ASSURED GUARANTY LTD
Form DEF 14A
March 27, 2019
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of

the Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

Assured Guaranty Ltd.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

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

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

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DEAR SHAREHOLDERS: March 27, 2019

It is with great pleasure that we invite you to our 2019 Annual General Meeting of shareholders on Wednesday, May 8, 2019, at 6 Bevis Marks in London. Whether or not you plan to attend the meeting in person, please vote your shares; your vote is important to us.

Assured Guaranty s 2018 financial performance was excellent. Our shareholders equity per share, non-GAAP operating shareholder s equity per share and non-GAAP adjusted book value per share[1] all reached record levels, at $63.23, $61.17 and $86.06, respectively. These records reflect the great strides we continued to make on our four main strategies:

Growing our new business production. For 2018, our gross written premiums were at $612 million, while our premium production, a non-GAAP financial measure we use to measure our new business production and which we refer to as PVP[1], was at $663 million. Both of these measures were the highest reported in ten years. All three of our business markets again contributed to our premium production, as did our reinsurance transaction with Syncora Guarantee Inc., which we refer to as SGI. In that transaction, we assumed, generally on a 100% quota share basis, substantially all of SGI s insured portfolio and also reassumed a book of business previously ceded to SGI.

Managing capital efficiently. During 2018, we returned to our shareholders approximately $571 million through repurchases of our common shares and dividend payments. Over the last six years we have distributed approximately $3.1 billion to our shareholders through common share repurchases and dividends *14% more than our entire market capitalization* at December 31, 2012, just as we began our common share repurchase program. We also completed the combination of our European insurance subsidiaries, simplifying our capital structure, reducing our regulatory and financial reporting burden in Europe, and creating a surviving entity with significant capital.

Alternative strategies. In February 2018, we continued our growth into the asset management area by acquiring a minority interest in the holding company of Rubicon Investment Advisors, an investment banking firm active in the global infrastructure sector. On June 1, 2018, we closed our reinsurance transaction with SGI. We continue to look for asset management opportunities and for potential transactions with the remaining legacy bond insurers.

Proactive loss mitigation. In 2018, we achieved the resolution of the insured debt of our first major Puerto Rico credit, the Puerto Rico Sales Tax Financing Corporation (COFINA). That resolution was incorporated into the COFINA plan of adjustment approved by the U.S. District Court for the District of Puerto Rico in February 2019. We continue to negotiate with representatives of the Commonwealth of Puerto Rico with respect to other Puerto Rico credits, and will continue to assert our rights through litigation until the Commonwealth and its advisors respond with solutions that recognize creditors rights, the requirements of the federal Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA), and constitutional requirements of the United States and Puerto Rico.

The market rewarded us for our accomplishments with a nearly 15% total shareholder return for the year. We provide further detail about our 2018 accomplishments and our plans for the future in the Letter to Shareholders accompanying our 2018 Annual Report, which we encourage you to review.

Our Board of Directors responded to last year s say-on-pay vote by soliciting feedback from our shareholders and then making adjustments to our executive compensation program, effective this year. An explanation of those adjustments is included in the Proxy Statement that follows this letter, which we also encourage you to review.

We look forward to another successful year.

Sincerely,

Francisco L. Borges

Chairman of the Board

Dominic J. Frederico

President and Chief Executive Officer

[1] Non-GAAP operating shareholder s equity per share, non-GAAP adjusted book value per share, non-GAAP operating income and PVP are non-GAAP financial measures. An explanation of these measures, which are considered when setting executive compensation, and a reconciliation to the most comparable GAAP measures, may be found on pages 92 to 97 of our Annual Report on Form 10-K for the year ended December 31, 2018. In addition, please refer to the section entitled Forward Looking Statements following the cover of that Annual Report on Form 10-K.

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March 27, 2019

Assured Guaranty Ltd.

30 Woodbourne Avenue

Hamilton HM 08

Bermuda

NOTICE OF ANNUAL

GENERAL MEETING

TO THE SHAREHOLDERS OF ASSURED GUARANTY LTD.:

The Annual General Meeting of Assured Guaranty Ltd., which we refer to as AGL, will be held on Wednesday, May 8, 2019, at 8:00 a.m. London Time, at 6 Bevis Marks, London, EC3A 7BA, United Kingdom, for the following purposes:

1. **To elect our board of directors;**

2. **To approve, on an advisory basis, the compensation paid to AGL s named executive officers;**

3. **To approve our employee stock purchase plan, as amended through the third amendment; this will increase by 250,000 the number of common shares that our employees may purchase under this plan;**

4. **To appoint PricewaterhouseCoopers LLP as AGL s independent auditor for the fiscal year ending December 31, 2019, and to authorize the Board of Directors, acting through its Audit Committee, to set the fees for the independent auditor;**

5. **To direct AGL to vote for directors of, and the appointment of the independent auditor for, its subsidiary Assured Guaranty Re Ltd.; and**

6. **To transact such other business, if any, as lawfully may be brought before the meeting.**

Shareholders of record are being mailed a Notice Regarding the Availability of Proxy Materials on or around March 27, 2019, which provides them with instructions on how to access the proxy materials and our 2018 annual report on the Internet, and if they prefer, how to request paper copies of these materials.

