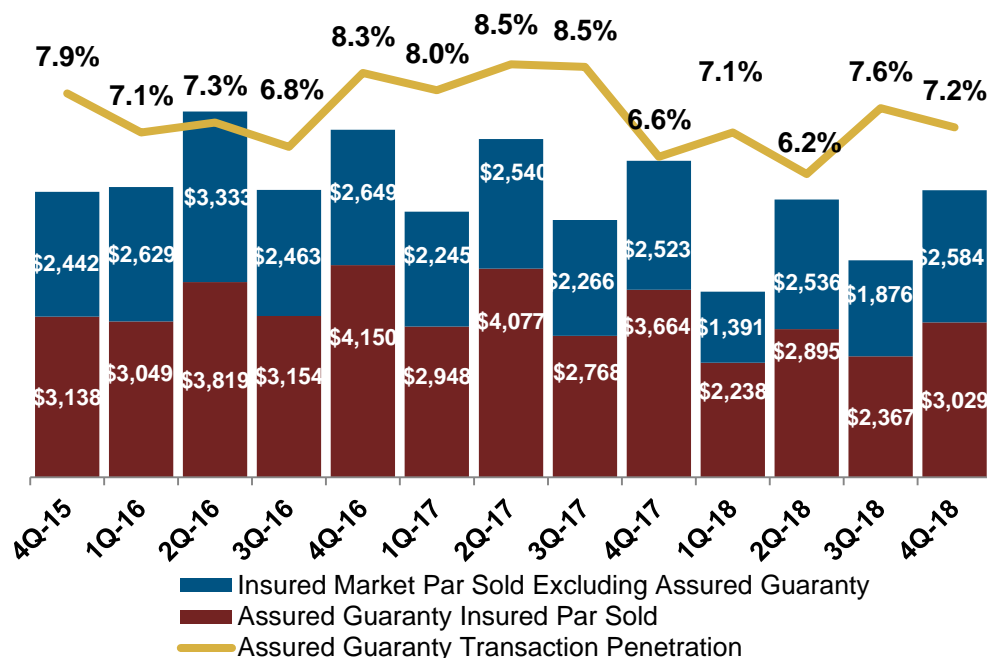
Creating Value

New Business Production (Par Insured) Penetration in the U.S. Public Finance Market (excluding SGI portfolio)



- **We are focused on building demand for our guarantees, both in the primary and the secondary markets for U.S. public finance**
 - Primary market transactions sold during 4Q 2018 totaled 154 or \$3.0 billion, bringing total primary market transaction sold in 2018 to 596 transactions or \$10.5 billion.
 - Secondary market transactions sold during 4Q 2018 totaled 80 or \$341.6 million, bringing total secondary market policies sold in 2018 to 271 transactions or \$0.8 billion.
- **Insured volume increased by 6% in 4Q 2018 relative to 3Q 2018, more than twice the increase in the overall market.**
 - Insured penetration was 6.9% in 4Q 2018 – up from 5.1% in 3Q 2018
- **The SGI transaction created \$185 million of U.S. public finance PVP on \$7.6 billion of gross written par in 2Q 2018**

**New Issue U.S. Public Finance
Insured Par Sold and Transaction Penetration¹**
(\$ in millions)



Total U.S. Public Finance New Issuance	4Q-15	1Q-16	2Q-16	3Q-16	4Q-16	1Q-17	2Q-17	3Q-17	4Q-17	1Q-18	2Q-18	3Q-18	4Q-18
Par Issued (\$ in billions)	\$76.4	\$96.5	\$119.4	\$108.4	\$100.2	\$86.6	\$100.7	\$84.4	\$137.5	\$61.8	\$94.1	\$83.1	\$81.2
Transactions Issued	2,558	2,787	3,635	3,048	2,775	2,271	3,013	2,307	3,007	1,674	2,627	2,093	2,154

1. Source: SDC database. As of September 30, 2018. Transaction penetration shown is Assured Guaranty's transaction count as a percentage of all transactions issued.

Creating Value

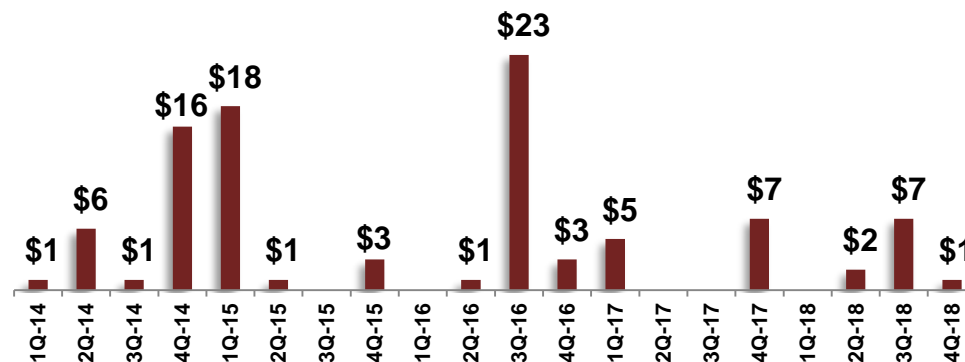
New Business Production

U.S. Structured Finance Business Activity

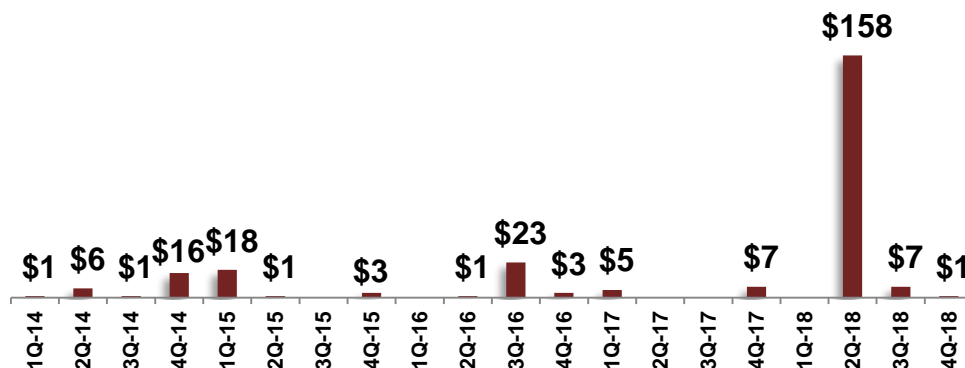


- During 2018, we continued to execute transactions in aviation and commercial real estate markets, and guaranteed a collateralized loan obligation (CLO) for the first time since 2008
- Focus has been on bilateral transactions to improve policy beneficiaries' capital management efficiency
- New structured finance business production tends to have long lead times, causing production levels to vary significantly from period to period.

U.S. Structured PVP¹
(excluding SGI reinsurance portfolio)²
(\$ in millions)



U.S. Structured PVP¹
(including SGI reinsurance portfolio)²
(\$ in millions)



1. For an explanation of new business production, or PVP, which is a non-GAAP financial measure, please refer to the Appendix.

2. In 2Q 2018, the SGI transaction created \$156 million of U.S. structured finance PVP on \$349 million of gross written par

Creating Value

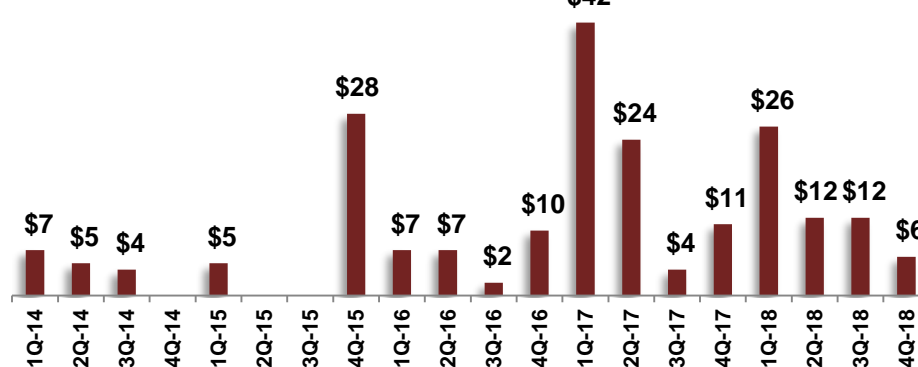
New Business Production

Non-U.S. Business Activity

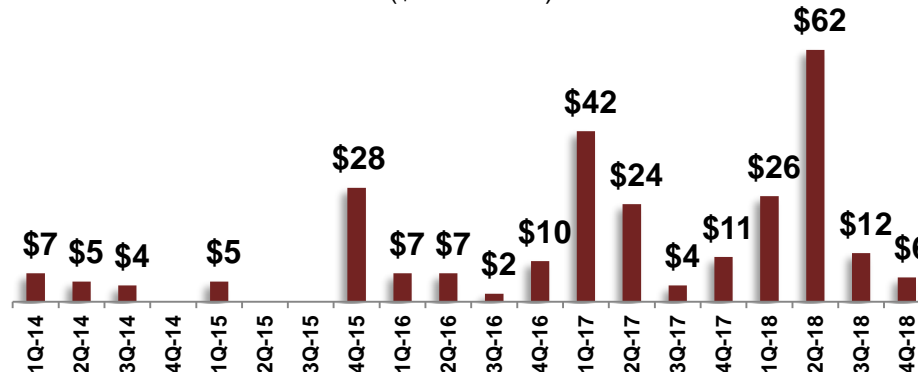


- During 4Q-18 we closed non-U.S. transactions in both public finance and structured finance, including a United Kingdom social housing financing
- During 3Q-18 we closed three new transactions: a guarantee of accommodation project for Durham University; a restructuring of an existing guarantee with a bank; and the Company's first post-financial crisis transaction in Australia, a guarantee of a bond issue for the Port of Brisbane
- Excluding the assumed business from SGI, during 2Q-18 we closed United Kingdom regulated utility transactions in the secondary market as well as insurance of aircraft RVI policies
- During 1Q-18, we closed United Kingdom public-private-partnership and utility transactions in both the primary and secondary market
- We are optimistic about the pipeline of infrastructure transactions. International business typically comprises a small number of high-value transactions that have longer development periods and multiple counterparties, so the timing of closing transactions is often uncertain