Only shareholders of record, as shown by the transfer books of AGL, at the close of business on March 14, 2019, are entitled to notice of, and to vote at, the Annual General Meeting.

SHAREHOLDERS OF RECORD MAY VOTE UP UNTIL 12:00 NOON EASTERN DAYLIGHT TIME ON MAY 7, 2019. BENEFICIAL OWNERS MUST SUBMIT THEIR VOTING INSTRUCTIONS SO THAT THEIR BROKERS WILL BE ABLE TO VOTE BY 11:59 P.M. EASTERN DAYLIGHT TIME ON MAY 6, 2019.

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

By Order of the Board of Directors,

Ling Chow

Secretary

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PROXY STATEMENT

Assured Guaranty Ltd. March 27, 2019

SUMMARY

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

We intend to begin distribution of the Notice Regarding the Availability of Proxy Materials to shareholders on or about March 27, 2019.

ANNUAL GENERAL MEETING OF SHAREHOLDERS

Time and Date	8:00 a.m. London time, May 8, 2019
Place	6 Bevis Marks London, EC3A 7BA United Kingdom
Record Date	March 14, 2019
Voting	Shareholders as of the record date are entitled to vote. Each Common Share is entitled to one vote for each director nominee and one vote for each of the proposals to be voted on. Shareholders of record may vote up until 12:00 noon Eastern Daylight Time on May 7, 2019. Beneficial owners must submit their voting instructions so that their broker will be able to vote by 11:59 p.m. Eastern Daylight Time on May 6, 2019. In spite of deadlines, holders who attend the Annual General Meeting will be able to vote in person.

Agenda Item	Board Vote Recommendation	Page Reference (for More Detail)
Election of directors	For each director nominee	Page 12
Approval, on an advisory basis, of the compensation paid to AGL s named executive officers	For	Page 67
Approval of our employee stock purchase plan, as amended through the third amendment	For	Page 68
Appointment of PricewaterhouseCoopers as AGL s independent auditor for 2019 and authorization of the	For	Page 72

Board of Directors, acting through its Audit Committee, to set the fees for the independent auditor		
Direction of AGL to vote for directors of, and the appointment of the independent auditor of, AGL s subsidiary, Assured Guaranty Re Ltd.	For each director nominee and for the independent auditor	Page 74

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

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SUMMARY DIRECTOR INFORMATION

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

NOMINEE	AGE	DIRECTOR SINCE	PRINCIPAL OCCUPATION	COMMITTEES A	C	F	NG	RO	E
Francisco L. Borges	67	2007	Chairman, Landmark Partners, LLC				«		«
G. Lawrence Buhl	72	2004	Former Regional Director for Insurance Services, Ernst & Young LLP	«					
Dominic J. Frederico	66	2004	President and Chief Executive Officer, Assured Guaranty Ltd.						
Bonnie L. Howard	65	2012	Former Chief Auditor and Global Head of Control and Emerging Risk, Citigroup					«	
Thomas W. Jones	69	2015	Founder and Senior Partner of TWJ Capital, LLC						

Patrick W. Kenny	76	2004	Former President and Chief Executive Officer, International Insurance Society	«					
Alan J. Kreczko	67	2015	Former Executive Vice President and General Counsel of The Hartford Financial Services Group, Inc.						
Simon W. Leathes	71	2013	Former independent non-executive director of HSBC Bank plc						
Michael T. O Kane	73	2005	Former Senior Managing Director, Securities Division, TIAA CREF	«					
Yukiko Omura	63	2014	Former Undersecretary General and Vice President/COO, International Fund for Agricultural Development						
			2018 Meetings	4	5	4	4	4	0

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

«: Chair; : Member

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CORPORATE GOVERNANCE

OVERVIEW

THE BOARD OF DIRECTORS

Our Board of Directors maintains strong corporate governance policies.

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

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

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

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

Telephone	(441) 279-5725
Facsimile	(441) 279-5701
e-mail	*generalcounsel@agltd.com*

MEETINGS OF THE BOARD

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

The Board usually meets four times per year in regularly scheduled meetings, but will meet more often if necessary. During 2018, the Board met four times. All of our directors attended at least 75% of the aggregate number of meetings of the Board and committees of the Board of which they were a member held while they were in office during the year ended December 31, 2018.

DIRECTOR INDEPENDENCE

In February 2019, our Board determined that, other than our CEO Mr. Frederico, all of our directors are independent under the listing standards of the NYSE. These independent directors constitute substantially more than a majority of our Board. In making its determination of independence, the Board applied its Categorical Standards for Director Independence and determined that no other material relationships existed between our Company and these directors. A copy of our Categorical Standards for Director Independence is available as part of our Corporate Governance Guidelines, which are available on our website at www.assuredguaranty.com/governance. In addition, as part of the independence determination, our Board monitors the independence of Audit and Compensation Committee members under rules of the SEC and NYSE listing standards that are applicable to members of the audit committee and compensation committee.

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

DIRECTOR EXECUTIVE SESSIONS

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

OTHER CORPORATE GOVERNANCE HIGHLIGHTS

Our Board has a substantial majority of independent directors.

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

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

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

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

We established an Executive Committee to exercise certain authority of the Board in the management of company affairs between regularly scheduled meetings of the Board when it is determined that a specified matter should not be postponed to the next scheduled meeting of the Board. Our Executive Committee did not meet in 2018.

We have adopted a Code of Conduct applicable to all directors, officers and employees that sets forth basic principles to guide their day-to-day activities. The Code of Conduct addresses, among other things, conflicts of interest, corporate opportunities, confidentiality, fair dealing, protection and proper use of company assets, compliance with laws and regulations, including insider trading laws, and reporting illegal or unethical behavior. The full text of our Code of Conduct is available on our website at www.assuredguaranty.com/governance.

In addition to AGL s quarterly Board meetings, our Board has an annual business review meeting to assess specific areas of our Company s operations and to learn about general trends affecting the financial guaranty industry and asset management. We also provide our directors with the opportunity to attend continuing education programs.

In February 2019, our Board adopted an Environmental Policy and a Statement on Climate Change. These statements are available on our website at www.assuredguaranty.com/governance.

HOW ARE DIRECTORS NOMINATED?

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

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

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

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

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

We believe that diversity among members of the Board is an important consideration and is critical to the Board s ability to perform its duties and various roles. Accordingly, in recommending nominees, the Board considers a wide range of individual perspectives and backgrounds in addition to diversity in professional experience and training. Our Board is currently composed of individuals from different disciplines, including lawyers, accountants and individuals who have industry, finance, executive and international experience, and is composed of both men and women and citizens of the United States, the United Kingdom and Japan. Our Corporate Governance Guidelines address diversity of experience, requiring the Nominating and Governance Committee to review annually the skills and attributes of Board members within the context of the current make-up of the full Board. Our Corporate Governance Guidelines also provide that Board members should have individual backgrounds that, when combined, provide a portfolio of experience and knowledge that will serve our governance and strategic needs. The Nominating and Governance Committee will consider Board candidates on the basis of a range of criteria, including broad-based business knowledge and contacts, prominence and sound reputation in their fields as well as having a global business perspective and commitment to good corporate citizenship. Our Corporate Governance Guidelines specify that directors should represent all shareholders and not any special interest group or constituency. The Nominating and Governance Committee annually reviews its own performance. In connection with such evaluation, the Nominating and Governance Committee assesses whether it effectively nominates candidates for director in accordance with the above described standards specified by the Corporate Governance Guidelines. See each nominee s biography appearing later in this proxy statement for a description of the specific experience that each such individual brings to our Board.

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

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

If a shareholder desires to nominate a person for election as director at an Annual General Meeting, that shareholder must comply with Article 14 of AGL s Bye-Laws, which requires notice no later than 90 days prior to the anniversary date of the immediately preceding Annual General Meeting. This time period has passed with respect to the 2019 Annual General Meeting. With respect to the 2020 Annual General Meeting, AGL must receive such written notice on or prior to February 8, 2020. Such notice must describe the nomination in sufficient detail to be summarized on the agenda for the meeting and must set forth:

- the shareholder s name as it appears in AGL s books
- a representation that the shareholder is a record holder of AGL s shares and intends to appear in person or by proxy at the meeting to present such proposal
- the class and number of shares beneficially owned by the shareholder
  the name and address of any person to be nominated
- a description of all arrangements or understandings between the shareholder and each nominee and any other person or persons, naming such other person or persons, pursuant to which the nomination or nominations are to be made by the shareholder
- such other information regarding each nominee proposed by such shareholder as would be required to be included in a proxy statement filed pursuant to the SEC s proxy regulations
- the consent of each nominee to serve as a director of AGL, if so elected

COMMITTEES OF THE BOARD

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

The Audit Committee

Chairman: G. Lawrence Buhl / 4 meetings during 2018

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

The Audit Committee provides oversight of the integrity of our Company s financial statements and financial reporting process, our compliance with legal and regulatory requirements (including cybersecurity requirements), the system of internal controls, the audit process, the performance of our internal audit program and the performance, qualification and independence of the independent auditor. The Audit Committee is also responsible for the oversight of Company risks related to (i) financial reporting, accounting policies and reserving, (ii) legal, regulatory and compliance matters, (iii) information technology (including cybersecurity), (iv) workouts, emerging events, and counterparties, (v) outsourcing and people, and (vi) business continuity planning.

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

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

The Compensation Committee

Chairman: Patrick W. Kenny / 5 meetings during 2018

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

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

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and Governance Committee and our CEO on succession planning. The Compensation Committee is also responsible for the oversight of Company risks related to people, succession planning and compensation.

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

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

The Finance Committee	Chairman: Michael T. O Kane / 4 meetings durin 2018
Other Finance Committee members: Thomas W. Jones, Alan J. Kreczko, Yukiko Omura	

The Finance Committee of the Board of Directors oversees management s investment of our Company s investment portfolio, including in alternative investments, and is responsible for oversight of Company risks related to capital, liquidity, investments, financial market conditions, foreign currency, and rating agencies. The Finance Committee also oversees, and makes recommendations to the Board with respect to, our capital structure, dividends, financing arrangements, investment guidelines, potential alternative investments and any corporate development activities.