Non-U.S. PVP¹
(excluding SGI reinsurance portfolio)²
(\$ in millions)



Non-U.S. PVP¹
(including SGI reinsurance portfolio)²
(\$ in millions)



1. For an explanation of new business production, or PVP, which is a non-GAAP financial measure, please refer to the Appendix.

2. In 2Q 2018, the SGI transaction created \$50 million of non-U.S. PVP on \$3.3 billion of gross written par

Creating Value

New Business Production

Underwriting Principles and Pricing Discipline



- **Gross par written and PVP increased in the 4th quarter of 2018 compared with the 4th quarter of 2017**
 - Gross par written increased from \$4.8 billion in the 4th quarter 2017 to \$4.9 billion in the 4th quarter 2018
 - PVP increased 25% from \$77 million in the 4th quarter 2017 to \$96 million in the 4th quarter 2018
- **Gross par written and PVP increased significantly in 2018 compared 2017, due primarily to the assumption of substantially all of SGI's insured portfolio. Gross par was the largest amount of annual new business written since 2010, and PVP was the largest amount of annual premium in ten years.**
 - Gross par written increased 37% from \$18.0 billion in 2017 to \$24.6 billion in 2018
 - PVP increased 129% from \$289 million in 2017 to \$663 million in 2018

Gross Par Written

Sector:	Quarter Ended December 31,				Year Ended December 31,			
	2018		2017		2018		2017	
	Gross Par Written	Avg. Rating ¹	Gross Par Written	Avg. Rating ¹	Gross Par Written	Avg. Rating ¹	Gross Par Written	Avg. Rating ¹
U.S. public finance	\$4,555	BBB+	\$4,367	BBB+	\$19,572	A-	\$15,957	A-
Non-U.S. public finance	96	A-	116	BBB+	3,817	BBB	1,376	BBB+
Total public finance	\$4,651	BBB+	\$4,483	BBB+	\$23,389	A-	\$17,333	A-
U.S. structured finance	\$25	BBB	\$246	AA-	\$902	BB+	\$489	AA
Non-U.S. structured finance	174	BBB-	47	BBB+	333	BBB	202	BBB+
Total structured finance	\$199	BBB-	\$293	A+	\$1,235	BBB-	\$691	A+
Total gross par written	\$4,850	BBB+	\$4,776	A-	\$24,624	A-	\$18,024	A-
Total PVP	\$96		\$77		\$663		\$289	
PVP to gross par written	1.98%		1.61%		2.69%		1.60%	

1. Average internal rating.

- **SGL reinsurance transaction closed on June 1, 2018**
 - Resulted in \$11.3 billion of gross written par and \$391 million of PVP, which helped lead the Company to a 10-year record high for PVP
 - Increased non-GAAP adjusted book value by \$2.25 per share
- **MBIA UK Limited (MBIA UK) acquisition closed on January 10, 2017**
 - Resulted in a benefit to non-GAAP operating income of \$57 million or \$0.45 per share, at the acquisition date
 - MBIA UK was subsequently renamed AGLN
 - AGLN transferred its insurance portfolio to and merged with and into AGE on November 7, 2018
- **CIFG acquisition closed on July 1, 2016**
 - Resulted in a benefit of \$293 million in non-GAAP operating income and \$512 million to non-GAAP adjusted book value
- **Radian Asset Assurance acquisition closed on April 1, 2015**
 - Resulted in an increase of \$654 million to claims-paying resources, an increase of \$193 million to non-GAAP operating shareholder's equity and \$570 million to non-GAAP adjusted book value

1. For explanations of non-GAAP financial measures, please refer to the Appendix.

- **In February 2018, the Company acquired a minority interest in Rubicon Infrastructure Advisors**
 - Rubicon is a full-service investment banking firm active in the global infrastructure sector, that has advised on over 70 merger and acquisition and capital raising assignments worth in excess of \$30 billion over the past five years.
 - Rubicon operates on a global basis and has advised on transactions in Europe, the U.K., North America and Latin America providing investors, operating managers and construction companies with independent advice
- **In September 2017, the Company acquired a minority interest in Wasmer, Schroeder & Company LLC**
 - Independent investment advisory firm specializing in separately managed accounts (SMAs)
 - Approximately \$8 billion under management
 - Capitalizes on core competencies of both companies, such as municipal credit analysis and strong industry relationships
- **In February 2017, the Company agreed to its first major asset management investment**
 - The Company agreed to purchase up to \$100 million of limited partnership interests in a fund that invests in the equity of private equity managers; as of December 31, 2018, \$17 million had been invested.
- **In July 2016, the Company announced the formation of an Alternative Investments group**
 - The Alternative Investments group focuses on deploying a portion of Assured Guaranty's excess capital to pursue acquisitions and develop new business opportunities that benefit from the Company's core competencies and credit expertise and are in line with its risk profile, including, among others, both controlling and non-controlling investments in investment managers
- **The Company continues to investigate additional opportunities**

- Reassumption of previously ceded business has increased the unearned premium reserve and non-GAAP adjusted book value¹

Commutations Since 2009

As of December 31, 2018

Year	Reassumed Par (\$ in billions)	Reassumed UPR (\$ in millions)	Commutation Gain / (Loss) (\$ in millions)
2009	\$2.9	\$65	\$(11)
2010	15.5	104	50
2011	0.3	2	24
2012	19.2	109	82
2013	0.2	11	2
2014	1.2	20	23
2015	0.9	23	28
2016	0.0	-	8
2017	5.1	82	328
2018	1.5	64	(16)
Total	\$46.8	\$480	\$518

Ceded Par Outstanding by Reinsurer

As of December 31, 2018

(\$ in millions)	Net Par Outstanding
American Overseas Re	\$1,468
Others	\$921
Total	\$2,389

1. For an explanation of non-GAAP adjusted book value, which is a non-GAAP financial measure, please refer to the Appendix.

Financial Results

December 31, 2018



Fourth Quarter 2018 Results

Select Financial Items



Select GAAP Results				% Change vs.
(\$ in millions, except per share data and percentages)				4Q-17
	Quarter Ended December 31,			
	2018	2017		
Net income (loss)	\$88	\$52		69%
Net income (loss) per diluted share	\$0.83	\$0.44		89%
Net earned premiums	\$125	\$178		(30)%
Net investment income	\$100	\$96		4%
Loss and LAE	\$21	\$34		(38)%
GAAP ROE ¹	5.4%	3.0%		2.4pp

Select Non-GAAP Results				% Change vs.
(\$ in millions, except per share data and percentages)				4Q-17
	Quarter Ended December 31,			
	2018	2017		
	Amount	Effect of FG VIE Consolidation ³	Amount	Effect of FG VIE Consolidation ³
Non-GAAP Operating income	\$92	\$(3)	\$91	\$2
Non-GAAP Operating income per diluted share	\$0.87	\$(0.02)	\$0.77	\$0.02
Non-GAAP Operating loss and LAE ¹	\$27	\$3	\$16	\$(2)
Non-GAAP Operating ROE ²	5.8%	(0.2)%	5.6%	0.2%

NM = Not meaningful pp = percentage points

1. Please see page 28 for a description of non-GAAP operating loss and LAE as well as a reconciliation of GAAP loss and LAE to non-GAAP operating loss and LAE

2. ROE calculations represent annualized returns.

3. The "Effect of FG VIE Consolidation" column represents amounts included in the 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 in the Appendix.