The Nominating and Governance Committee	Chairman: Francisco Borges / 4 meetings during 2018
Other Nominating and Governance Committee members: Bonnie L. Howard, Patrick W. Kenny	

The responsibilities of the Nominating and Governance Committee include identifying individuals qualified to become Board members, recommending director nominees to the Board and developing and recommending corporate governance guidelines, as well as the oversight of Company risks related to board qualification, corporate structure, governance, regulatory compliance and people. The Nominating and Governance Committee also has responsibility to review and make recommendations to the full Board regarding director compensation. In addition to general corporate governance matters, the Nominating and Governance Committee assists the Board and the Board committees in their self-evaluations and oversees matters relating to the environment, sustainability and social responsibility. The

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

The Risk Oversight Committee	Chairman: Bonnie L. Howard / 4 meetings during 2018
Other Risk Oversight Committee members: Simon W. Leathes, Yukiko Omura	

The Risk Oversight Committee oversees management s establishment and implementation of standards, controls, limits, guidelines and policies relating to risk appetite, risk assessment and enterprise risk management. The Risk Oversight Committee focuses on the underwriting, surveillance and workout of credit risks as well as the assessment, management and oversight of other Company enterprise risks, including, but not limited to, financial, legal, operational (including information technology, cybersecurity and vendor management) and other risks concerning our Company s governance, reputation and ethical standards.

The Executive Committee	Chairman: Francisco L. Borges / No meetings during 2018
Other Executive Committee members: Dominic J. Frederico, Patrick W. Kenny, Simon W. Leathes	

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

HOW ARE DIRECTORS COMPENSATED?

The Nominating and Governance Committee last revised the compensation paid to members of the Board in 2017, when it engaged Cook to conduct a comprehensive review and assessment of our independent director compensation program. After considering Cook s market data, analysis and recommendations, the Nominating and Governance Committee determined at that time that the changes it was making to independent director compensation were warranted by the expanding scope of our Company s business and the time commitment associated with attending meetings in the United Kingdom.

Cook refreshed its analysis of the compensation paid to members of the Board in 2018, and particularly to the non-executive Chairman of the Board. Cook compared the compensation paid to our non-executive Chairman to that paid to other non-executive chairmen in our

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comparison group at that time (we have since revised our comparison group), comparing the chairman s retainer against the comparison group typical director total direct compensation, non-executive chairman premium, non-executive chairman total direct compensation, and multiple of a typical director. In each case, the chairman s retainer was between the median and the 75th percentile of the comparison group, which the Nominating Committee determined to be warranted in light of the expanding scope of our Company s business and the time commitment associated with the position.

No changes were made to our independent director compensation program in 2018.

Our independent directors receive an annual retainer of $265,000 per year. We pay $145,000 of the retainer in restricted stock and $120,000 of the retainer in cash. A director also may elect to receive any or all of the cash portion of his or her annual retainer (plus the additional cash amounts described below) in restricted stock.

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

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

In addition to the annual retainer described above:

- The non-executive Chairman of the Board receives an annual retainer of $225,000 in recognition of the role he plays and the time commitment involved.

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

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

The Company generally will not pay a fee for attendance at Board or committee meetings, although the Chairman of the Board has the discretion to pay attendance fees of $2,000 for extraordinary or special meetings. There were no extraordinary or special meetings of the Board in 2018. We do not pay a fee for being a member, or attending meetings, of the Executive Committee.

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The following table sets forth our 2018 independent director compensation, including the compensation for the directors committee assignments as of such date.

Name	Fees Earned or Paid in Cash	Stock Awards[1]	All Other Compensation[2]	Total
Francisco L. Borges[3]	$345,000	$145,000	$17,552	$ 507,552
G. Lawrence Buhl	$165,000	$145,000	$24,326	$ 334,326
Bonnie L. Howard	$165,000	$145,000	$20,782	$ 330,782
Thomas W. Jones	$150,000	$145,000	$25,569	$ 320,569
Patrick W. Kenny[4]	$165,000	$145,000	$22,331	$ 332,331
Alan J. Kreczko[5]	$150,000	$145,000	$26,101	$ 321,101
Simon W. Leathes[6]	$239,321	$145,000	$ 1,531	$ 385,852
Michael T. O Kane	$165,000	$145,000	$15,861	$ 325,861

Yukiko Omura	$150,000	$145,000	$ 295,000

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

(2) Other compensation consists of matching gift donations to eligible charities paid in 2018 or paid in early 2019 for donations made in 2018, reimbursement of business-related spousal travel paid in 2018, U.K. personal tax return preparation fees paid in 2018 or paid in early 2019 for services performed in 2018, and personal use of the corporate apartment during 2018.

(3) Mr. Borges agreed to forgo an additional fee as the Chairman of the Nominating and Governance Committee due to the substantial overlap between that position and his position as the Chairman of the Board. Mr. Borges elected to receive the entire cash component of his compensation as restricted stock.

(4) Mr. Kenny elected to receive $40,000 of the cash component of his compensation as restricted stock and the remaining $125,000 in cash.

(5) Mr. Kreczko elected to receive the entire cash component of his compensation as restricted stock.