Year-End 2018 Results

Select Financial Items



Select GAAP Results		Year Ended December 31,		% Change vs. YE 17
(\$ in millions, except per share data and percentages)		2018	2017	
Net income (loss)		\$521	\$730	(29)%
Net income (loss) per diluted share		\$4.68	\$5.96	(21)%
Net earned premiums		\$548	\$690	(21)%
Net investment income		\$398	\$418	(5)%
Loss and LAE		\$64	\$388	(84)%
GAAP ROE ¹		7.8%	10.9%	(3.1)pp

Select Non-GAAP Results		Year Ended December 31,		% Change vs. YE 17
(\$ in millions, except per share data and percentages)		2018	2017	
	Amount	Effect of FG VIE Consolidation ³	Amount	Effect of FG VIE Consolidation ³
Non-GAAP Operating income	\$482	\$(4)	\$661	\$11
Non-GAAP Operating income per diluted share	\$4.34	\$(0.03)	\$5.41	\$0.10
Non-GAAP Operating loss and LAE ¹	\$73	\$3	\$345	\$(7)
Non-GAAP Operating ROE ²	7.5%	(0.1)%	10.2%	0.1%

NM = Not meaningful pp = percentage points

1. Please see page 28 for a description of non-GAAP operating loss and LAE as well as a reconciliation of GAAP loss and LAE to non-GAAP operating loss and LAE

2. ROE calculations represent annualized returns.

3. The "Effect of FG VIE Consolidation" column represents amounts included in the 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 in the Appendix.

Fourth Quarter and YTD Loss Measures



Economic loss development (all contracts):

- Represents the estimated change in expected losses due to changes in transaction performance, discount rates, loss mitigation and other factors. Economic loss development excludes the effects of deferred premium revenue. The effect of changes in discount rates that is included in total economic loss development is not indicative of credit impairment or improvement.

Loss and LAE reported on the Consolidated Statement of Operations:

- Represents loss and loss adjustment expenses (LAE) for contracts accounted for as financial guaranty insurance ONLY
 - GAAP accounting model generally recognizes loss and LAE in the income statement only to the extent and for the amount that such losses exceed deferred premium revenue on a transaction by transaction basis.

Non-GAAP operating loss and LAE:

- Comprises:
 - Loss and LAE described above, and
 - Losses attributable to credit derivatives

(\$ in millions)	4Q-18	4Q-17	YE 2018	YE 2017
Loss and LAE	\$21	\$34	\$64	\$388
Non-GAAP operating loss and LAE for credit derivatives	\$(6)	\$18	\$(9)	\$43
Loss attributed to FG VIEs included above	\$3	\$(2)	\$3	\$(7)

Portfolio Overview

December 31, 2018



Four Discrete Operating Companies with Separate Capital Bases



Consolidated Statutory-Basis Claims-Paying Resources and Exposures

(\$ in millions)	As of December 31, 2018					
	AGM	AGC	MAC	AG Re ^a	Eliminations ³	Consolidated
Claims-paying resources						
Policyholders' surplus	\$2,533	\$1,793	\$321	\$986	(\$485)	\$5,148
Contingency reserve ¹	1,034	629	200	-	(200)	1,663
Qualified statutory capital	3,567	2,422	521	986	(685)	6,811
UPR and net deferred ceding commission income ¹	1,873	484	195	706	(308)	2,950
Loss and loss adjustment expense reserves ¹	518	236	-	269	-	1,023
Total policyholders' surplus and reserves	5,958	3,142	716	1,961	(993)	10,784
Present value of installment premium ¹	178	137	(1)	136	1	451
Committed Capital Securities	200	200	-	-	-	400
Excess of loss reinsurance facility ²	180	180	180	-	(360)	180
Total claims-paying resources						
(including MAC adjustment for AGM and AGC)	\$6,516	\$3,659	\$895	\$2,097	(\$1,352)	\$11,815
Adjustment for MAC ⁴	434	281	-	-	(715)	-
Total claims-paying resources						
(excluding MAC adjustment for AGM and AGC)	\$6,082	\$3,378	\$895	\$2,097	(\$637)	\$11,815
 Statutory net par outstanding ⁵	\$115,555	\$26,263	\$23,621	\$66,549	(\$343)	\$231,645
Equity method adjustment ⁴	14,338	9,283	-	-	(23,621)	-
Adjusted statutory net par outstanding ¹	\$129,893	\$35,546	\$23,621	\$66,549	(\$23,964)	\$231,645
 Net debt service outstanding ⁵	\$183,075	\$39,473	\$34,962	\$103,446	(\$476)	\$360,480
Equity method adjustment ⁴	21,222	13,740	-	-	(34,962)	-
Adjusted net debt service outstanding ¹	\$204,297	\$53,213	\$34,962	\$103,446	(\$35,438)	\$360,480
 Ratios:						
Adjusted net par outstanding to qualified statutory capital	36:1	15:1	45:1	67:1		34:1
Capital ratio ⁶	57:1	22:1	67:1	105:1		53:1
Financial resources ratio ⁷	31:1	15:1	39:1	49:1		31:1
 Admitted Assets (statutory basis)	\$5,512	\$3,081	\$736			
Total Liabilities (statutory basis)	2,979	1,289	415			
Contingency Reserves (statutory basis)	913	550	200			
Surplus to Policyholders (statutory basis)	2,533	1,793	321			

- 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 subsidiary. 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.
- 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.
- 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 of intercompany deferred ceding commissions. 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.
- Represents adjustments for AGM's and AGC's interest and indirect ownership of MAC.
- Net par outstanding and net debt service outstanding are presented on a statutory basis.
- The capital ratio is calculated by dividing adjusted net debt service outstanding by qualified statutory capital.
- 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).
- 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.

Net Par Outstanding By Sector

- **Assured Guaranty's insured portfolio is largely concentrated in U.S. public finance**

- 77% U.S. public finance
- 18% Non-U.S. public finance
- 4% U.S. structured finance
- <1% Non-U.S. structured finance

- **Our insured portfolio has an A- average internal credit rating**

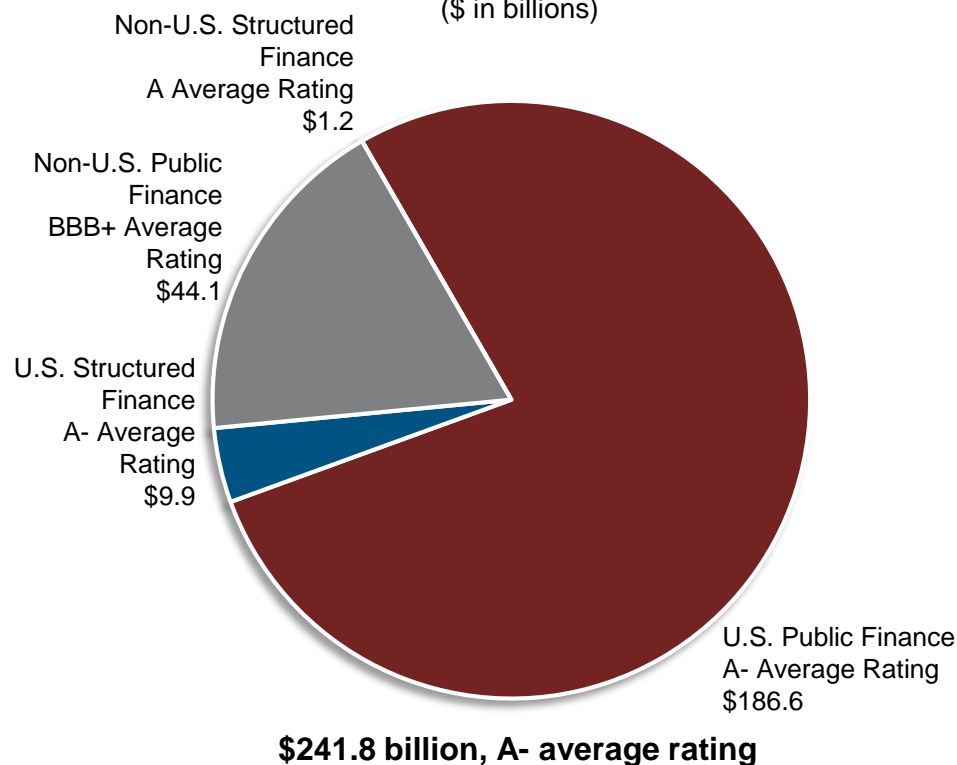
- 4.2% below investment grade

- **U.S. public finance is the sector with the largest BIG exposure**

- \$6.4 billion of U.S. public finance par exposure is BIG (63% of our total BIG)
- Out of this \$6.4 billion, \$4.8 billion of net par exposure relates to Puerto Rico

Consolidated Net Par Outstanding

As of December 31, 2018
(\$ in billions)