(6) The fees for Mr. Leathes include £55,000 (which was approximately $70,181 as of December 31, 2018) for serving as an independent director of our U.K. insurance subsidiaries, Assured Guaranty (UK) plc and Assured Guaranty (Europe) plc. Following the acquisition of Assured Guaranty (London) plc, Mr. Leathes was asked to serve on the post-acquisition Board of Directors of that company and, as an independent director of all three of our former U.K. insurance subsidiaries, to review and approve matters related to the combination of our three U.K. insurance subsidiaries and our French subsidiary CIFG Europe S.A. The combination was successfully consummated in November 2018. The fees for Mr. Leathes also include £15,000 (which was approximately $19,140 as of December 31, 2018) to compensate him for the additional time commitment required during the calendar year related to the combination.

The following table shows information related to independent director equity awards outstanding on December 31, 2018:

Name	Unvested Restricted Stock[(1)]	Vested Stock Options
Francisco L. Borges	13,780	7,658

G. Lawrence Buhl	4,078	7,026
Bonnie L. Howard	4,078	
Thomas W. Jones	4,078	
Patrick W. Kenny	5,202	9,261
Alan J. Kreczko	8,296	
Simon W. Leathes	4,078	
Michael T. O Kane	4,078	7,026
Yukiko Omura	4,078	

(1) Vests one day prior to the 2019 Annual General Meeting.

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WHAT IS OUR BOARD LEADERSHIP STRUCTURE?

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

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

HOW DOES THE BOARD OVERSEE RISK?

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

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

As part of its oversight of executive compensation, the Compensation Committee reviews compensation risk. The Compensation Committee oversaw the performance of a risk assessment of our employee compensation program to

determine whether any of the risks arising from our compensation program are reasonably likely to have a material adverse effect on us. Since January 2011, the Compensation Committee has retained Cook to perform an annual review of each of our compensation plans and identify areas of risk and the extent of such risk. The Compensation Committee directs that our Chief Risk Officer work with Cook to perform such risk assessment and to be sure that compensation risk is included in our enterprise risk management system. In conducting this assessment, from time-to-time, most recently in February 2018, Cook performs a comprehensive systemic, qualitative review of all of our incentive compensation programs and reviews its findings with our Chief Risk Officer for completeness and accuracy. Cook seeks to identify any general areas of risk or potential for unintended consequences that exist in the design of our compensation programs and to evaluate our incentive plans relative to our enterprise risks to identify potential areas of concern, if any.

Cook undertook a compensation risk assessment update most recently in February 2019 and concluded that our incentive plans, including the changes we made for 2019, are well-aligned with sound compensation design principles and do not encourage behaviors that would create material risk for our Company. Our Chief Risk Officer reviewed their findings and agreed with their conclusion. Based on this update, the Compensation Committee continued to find that there is an appropriate balance between the risks inherent in our business and our compensation program.

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COMPENSATION COMMITTEE INTERLOCKING AND INSIDER PARTICIPATION

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

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

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

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

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

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

- disclosed in director and officer questionnaires (which must also be completed by nominees for director) or in certifications of Code of Conduct compliance
- reported directly by the related person or by another employee of our Company
- identified by our vendor management procedures based on comparison of vendors against a list of directors, executive officers and known 5% shareholders and certain of their related persons

If we have a related person transaction that requires committee approval in accordance with the policies set forth in our committee charters, we either seek that approval before we enter into the transaction or, if that timing is not practical, we ask the appropriate committee to ratify the transaction.

WHAT RELATED PERSON TRANSACTIONS DO WE HAVE?

From time to time, institutional investors, such as large investment management firms, mutual fund management organizations and other financial organizations become beneficial owners (through aggregation of holdings of their affiliates) of 5% or more of a class of our voting securities and, as a result, are considered related persons under the SEC s rules. These organizations may provide services to us. In 2018, the following transactions occurred with investors who reported beneficial ownership of 5% or more of our voting securities.

As indicated in Which Shareholders Own More Than 5% of Our Common Shares, Wellington Management Group LLP, which we refer to as Wellington Management, and BlackRock, Inc., which we refer to as BlackRock, own approximately 9.86% and 7.21% of AGL s Common Shares outstanding, respectively, as of March 14, 2019 (the record date for our Annual General Meeting), based on the amount of Common Shares they reported in their Schedule 13G filings as of the date set forth in such filing, and on the amount of Common Shares outstanding as of the record date. We appointed both Wellington Management and BlackRock as investment managers to manage certain of our investment accounts prior to their reaching such ownership thresholds. As of December 31, 2018,

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Wellington Management managed approximately $2.2 billion of our investment assets, which is approximately 20% of our total fixed maturity and short-term investment portfolio, and BlackRock managed approximately $1.8 billion of our investment assets, which is approximately 17% of our total fixed maturity and short-term investment portfolio. In 2018, we incurred expenses of approximately $1.7 million related to our investment management agreement with Wellington Management and $2.1 million with respect to our investment management and investment reporting agreements with BlackRock.

DID OUR INSIDERS COMPLY WITH SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING IN 2018?

Our executive officers and directors are subject to the reporting requirements of Section 16 of the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act. We believe that all of our executive officers and directors complied with all filing requirements imposed by Section 16(a) of the Exchange Act on a timely basis during fiscal year 2018.

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PROPOSAL NO. 1: ELECTION OF DIRECTORS

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

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

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

The board of directors recommends that you vote FOR the election of the nominees as directors of AGL.

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

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

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Summary information about our director nominees and overall composition of our Board is provided in the matrix and graphs below. Further information about each director nominee may be found on the following pages.

* In the case of persons who are not currently serving on the Audit Committee, the individual is likely to be qualified to be an audit committee financial expert based on their experience, but was not designated as such by the Board of Directors this year.

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NOMINEES FOR DIRECTOR

Francisco L. Borges

Chairman of the Board

Director Since: 2007

Committee Memberships:

Nominating and Governance (Chair),

Executive (Chair)

Qualifications:

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

Biography:

Mr. Borges, age 67, became a director of AGL in August 2007, and has been Chairman of our Board of Directors since May 2015. He is Chairman of Landmark Partners, LLC, an alternative investment management firm where he has been employed since 1999. Prior to joining Landmark, Mr. Borges was managing director of GE Capital s Financial Guaranty Insurance Company and capital markets subsidiaries. Mr. Borges is a former Treasurer for the

State of Connecticut and a former Deputy Mayor of the City of Hartford, Connecticut.

Mr. Borges serves on the board of directors for Connecticut Public Broadcasting Network, the Knight Foundation, and Millbrook School. He is also a member of the board of directors of Davis Selected Funds, where he serves on the Pricing Committee, and Jefferies Financial Group Inc., where he serves on the Audit Committee and the Nominating and Corporate Governance Committee.

G. Lawrence Buhl

Independent Director

Director Since: 2004

Committee Memberships:

Audit (Chair),

Compensation

Qualifications:

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

Biography:

Mr. Buhl, age 72, became a director of AGL upon completion of our 2004 initial public offering. Through 2003, Mr. Buhl served as the Regional Director for Insurance Services in Ernst & Young LLP s Philadelphia, New York and Baltimore offices and as audit engagement partner for insurance companies, including those in the financial guaranty industry.

Mr. Buhl began in 2004 to serve as a director for Harleysville Group, Inc. (NASDAQ: HGIC) and its majority shareholder, Harleysville Mutual Insurance Company, through their 2012 merger/combination with Nationwide Mutual Insurance Company and served on an Advisory Board to Nationwide through April 2014. For Penn National Insurance Group in Harrisburg, Pennsylvania, Mr. Buhl has been a member of the Board of Directors since 2015 and serves on the Audit and Enterprise Risk Oversight Committees. He is also an emeritus member of the Board of Sponsors of the Sellinger School of Business and Management of Loyola University Maryland.

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Dominic J. Frederico

Chief Executive Officer

Director Since: 2004

Committee Memberships:

Executive

Qualifications:

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

Biography:

Mr. Frederico, age 66, has been a director of AGL since our 2004 initial public offering, and the President and Chief Executive Officer of AGL since 2003. During his tenure as President and Chief Executive Officer, our Company became the leading provider of municipal bond insurance and financial guaranties. Our Company completed its 2004 initial public offering under his leadership and, in 2009, acquired the financial guaranty insurance company now named Assured Guaranty Municipal Corp., thereby bringing together the only two monoline bond insurers to continue writing financial guaranty policies before, during and after the 2008 financial crisis.

Mr. Frederico served as Vice Chairman of ACE Limited (now known as Chubb Limited) from 2003 until 2004 and served as President and Chief Operating Officer of ACE Limited and Chairman of ACE INA Holdings, Inc. from 1999 to 2003. Mr. Frederico was a director of ACE Limited from 2001 through May 2005. From 1995 to 1999, Mr. Frederico served in a number of executive positions with ACE Limited, during which period he oversaw the successful acquisition and integration of the domestic and international property casualty operations acquired by ACE Limited from CIGNA Corporation in July 1999 and the acquisition of Capital Re Corp., the predecessor company to our Company, in December 1999.

Prior to joining ACE Limited, Mr. Frederico spent 13 years working for various subsidiaries of the American International Group. His last position at the group was Senior Vice President and Chief Financial Officer of AIG Risk Management.

Bonnie L. Howard

Independent Director

Director Since: 2012

Committee Memberships:

Risk Oversight (Chair),

Nominating and Governance

Qualifications:

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

Biography:

Ms. Howard, age 65, became a director of AGL in August 2012. Ms. Howard has more than 30 years of experience in credit, risk management and financial reporting policies. She worked at Citigroup, Inc. from 2003 to 2011, serving as Chief Auditor from 2004 to 2011 and Global Head of Control and Emerging Risk from 2010 to 2011, leading a team of over 1,500 professionals covering $1.9 trillion of assets in over 100 countries, until her retirement in 2011. She was previously Managing Director of Capital Markets Audit at Fleet Boston Financial and a Managing Director at JPMorgan in the roles of Deputy Auditor and head of Global Markets Operational Risk Management. Ms. Howard is a certified public accountant in the United States and has over a decade of experience with KPMG and Ernst & Young.

Ms. Howard serves on the board of directors of Artisan Partners Funds, where she chairs the Audit Committee. Ms. Howard previously served on the board of directors of BMO Financial Corp., where she was a member of the Audit Committee, and the board of directors of BMO Harris Bank N.A., where she chaired the Directors Trust Committee and the Audit Committee, until April 2018.