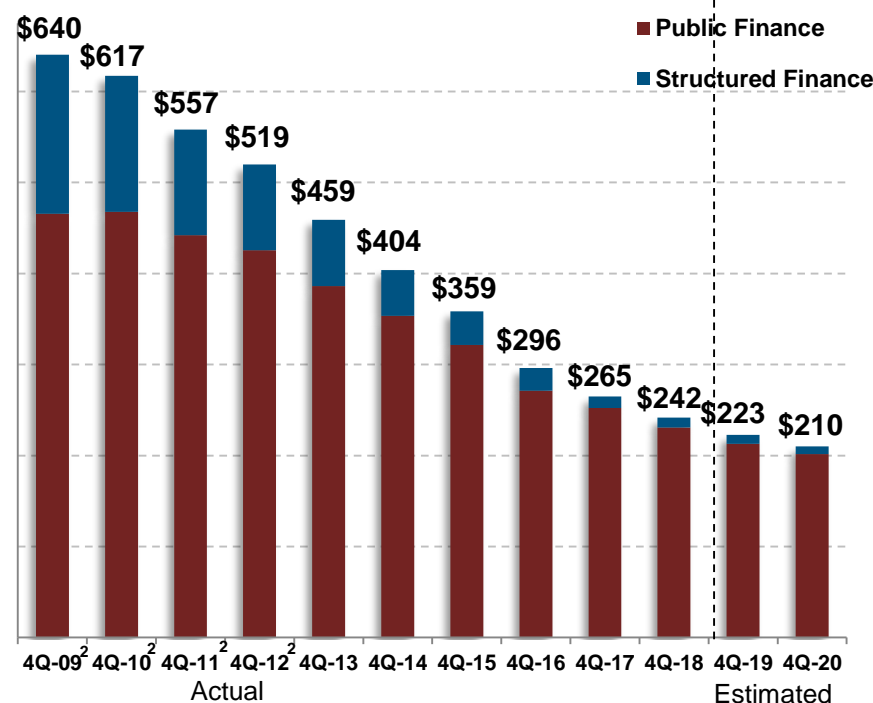


Net Par Outstanding Amortization

- **Amortization of the existing portfolio reduces rating agency capital charges, but also embedded future earned premiums**
 - Currently, the existing portfolio consists of \$231 billion of public finance and \$11 billion of structured finance
 - The existing portfolio will amortize by 8% by the end of 2019; 13% by the end of 2020; 24% by the end of 2022
- **New direct or assumed business originations, reassumptions and acquisitions will increase future premiums**

Consolidated Net Par Outstanding Amortization¹

As of December 31, 2018
(\$ in billions)



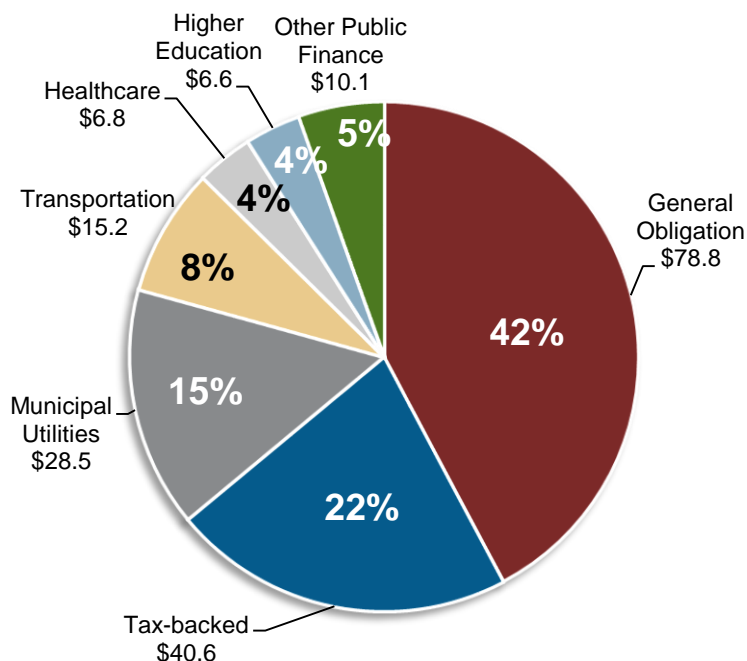
1. Represents the future expected amortization of existing net par outstanding as of December 31, 2018. Actual amortization of the existing portfolio will differ from the expected shown here because, for example, (1) some obligors may call, prepay or defease guaranteed obligations (e.g., in the context of U.S. public finance refundings), and (2) the expected amortization of structured finance transactions is based in part on management's assumptions regarding the performance of the underlying assets while the actual performance of those assets may differ from management's assumptions. Actual amortization of the U.S. public and global infrastructure finance portfolio and the structured finance portfolio may be faster or slower than expected by management, both portfolios may differ in the same direction and one portfolio may amortize more quickly while the other may amortize more slowly.
2. Gross of wrapped bond purchases made primarily for loss mitigation.

U.S. Public Finance

Net Par Outstanding

U.S. Public Finance

As of December 31, 2018
(\$ in billions)



\$186.6 billion, A- average rating

- **U.S. public finance net par outstanding is \$186.6 billion and makes up 77% of our total insured portfolio as of December 31, 2018**
- **U.S. public finance portfolio generally performed well during the recession and in subsequent years, despite persistent financial pressures on municipal obligors**
 - Our portfolio is well-diversified with approximately 7,000 direct U.S. public finance obligors. We expect future losses to be paid, net of recoveries, on less than ten exposures¹.
 - We have proactively managed those exposures that have experienced credit deterioration and payment default, like Detroit, Harrisburg and Stockton, with relatively small expected losses in most cases.
 - Our Puerto Rico exposure represents our largest below investment grade U.S. public finance exposure, with comparably higher expected losses.
- **General obligation, tax-backed and municipal utilities represent 79% of U.S. public finance net par outstanding**
 - 61% of total net par outstanding

1. Includes Puerto Rico exposures discussed on the following pages.

Public Finance

Puerto Rico Exposure



Par Exposure to the Commonwealth and its Agencies¹

As of December 31, 2018

(\$ in millions)		Net Par Outstanding	Gross Par Outstanding
Commonwealth Constitutionally Guaranteed	Commonwealth of Puerto Rico - General Obligation Bonds ^{2,3}	\$1,340	\$1,383
	Puerto Rico Public Buildings Authority (PBA)	142	148
	Subtotal	\$1,482	\$1,531
Public Corporations – Certain Revenues Potentially Subject to Clawback	Puerto Rico Highways and Transportation Authority (PRHTA) (Transportation Revenue Bonds) ³	\$844	\$874
	Puerto Rico Highways and Transportation Authority (PRHTA) (Highways Revenue Bonds) ³	475	536
	Puerto Rico Convention Center District Authority (PRCCDA)	152	152
	Puerto Rico Infrastructure Financing Agency (PRIFA)	16	16
	Subtotal	\$1,487	\$1,578
Other Public Corporations	Puerto Rico Electric Power Authority (PREPA) ³	848	866
	Puerto Rico Aqueduct and Sewer Authority (PRASA) ⁴	373	373
	Puerto Rico Municipal Finance Agency (MFA) ⁴	303	349
	Puerto Rico Sales Tax Finance Corp. (COFINA) ⁵	273	273
	University of Puerto Rico (U of PR) ⁴	1	1
	Subtotal	\$1,798	\$1,862
Total		\$4,767	\$4,971

1. The general obligation bonds of Puerto Rico and various obligations of its related authorities and public corporations are rated BIG.
2. Includes exposure to Capital Appreciation Bonds with a current aggregate net par outstanding of \$2 million and fully accreted net par at maturity of \$3 million.
3. As of the date of the Company's 2018 10-K 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 the Company's 2018 10-K filing, the Company has **not** paid claims on these credits.
5. As of the date of this filing, a plan of adjustment under PROMESA is effective for this credit.

Scheduled Net Par Amortization of Exposure to the Commonwealth and its Agencies

As of December 31, 2018

(\$ in millions)	1Q 2019	2Q 2019	3Q 2019	4Q 2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029- 2033	2034- 2038	2039- 2043	2044- 2047	Total
Commonwealth – GO ¹	\$-	\$-	\$87	\$-	\$141	\$15	\$37	\$14	\$73	\$68	\$34	\$90	\$33	\$341	\$407	\$-	\$-	\$1,340
PBA	-	-	3	-	5	13	-	7	-	7	11	40	-	36	20	-	-	142
Subtotal	\$-	\$-	\$90	\$-	\$146	\$28	\$37	\$21	\$73	\$75	\$45	\$130	\$33	\$377	\$427	\$-	\$-	\$1,482
PRHTA (Transportation Revenue)	\$-	\$-	\$32	\$-	\$25	\$18	\$28	\$33	\$4	\$29	\$24	\$29	\$34	\$127	\$296	\$165	\$-	\$844
PRHTA (Highways Revenue)	-	-	21	-	22	35	6	32	33	34	1	-	9	145	137	-	-	475
PRCCDA	-	-	-	-	-	-	-	-	-	-	-	19	-	50	83	-	-	152
PRIFA	-	-	-	-	-	-	-	2	-	-	-	-	-	-	3	11	-	16
Subtotal	\$-	\$-	\$53	\$-	\$47	\$53	\$34	\$67	\$37	\$63	\$25	\$48	\$43	\$322	\$519	\$176	\$-	\$1,487
PREPA	\$-	\$-	\$26	\$-	\$48	\$28	\$28	\$95	\$93	\$68	\$106	\$105	\$68	\$174	\$9	\$-	\$-	\$848
PRASA	-	-	-	-	-	-	-	-	2	25	26	28	29	-	2	-	261	373
MFA	-	-	55	-	45	40	40	22	17	17	34	12	11	10	-	-	-	303
COFINA	-	-	-	-	(1)	(2)	(2)	1	-	(2)	(2)	(2)	(2)	20	11	254	-	273
U of PR	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-	-	-	1
Subtotal	\$-	\$-	\$81	\$-	\$92	\$66	\$66	\$118	\$112	\$108	\$164	\$143	\$106	\$205	\$22	\$254	\$261	\$1,798
Total	\$-	\$-	\$224	\$-	\$285	\$147	\$137	\$206	\$222	\$246	\$234	\$321	\$182	\$904	\$968	\$430	\$261	\$4,767

1. Includes exposure to Capital Appreciation Bonds with a current aggregate net par outstanding of \$2 million and fully accreted net par at maturity of \$3 million.