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Thomas W. Jones

Independent Director

Director Since: 2015

Committee Memberships:

Audit,

Finance

Qualifications:

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

Biography:

Mr. Jones, age 69, became a director of AGL in August 2015. Mr. Jones is the founder and senior partner of venture capital firm TWJ Capital LLC. Prior to founding TWJ Capital in 2005, he was the chief executive officer of Global Investment Management at Citigroup, which included Citigroup Asset Management, Citigroup Alternative Investments, Citigroup Private Bank and Travelers Life & Annuity. Earlier, he held a series of positions at TIAA-CREF, including vice chairman and director, president and chief operating officer, and executive vice president and chief financial officer, and at John Hancock Mutual Life Insurance Company, where he rose to senior vice president and treasurer. He began his career in public accounting and management consulting, primarily at Arthur

Young & Company (predecessor to Ernst & Young).

A trustee emeritus of Cornell University, Mr. Jones has served on numerous boards in the past, including those of the Federal Reserve Bank of New York (where he was vice chairman), Altria Group, Freddie Mac, Travelers Group, Fox Entertainment Group, Pepsi Bottling Group and TIAA-CREF. Mr. Jones has been designated Board Leadership Fellow by the National Association of Corporate Directors (NACD), and is a licensed Certified Public Accountant (CPA).

Patrick W. Kenny

Independent Director

Director Since: 2004

Committee Memberships:

Compensation (Chair),

Nominating and Governance,

Executive

Qualifications:

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

Biography:

Mr. Kenny, age 76, became a director of AGL upon completion of our 2004 initial public offering. He served as the President and Chief Executive Officer of the International Insurance Society in New York, an organization dedicated to fostering the exchange of ideas through a program of international seminars and sponsored research, from 2001 to 2009. From 1998 to 2001, Mr. Kenny served as executive vice president of Frontier Insurance Group, Inc. From 1995 to 1998, Mr. Kenny served as senior vice president of SS&C Technologies. From 1988 to 1994, Mr. Kenny served as Group Executive, Finance & Administration and Chief Financial Officer of Aetna Life & Casualty.

Until December 2018, Mr. Kenny served on the board of directors of several Voya funds, where he was a member of the Audit Committee and the Chairperson of the Nominating and Governance Committee. Until December 2009, Mr. Kenny was a director and member of the Audit and the Compensation committees of Odyssey Re Holdings Corp. Mr. Kenny was also a director of the Independent Order of Foresters from 1997 to 2009.

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Alan J. Kreczko

Independent Director

Director Since: 2015

Committee Memberships:

Audit,

Finance

Qualifications:

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

Biography:

Mr. Kreczko, age 67, became a director of AGL in August 2015. Mr. Kreczko retired from The Hartford Financial Services Group, Inc., which we refer to as The Hartford, on December 31, 2015, where he served as executive vice president and general counsel from June 2007 until June 2015. In that capacity, Mr. Kreczko oversaw the law department, government affairs, compliance and communications. Additionally he chaired The Hartford s Environment Committee. From June 2015 until December 2015, he served as Special Advisor to the CEO.

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

Simon W. Leathes

Independent Director

Director Since: 2013

Committee Memberships:

Compensation,

Risk Oversight,

Executive

Qualifications:

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

Biography:

Mr. Leathes, age 71, joined the Board of AGL in May 2013. From 2012 to 2017, Mr. Leathes was a non-executive director of HSBC Bank plc and was a member of its Risk Committee and its Audit Committee; he was also a non-executive director and member of the Audit and Risk Committees of HSBC Trinkaus & Burkhardt AG. In December 2011, he became an independent, non-executive director of our Company s U.K. insurance subsidiary, Assured Guaranty (Europe) plc. Mr. Leathes also served as an independent, non-executive director of our Company s two other U.K. insurance subsidiaries: Assured Guaranty (UK) plc and Assured Guaranty (London) plc, until November 7, 2018 when they were consolidated into Assured Guaranty (Europe) plc. From 1996 to 2017, Mr. Leathes served as a non-executive director of HSB-Engineering Insurance Ltd., a U.K. subsidiary of Munich Re, where he was the chairman of the Audit and Finance committee.

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

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Michael T. O Kane

Independent Director

Director Since: 2005

Committee Memberships:

Finance (Chair),

Audit

Qualifications:

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

Biography:

Mr. O Kane, age 73, became a director of AGL in August 2005. From 1986 until his retirement in August 2004, Mr. O Kane was employed at TIAA-CREF (financial products) in a number of different capacities, most recently as Senior Managing Director, Securities Division. In that capacity, he oversaw approximately $120 billion of fixed income assets and approximately $3.5 billion of private equity fund investments.

From 2006 to 2013, Mr. O Kane served as a director of Jefferies Group, Inc., where he was a member of the Audit, Compensation and Governance committees. In March 2013, Jefferies merged into Leucadia National Corporation (which was renamed Jefferies Financial Group Inc. in May 2018), where Mr. O Kane now serves as the lead independent director and as a member of the Compensation, the Nominating and Corporate Governance committees and chair of the Valuation Oversight committee.

Yukiko Omura

Independent Director

Director Since: 2014

Committee Memberships:

Finance,

Risk Oversight

Qualifications:

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

Biography:

Ms. Omura, age 63, joined the Board of AGL in May 2014. She is a non-executive director of Nishimoto HD Co. Ltd. and a non-executive member of the Board of Directors of the Private Infrastructure Development Group, where she is chair of the Board of its subsidiary, GuarantCo. Ms. Omura is also a non-executive director of HSBC Bank Plc. Ms. Omura was a Supervisory Board Member of Amatheon Agri Holding N.V. until March 2018. She served as Undersecretary General and Vice President/COO of the International Fund for Agricultural Development (IFAD) until February 2012 and, prior to that, as Executive Vice President and CEO of the Multilateral Investment Guarantee Agency (MIGA) of the World Bank Group.