Scheduled Net Debt Service Amortization of Exposure to the Commonwealth and its Agencies

As of December 31, 2018

(\$ in millions)	1Q 2019	2Q 2019	3Q 2019	4Q 2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029- 2033	2034- 2038	2039- 2043	2044- 2047	Total
Commonwealth – GO ¹	\$35	\$-	\$121	\$-	\$206	\$74	\$94	\$71	\$128	\$119	\$82	\$136	\$73	\$512	\$457	\$-	\$-	\$2,108
PBA	3	-	7	-	12	20	6	13	6	13	17	44	4	51	23	-	-	219
Subtotal	\$38	\$-	\$128	\$-	\$218	\$94	\$100	\$84	\$134	\$131	\$99	\$180	\$77	\$563	\$480	\$-	\$-	\$2,327
PRHTA (Transportation Revenue)	\$22	\$-	\$54	\$-	\$67	\$59	\$68	\$72	\$41	\$66	\$59	\$63	\$66	\$262	\$374	\$180	\$-	\$1,453
PRHTA (Highways Revenue)	13	-	34	-	46	58	27	52	51	51	17	15	25	208	152	-	-	749
PRCCDA	3	-	4	-	7	7	7	7	7	7	7	26	6	78	91	-	-	257
PRIFA	-	-	-	-	1	1	1	2	1	1	1	1	1	3	7	12	-	32
Subtotal	\$38	\$-	\$92	\$-	\$121	\$125	\$103	\$133	\$100	\$125	\$84	\$105	\$98	\$551	\$624	\$192	\$-	\$2,491
PREPA	\$17	\$3	\$43	\$3	\$87	\$63	\$62	\$128	\$121	\$91	\$126	\$122	\$80	\$198	\$10	\$-	\$-	\$1,154
PRASA	10	-	10	-	19	19	19	19	21	44	44	44	44	68	70	68	300	799
MFA	8	-	62	-	58	50	48	28	23	21	37	14	11	11	-	-	-	371
COFINA	6	-	6	-	13	13	13	16	15	12	13	13	13	95	76	296	-	600
U of PR	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-	-	-	1
Subtotal	\$41	\$3	\$121	\$3	\$177	\$145	\$142	\$191	\$180	\$169	\$220	\$193	\$148	\$373	\$156	\$364	\$300	\$2,925
Total	\$117	\$3	\$341	\$3	\$516	\$364	\$345	\$408	\$414	\$425	\$403	\$478	\$323	\$1,487	\$1,260	\$556	\$300	\$7,743

1. Includes exposure to Capital Appreciation Bonds with a current aggregate net par outstanding of \$2 million and fully accreted net par at maturity of \$3 million.

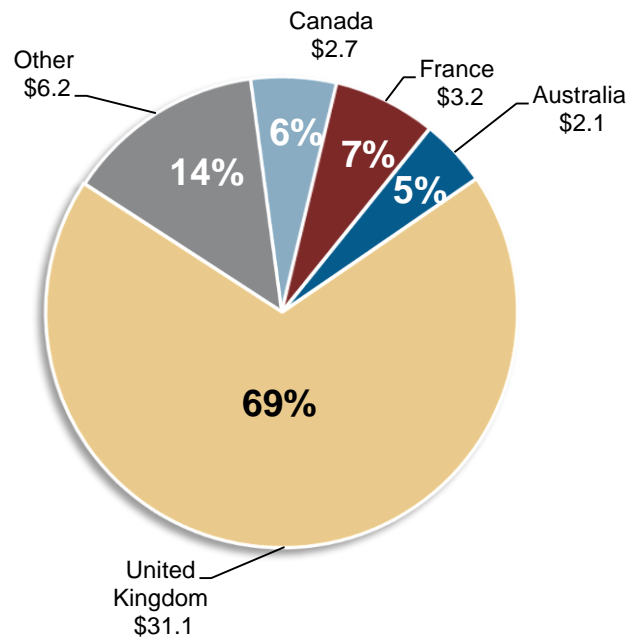
Consolidated Non-U.S. Exposure

Non-U.S. Public and Structured Finance



Non-U.S. Exposure

As of December 31, 2018
(\$ in billions)



\$45.3 billion, BBB+ average rating

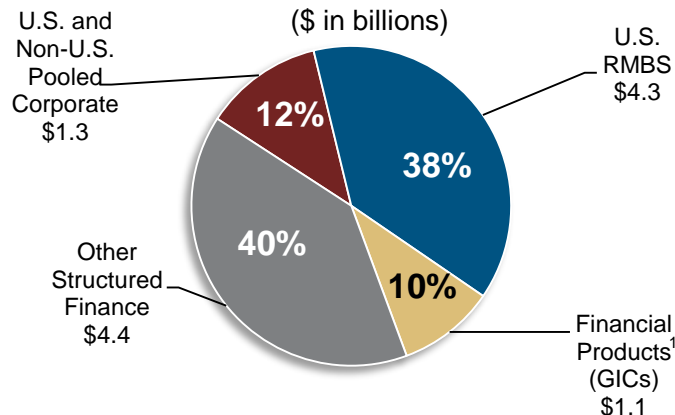
- **97% of non-U.S. exposure is Public Finance**
 - Direct sovereign debt is limited to Poland (\$282 million outstanding)
- **3% of non-U.S. exposure is Structured Finance**

Structured Finance Exposures

Net Par Outstanding

By Type

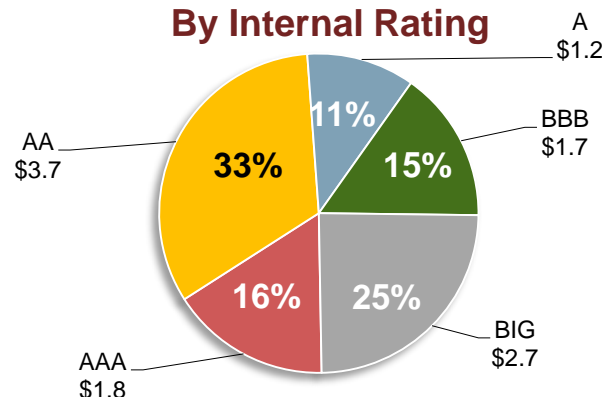
As of December 31, 2018
(\$ in billions)



- Assured Guaranty's total structured finance exposure of \$240.9 billion at December 31, 2007 has declined by \$229.8 billion to \$11.1 billion through December 31, 2018, a 95% reduction
 - The portfolio will amortize by 14% by the end of 2019; 25% by the end of 2020; 46% by the end of 2022

\$11.1 billion, A- average rating

By Internal Rating



1. Assured Guaranty did not acquire Financial Security Assurance Holdings Ltd.'s financial products segment. Assured Guaranty and its subsidiaries are indemnified against exposure to such segment by Dexia. As of December 31, 2018, the aggregate fair market value of the assets supporting the GIC business (disregarding the agreed upon reductions) plus cash and positive derivative value exceeded by nearly \$0.8 billion the aggregate principal amount of all outstanding GICs and certain other business and hedging costs of the GIC business. Even after applying the agreed upon reductions to the fair market value of the assets, the aggregate value of the assets supporting the GIC business plus cash and positive derivative value exceeded the aggregate principal amount of all outstanding GICs and certain other business and hedging costs of the GIC business.

Consolidated U.S. RMBS

- **Our \$4.3 billion U.S. RMBS portfolio is amortizing both on a dollar basis and as a percentage of the portfolio**

- Total U.S. RMBS has declined from \$29.2 billion at December 31, 2009 to \$4.3 billion at December 31, 2018, a \$24.9 billion or 85% reduction
- U.S. RMBS expected to be reduced by 17% by year-end 2019 and by 52% by year-end 2022
- As of December 31, 2018, U.S. RMBS exposure excludes \$1.1 billion of net par related to loss mitigation strategies, including loss mitigation securities held in the investment portfolio

- **Our loss reserving methodology is driven by our assumptions on several factors:**

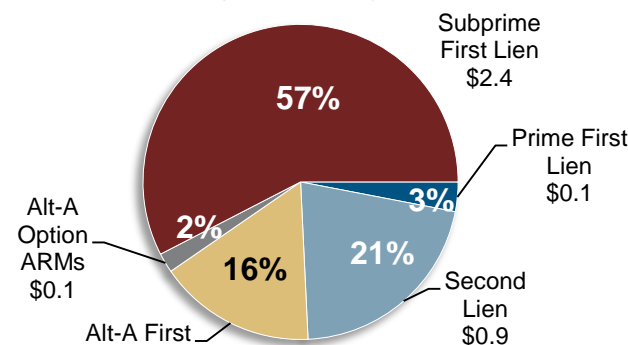
- Liquidation rates
- Conditional default rates
- Conditional prepayment rates
- Loss severity

- **We have significantly mitigated ultimate losses**

- R&W putbacks, litigation and agreements
- Wrapped bond purchases
- Termination of insurance on BIG credits

U.S. RMBS by Exposure Type¹

As of December 31, 2018
(\$ in billions)

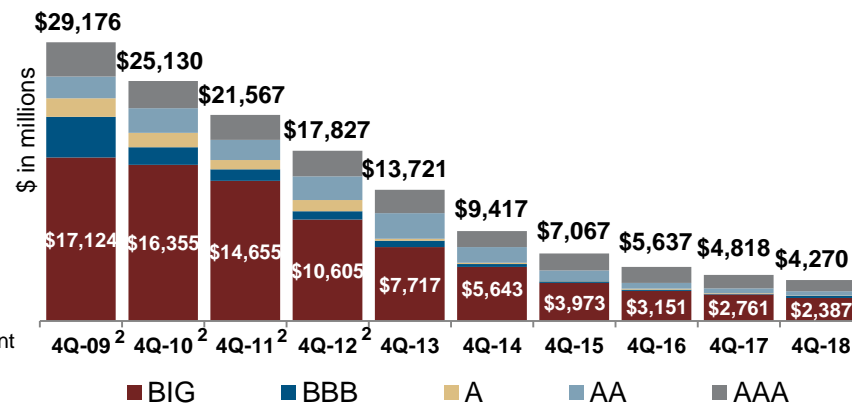


\$4.3 billion

(1.8% of total net par outstanding)

U.S. RMBS by Rating

Net Par Outstanding from December 31, 2009 to December 31, 2018



1. The Company has reclassified certain net par outstanding from below investment grade to investment grade due to collateralized reinsurance arrangements.

2. Gross of wrapped bond purchases made primarily for loss mitigation

Below Investment Grade Exposures

Net Par Outstanding by BIG Category¹

Financial Guaranty Insurance and Credit Derivatives Surveillance Categories

- As of December 31, 2018, approximately \$3.1 billion (30%) of the aggregate BIG exposure was Category 1, which are transactions that show sufficient deterioration to make future losses possible but for which none are currently expected

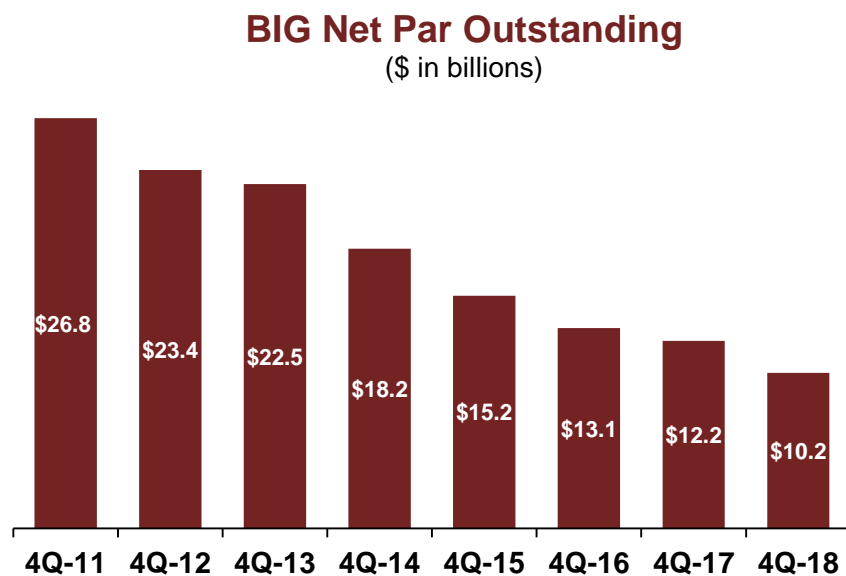
(\$ millions)	December 31, 2018	December 31, 2017
Category 1		
U.S. public finance	\$1,767	\$2,368
Non-U.S. public finance	796	1,455
U.S. structured finance	397	603
Non-U.S. structured finance	98	102
Total Category 1	\$3,058	\$4,528
Category 2		
U.S. public finance	\$399	\$663
Non-U.S. public finance	245	276
U.S. structured finance	293	418
Non-U.S. structured finance	-	4
Total Category 2	\$937	\$1,361
Category 3		
U.S. public finance	\$4,222	\$4,109
Non-U.S. public finance	-	-
U.S. structured finance	1,942	2,240
Non-U.S. structured finance	1	-
Total Category 3	\$6,165	\$6,349
BIG Total	\$10,160	\$12,238

1. Assured Guaranty's surveillance department is responsible for monitoring our 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.

BIG Exposure Decline

- Since 4Q-11, BIG net par outstanding has declined by \$16.6 billion
- The reassumption of American Overseas and Syncora increased BIG net par outstanding by approximately \$32 million and \$336 million respectively in 2018
- The largest components of our BIG exposure are Puerto Rico at 47% and U.S. RMBS at 23%

Changes in BIG Net Par Outstanding



(\$ in millions)	Full Year 2015	Full Year 2016	Full Year 2017	Full Year 2018
Beginning BIG par	\$18,247	\$15,183	\$13,074	\$12,238
Amortization / Claim Payments	(1,801)	(1,901)	(1,986)	(968)
Acquisitions / Reinsurance Agreements	3,060	158	1,491	368
FX Change	(153)	(42)	217	(53)
Terminations	(1,951)	(600)	(326)	(88)
Removals / Upgrades	(2,983)	(505)	(809)	(1,791)
Additions / Downgrades	1,174	1,024	645	524
Bond Purchases	(411)	(242)	(68)	(70)
Total Decrease / Increase	(3,065)	(2,108)	(836)	(2,078)
Ending BIG par	\$15,183	\$13,074	\$12,238	\$10,160

BIG Exposures > \$250 Million

(dollars in millions)



BIG Exposures Greater Than \$250 Million as of December 31, 2018

<u>Type¹</u>	<u>Name or Description</u>	<u>Net Par Outstanding</u>	<u>Internal Rating²</u>
PF	Puerto Rico General Obligation, Appropriations and Guarantees of the Commonwealth	\$1,498	CCC
PF	Puerto Rico Highways and Transportation Authority	1,319	CCC
PF	Puerto Rico Electric Power Authority	848	CCC
PF	Puerto Rico Aqueduct & Sewer Authority	373	CCC
PF	Valencia Fair	316	BB-
PF	Puerto Rico Municipal Finance Agency	303	CCC
PF	Puerto Rico Sales Tax Financing Corporation	273	CCC
	Total	\$4,930	

1. "PF" signifies a public finance transaction and "SF" signifies a structured finance transaction, if applicable.

2. Transactions below B- are categorized as CCC

A photograph of three construction workers wearing white hard hats and safety gear, working on a large-scale construction project. They are standing on a dense grid of steel reinforcement bars (rebar) that has been laid out on a wooden formwork structure. The workers are focused on their task, with one worker in the foreground pointing towards the rebar. The background shows more of the construction site, including additional rebar and wooden forms, suggesting a large concrete foundation or floor slab is being prepared.

Appendix

Appendix

Explanation of 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.

Appendix

Explanation of Non-GAAP Financial Measures



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.
- 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.

Appendix

Explanation of Non-GAAP Financial Measures (Cont'd)



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

- 1) Elimination of deferred acquisition costs, net. These amounts represent net deferred expenses that have already been paid or accrued and will be expensed in future accounting periods.
- 2) Addition of the net present value of estimated net future revenue. See below.
- 3) Addition of the deferred premium revenue on financial guaranty contracts in excess of expected loss to be expensed, net of reinsurance. This amount represents the expected future net earned premiums, net of expected losses to be expensed, which are not reflected in GAAP equity.
- 4) Elimination of the tax effects related to the above adjustments, which are determined by applying the statutory tax rate in each of the jurisdictions that generate these adjustments.

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

Non-GAAP Operating Return on Equity (Non-GAAP Operating ROE): Non-GAAP Operating ROE represents non-GAAP operating income for a specified period divided by the average of non-GAAP operating shareholders' equity at the beginning and the end of that period. Management believes that non-GAAP operating ROE is a useful measure to evaluate the Company's return on invested capital. Many investors, analysts and members of the financial news media use non-GAAP operating ROE, adjusted for FG VIE consolidation, to evaluate AGL's share price and as the basis of their decision to recommend, buy or sell the AGL common shares. Quarterly and year-to-date non-GAAP operating ROE are calculated on an annualized basis. Non-GAAP operating ROE, adjusted for FG VIE consolidation, is one of the key management financial measures used in determining the amount of certain long-term compensation to management and employees and used by rating agencies and investors.

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

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

Appendix

Reconciliation of Gross Written Premiums (GWP) to PVP

Reconciliation of GWP to PVP

(dollars in millions)

	Three Months Ended December 31,		Year Ended December 31,				
	2018	2017	2018	2017	2016	2015	2014
Total GWP	\$96	\$72	\$612	\$307	\$154	\$181	\$104
Less: Installment GWP and other GAAP adjustments ¹	27	9	119	99	(10)	55	(22)
Upfront GWP	69	63	493	208	164	126	126
Plus: Installment premium PVP	27	14	170	81	50	53	42
Total PVP	<u>\$96</u>	<u>\$77</u>	<u>\$663</u>	<u>\$289</u>	<u>\$214</u>	<u>\$179</u>	<u>\$168</u>

PVP:

	2018	2017	2018	2017	2016	2015	2014
Public Finance - U.S.	\$89	\$59	\$391	\$196	\$161	\$124	\$128
Public Finance - non-U.S.	3	8	94	66	25	27	7
Structured Finance - U.S.	1	7	166	12	27	22	24
Structured Finance - non-U.S.	3	3	12	15	1	6	9
Total PVP	<u>\$96</u>	<u>\$77</u>	<u>\$663</u>	<u>\$289</u>	<u>\$214</u>	<u>\$179</u>	<u>\$168</u>

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

Appendix

Reconciliation of Net Income (Loss) to Non-GAAP Operating Income¹



Non-GAAP Operating Income Reconciliation

(dollars in millions, except per share amounts)

	Three Months Ended December 31,				Year Ended December 31,			
	2018		2017		2018		2017	
	Total	Per Diluted Share	Total	Per Diluted Share	Total	Per Diluted Share	Total	Per Diluted Share
Net income (loss)	\$88	\$0.83	\$52	\$0.44	\$521	\$4.68	\$730	\$5.96
Less pre-tax adjustments:								
Realized gains (losses) on investments	(18)	(0.17)	(14)	(0.12)	(32)	(0.29)	40	0.33
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	10	0.09	(17)	(0.14)	101	0.90	43	0.35
Fair value gains (losses) on CCS	17	0.16	2	0.01	14	0.13	(2)	(0.02)
Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves	(12)	(0.11)	8	0.07	(32)	(0.29)	57	0.46
Total pre-tax adjustments	(3)	(0.03)	(21)	(0.18)	51	0.45	138	1.12
Less tax effect on pre-tax adjustments	(1)	(0.01)	(18)	(0.15)	(12)	(0.11)	(69)	(0.57)
Non-GAAP Operating income	<u>\$92</u>	<u>\$0.87</u>	<u>\$91</u>	<u>\$0.77</u>	<u>\$482</u>	<u>\$4.34</u>	<u>\$661</u>	<u>\$5.41</u>
Gain (loss) related to FG VIE consolidation included in non-GAAP operating income	<u>(\$3)</u>	<u>(\$0.02)</u>	<u>\$2</u>	<u>\$0.02</u>	<u>\$(4)</u>	<u>\$(0.03)</u>	<u>\$11</u>	<u>\$0.10</u>

1. For an explanation of operating income, a non-GAAP financial measure, please refer to the preceding pages of the Appendix.

Appendix

Reconciliation of Net Income (Loss) to Non-GAAP Operating Income¹ (2004-2017)



Non-GAAP Operating income reconciliation (dollars in millions, except per share amounts)	Year Ended December 31,													
	2017		2016		2015		2014		2013		2012		2011	
	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share
Net income (loss) attributable to AGL	\$730	\$5.96	\$881	\$6.56	\$1,056	\$7.08	\$1,088	\$6.26	\$808	\$4.30	\$110	\$0.57	\$773	\$4.16
Less pre-tax adjustments:														
Realized gains (losses) on investments	40	0.33	(30)	(0.23)	(27)	(0.18)	(56)	(0.32)	56	0.30	(3)	(0.02)	(18)	(0.10)
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	43	0.35	36	0.27	505	3.39	687	3.95	(49)	(0.26)	(672)	(3.53)	344	1.85
Fair value gains (losses) on committed capital securities (CCS)	(2)	(0.02)	0	0.00	27	0.18	(11)	(0.06)	10	0.05	(18)	(0.09)	35	0.19
Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and loss adjustment expense (LAE) reserves	57	0.46	(33)	(0.25)	(15)	(0.10)	(21)	(0.12)	(1)	(0.01)	21	0.11	(5)	(0.03)
Total pre-tax adjustments	138	1.12	(27)	(0.21)	490	3.29	599	3.45	16	0.08	(672)	(3.53)	356	1.91
Less tax effect on pre-tax adjustments	(69)	(0.57)	13	0.09	(144)	(0.97)	(158)	(0.92)	(9)	(0.06)	188	1.00	(104)	(0.56)
Non-GAAP Operating income	\$661	\$5.41	\$895	\$6.68	\$710	\$4.76	\$647	\$3.73	\$801	\$4.28	\$594	\$3.10	\$521	\$2.81
Gain (loss) related to FG VIE consolidation included in non-GAAP operating income	\$11	\$0.10	\$12	\$0.10	\$11	\$0.07	\$156	\$0.90	\$192	\$1.03	\$59	\$0.29	(\$80)	(\$0.43)

1. For an explanation of operating income, a non-GAAP financial measure, please refer to the preceding pages of the Appendix.

Appendix

Reconciliation of Shareholders' Equity to Non-GAAP Adjusted Book Value¹



Non-GAAP Adjusted book value reconciliation

(dollars in millions, except per share amounts)

Reconciliation of shareholders' equity to non-GAAP adjusted book value:

Shareholders' equity

Less pre-tax adjustments:

Non-credit impairment unrealized fair value gains (losses) on credit derivatives

Fair value gains (losses) on CCS

Unrealized gain (loss) on investment portfolio excluding foreign

exchange effect

Less Taxes

Non-GAAP operating shareholders' equity

Pre-tax adjustments:

Less: Deferred acquisition costs

Plus: Net present value of estimated net future revenue

Plus: Net unearned premium reserve on financial guaranty contracts

in excess of expected loss to be expensed

Plus Taxes

Non-GAAP Adjusted book value

	December 31, 2018		September 30, 2018		As of December 31, 2017		September 30, 2017		December 31, 2016	
	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share
Shareholders' equity	\$6,555	\$63.23	\$6,583	\$61.73	\$6,839	\$58.95	\$6,878	\$58.32	\$6,504	\$50.82
Less pre-tax adjustments:										
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(45)	(0.44)	(55)	(0.51)	(146)	(1.26)	(129)	(1.09)	(189)	(1.48)
Fair value gains (losses) on CCS	74	0.72	57	0.53	60	0.52	58	0.49	62	0.48
Unrealized gain (loss) on investment portfolio excluding foreign exchange effect	247	2.39	215	2.02	487	4.20	506	4.29	316	2.47
Less Taxes	(63)	(0.61)	(54)	(0.51)	(83)	(0.71)	(147)	(1.24)	(71)	(0.54)
Non-GAAP operating shareholders' equity	6,342	61.17	6,420	60.20	6,521	56.20	6,590	55.87	6,386	49.89
Pre-tax adjustments:										
Less: Deferred acquisition costs	105	1.01	103	0.97	101	0.87	106	0.89	106	0.83
Plus: Net present value of estimated net future revenue	204	1.96	211	1.99	146	1.26	144	1.22	136	1.07
Plus: Net unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed	3,005	28.98	3,012	28.24	2,966	25.56	3,091	26.21	2,922	22.83
Plus Taxes	(524)	(5.04)	(528)	(4.95)	(512)	(4.41)	(899)	(7.63)	(832)	(6.50)
Non-GAAP Adjusted book value	<u>\$8,922</u>	<u>\$86.06</u>	<u>\$9,012</u>	<u>\$84.51</u>	<u>\$9,020</u>	<u>\$77.74</u>	<u>\$8,820</u>	<u>\$74.78</u>	<u>\$8,506</u>	<u>\$66.46</u>
Gain (loss) related to FG VIE consolidation included in non-GAAP operating shareholders' equity	<u>\$3</u>	<u>\$0.03</u>	<u>\$3</u>	<u>\$0.03</u>	<u>\$5</u>	<u>\$0.03</u>	<u>3</u>	<u>0.01</u>	<u>(\$7)</u>	<u>(\$0.06)</u>
Gain (loss) related to FG VIE consolidation included in non-GAAP adjusted book value	<u>(\$15)</u>	<u>(\$0.15)</u>	<u>(\$14)</u>	<u>(\$0.14)</u>	<u>(\$14)</u>	<u>(\$0.12)</u>	<u>(13)</u>	<u>(0.11)</u>	<u>(\$24)</u>	<u>(\$0.18)</u>

1. For an explanation of adjusted book value, a non-GAAP financial measure, please refer to the preceding pages of the Appendix.

Appendix

Reconciliation of Shareholders' Equity to Non-GAAP Adjusted Book Value¹ (2004-2010)



Non-GAAP Adjusted book value reconciliation

(dollars in millions, except per share amounts)

	2Q 2004		2004		2005		2006		2007		2008		2009		2010	
	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share
Reconciliation of shareholders' equity to non-GAAP adjusted book value:																
Shareholders' equity	\$1,422	\$18.73	\$1,528	\$20.19	\$1,662	\$22.22	\$1,651	\$24.44	\$1,625	\$20.33	\$1,876	\$20.62	\$3,455	\$18.76	\$3,670	\$19.97
Less pre-tax adjustments:																
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	13	0.17	44	0.58	40	0.54	46	0.68	(621)	(7.76)	(539)	(5.93)	(1,049)	(5.70)	(1,044)	(5.68)
Fair value gains (losses) on CCS	0	0.00	0	0.00	0	0.00	0	0.00	8	0.10	51	0.56	10	0.05	19	0.10
Unrealized gain (loss) on investment portfolio excluding foreign exchange effect	56	0.73	93	1.23	53	0.71	46	0.68	61	0.76	(7)	(0.08)	202	1.10	114	0.62
Less Taxes	(19)	(0.25)	(38)	(0.50)	(29)	(0.40)	(30)	(0.45)	148	1.86	102	1.13	216	1.17	262	1.42
Non-GAAP operating shareholders' equity	1,372	18.08	1,429	18.88	1,598	21.37	1,589	23.53	2,029	25.37	2,269	24.94	4,076	22.14	4,319	23.51
Pre-tax adjustments:																
Less: Deferred acquisition costs	183	2.41	186	2.46	193	2.58	217	3.21	201	2.51	216	2.37	162	0.88	145	0.79
Plus: Net present value of estimated net future credit derivative revenue	403	5.31	468	6.18	426	5.70	589	8.72	930	11.63	929	10.21	755	4.10	614	3.34
Plus: Net unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed	501	6.60	496	6.55	516	6.90	626	9.27	875	10.95	1,215	13.36	6,195	33.64	5,439	29.60
Plus Taxes	(232)	(3.07)	(234)	(3.09)	(138)	(1.85)	(179)	(2.65)	(283)	(3.54)	(379)	(4.17)	(1,977)	(10.74)	(1,677)	(9.12)
Non-GAAP Adjusted book value	<u>\$1,861</u>	<u>\$24.51</u>	<u>\$1,973</u>	<u>\$26.06</u>	<u>\$2,209</u>	<u>\$29.54</u>	<u>\$2,408</u>	<u>\$35.66</u>	<u>\$3,350</u>	<u>\$41.90</u>	<u>\$3,818</u>	<u>\$41.97</u>	<u>\$8,887</u>	<u>\$48.26</u>	<u>\$8,550</u>	<u>\$46.54</u>
Gain (loss) related to FG VIE consolidation included in non-GAAP operating shareholders' equity															<u>(\$372)</u>	<u>(\$2.02)</u>
Gain (loss) related to FG VIE consolidation included in non-GAAP adjusted book value															<u>(\$439)</u>	<u>(\$2.38)</u>

1. For an explanation of adjusted book value, a non-GAAP financial measure, please refer to the preceding pages of the Appendix.

Appendix

Reconciliation of Shareholders' Equity to Non-GAAP Adjusted Book Value¹ (2011-2017)



Non-GAAP Adjusted book value reconciliation

(dollars in millions, except per share amounts)

	2011		2012		2013		2014		2015		2016		2017	
	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share
Reconciliation of shareholders' equity to non-GAAP adjusted book value:														
Shareholders' equity	\$4,652	\$25.52	\$4,994	\$25.74	\$5,115	\$28.07	\$5,758	\$36.37	\$6,063	\$43.96	\$6,504	\$50.82	\$6,839	\$58.95
Less pre-tax adjustments:														
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(668)	(3.67)	(1,346)	(6.94)	(1,447)	(7.94)	(741)	(4.68)	(241)	(1.75)	(189)	(1.48)	(146)	(1.26)
Fair value gains (losses) on CCS	54	0.30	35	0.18	46	0.25	35	0.22	62	0.45	62	0.48	60	0.52
Unrealized gain (loss) on investment portfolio excluding foreign exchange effect	488	2.68	708	3.65	236	1.29	523	3.30	373	2.71	316	2.47	487	4.20
Less Taxes	21	0.11	150	0.77	306	1.68	45	0.29	(56)	(0.41)	(71)	(0.54)	(83)	(0.71)
Non-GAAP operating shareholders' equity	4,757	26.10	5,447	28.08	5,974	32.79	5,896	37.24	5,925	42.96	6,386	49.89	6,521	56.20
Pre-tax adjustments:														
Less: Deferred acquisition costs	132	0.73	116	0.60	124	0.68	121	0.76	114	0.83	106	0.83	101	0.87
Plus: Net present value of estimated net future credit derivative revenue	434	2.38	317	1.63	214	1.17	159	1.00	169	1.23	136	1.07	146	1.26
Plus: Net unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed	4,790	26.28	4,301	22.17	3,791	20.81	3,461	21.86	3,384	24.53	2,922	22.83	2,966	25.56
Plus Taxes	(1,426)	(7.81)	(1,250)	(6.44)	(1,070)	(5.87)	(960)	(6.07)	(968)	(7.02)	(832)	(6.50)	(512)	(4.41)
Non-GAAP Adjusted book value	<u>\$8,423</u>	<u>\$46.22</u>	<u>\$8,699</u>	<u>\$44.84</u>	<u>\$8,785</u>	<u>\$48.22</u>	<u>\$8,435</u>	<u>\$53.27</u>	<u>\$8,396</u>	<u>\$60.87</u>	<u>\$8,506</u>	<u>\$66.46</u>	<u>\$9,020</u>	<u>\$77.74</u>
Gain (loss) related to FG VIE consolidation included in non-GAAP operating shareholders' equity	<u>(\$444)</u>	<u>(\$2.44)</u>	<u>(\$383)</u>	<u>(\$1.97)</u>	<u>(\$190)</u>	<u>(\$1.04)</u>	<u>(\$37)</u>	<u>(\$0.24)</u>	<u>(\$21)</u>	<u>(\$0.15)</u>	<u>(\$7)</u>	<u>(\$0.06)</u>	<u>\$5</u>	<u>\$0.03</u>
Gain (loss) related to FG VIE consolidation included in non-GAAP adjusted book value	<u>(\$564)</u>	<u>(\$3.10)</u>	<u>(\$452)</u>	<u>(\$2.33)</u>	<u>(\$248)</u>	<u>(\$1.36)</u>	<u>(\$60)</u>	<u>(\$0.39)</u>	<u>(\$43)</u>	<u>(\$0.31)</u>	<u>(\$24)</u>	<u>(\$0.18)</u>	<u>(\$14)</u>	<u>(\$0.12)</u>

1. For an explanation of adjusted book value, a non-GAAP financial measure, please refer to the preceding pages of the Appendix.

Appendix

Calculation of Non-GAAP Operating Portfolio Leverage

Non-GAAP Operating Leverage

(dollars in millions, except
leverage)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Insured Net Par Outstanding	\$640,194	\$616,686	\$556,830	\$518,772	\$459,107	\$403,729	\$358,571	\$296,318	\$264,952	\$241,802	\$222,603	\$209,924	\$195,902	\$183,802
Operating Shareholders' Equity	4,076	4,319	4,757	5,447	5,974	5,896	5,925	6,386	6,521	6,342	6,342	6,342	6,342	6,342
Non-GAAP Operating Portfolio Leverage	<u>157</u>	<u>143</u>	<u>117</u>	<u>95</u>	<u>77</u>	<u>68</u>	<u>61</u>	<u>46</u>	<u>41</u>	<u>38</u>	<u>35</u>	<u>33</u>	<u>31</u>	<u>29</u>

1. See prior pages for a reconciliation of GAAP shareholders' equity to non-GAAP operating shareholders' equity.

Appendix

Reconciliation of GAAP ROE to Non-GAAP Operating ROE



ROE Reconciliation

(dollars in millions)

	Three Months Ended December 31,		Year Ended December 31,	
	2018	2017	2018	2017
Net income (loss)	\$88	\$52	\$521	\$730
Non-GAAP Operating income	92	91	482	661
Gain (loss) related to FG VIE consolidation included in non-GAAP operating income	(3)	2	(4)	11
Average shareholders' equity	\$6,569	\$6,859	\$6,697	\$6,672
Average non-GAAP operating shareholders' equity	6,381	6,556	6,432	6,454
Gain (loss) related to FG VIE consolidation included in average non-GAAP operating shareholders' equity	3	4	4	(1)
GAAP ROE¹	5.4%	3.0%	7.8%	10.9%
Non-GAAP Operating ROE ¹	5.8%	5.6%	7.5%	10.2%
Effect of Consolidating FG VIEs included in non-GAAP operating ROE	(0.2)%	0.2%	(0.1)%	0.1%

1. Quarterly ROE calculations represent annualized returns.

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Equity Investor Presentation

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