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

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

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INFORMATION ABOUT OUR COMMON SHARE OWNERSHIP

HOW MUCH STOCK IS OWNED BY DIRECTORS AND EXECUTIVE OFFICERS?

The following table sets forth information, as of March 14, 2019, the record date for our Annual General Meeting, regarding the beneficial ownership of our Common Shares by our directors and executive officers whose compensation is reported in the compensation tables that appear later in this proxy statement, which persons we refer as our named executive officers, and by the group comprising our directors, and those persons who, as of December 31, 2018, constituted our named executive officers and other executive officers. Unless otherwise indicated, the named individual has sole voting and investment power over the Common Shares under the column Common Shares Beneficially Owned. The Common Shares listed for each director and executive officer constitute less than [1]% of our outstanding Common Shares, except that Mr. Frederico beneficially owns approximately 1.51% of our Common Shares. The Common Shares beneficially owned by all directors, named executive officers and other executive officers as a group constitute approximately 2.81% of our outstanding Common Shares.

Name of Beneficial Owner	Common Shares Beneficially Owned	Unvested Restricted Common Shares[1]	Restricted Share Units[2]	Common Shares Subject to Option[3]
Robert A. Bailenson	179,068		128,314	26,835
Francisco L. Borges	214,037	13,780		7,658
Russell B. Brewer II	161,346		63,951	
G. Lawrence Buhl	51,401	4,078		3,153
Ling Chow	43,303		60,808	12,598
Dominic J. Frederico[4]	1,453,571		349,675	100,000
Bonnie L. Howard	25,881	4,078		
	15,528	4,078		

Thomas W. Jones				
Patrick W. Kenny	55,827	5,202		7,108
Alan J. Kreczko	21,917	8,296		
Simon W. Leathes	13,156	4,078		
Michael T. O Kane	52,545	4,078		3,153
Yukiko Omura	9,732	4,078		
Bruce E. Stern	138,763		43,558	18,202
All directors and executive officers as a group (16 individuals)	2,642,255	51,746	748,033	201,609

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

(2) The Common Shares associated with restricted share units are not deliverable as of March 14, 2019 or within 60 days of March 14, 2019 and therefore cannot be voted or disposed of within such time period. As a result, these shares are not considered beneficially owned under SEC rules. We include them in the table above, however, because we view them as an integral part of share ownership by our executive officers. The restricted share units held by our executive officers vest on specified anniversaries of the date of the award, with Common Shares delivered upon vesting.

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

(3) Represents Common Shares which the reporting person has the right to acquire as of March 14, 2019 or within 60 days of March 14, 2019 pursuant to options. The options have terms of either ten years or seven years from the date of grant.

(4) Common shares beneficially owned by Mr. Frederico include shares owned by Mr. Frederico s spouse and daughter, and shares owned by a family trust, over which Mr. Frederico has the power to direct the voting and disposition.

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

The following table shows all persons we know to be direct or indirect owners of more than 5% of our Common Shares as of the close of business on March 14, 2019, the record date for the Annual General Meeting. On March 14, 2019, 102,699,917 Common Shares were outstanding, including 67,319 unvested restricted Common Shares. Our information is based on reports filed with the SEC by each of the firms listed in the table below. You may obtain these reports from the SEC.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percent of Class
The Vanguard Group 100 Vanguard Blvd. Malvern, PA 19355	10,544,550[(1)]	10.27%
Wellington Management Group LLP c/o Wellington Management Company LLP 280 Congress Street Boston, MA 02210	10,121,843[(2)]	9.86%
BlackRock, Inc. 55 East 52nd Street New York, NY 10055	7,403,059[(3)]	7.21%
Putnam Investments, LLC. 100 Federal Street Boston, MA 02110	6,916,506[(4)]	6.73%

(1) Based on a Schedule 13G filed by The Vanguard Group on March 11, 2019, reporting the amount of securities beneficially owned as of February 28, 2019. The Vanguard Group has sole voting power over 50,845 shares, shared voting power over 15,544 shares, sole dispositive power over 10,488,992 shares and shared dispositive power over 55,558 shares.

(2) Based on a Schedule 13G filed by Wellington Management Group LLP on February 12, 2019, reporting the amount of securities beneficially owned as of December 31, 2018. Wellington Management Group LLP has shared voting power over 7,521,012 shares and shared dispositive power over 10,121,843 shares.

(3) Based on a Schedule 13G filed by BlackRock, Inc. on February 4, 2019, reporting the amount of securities beneficially owned as of December 31, 2018. BlackRock, Inc. has sole voting power over 6,752,776 shares and sole dispositive power over 7,403,059 shares.

(4) Based on a Schedule 13G filed by Putnam Investments, LLC on February 14, 2019, reporting the amount of securities beneficially owned as of December 31, 2018. Putnam Investments, LLC has sole voting power over 1,001,925 shares and sole dispositive power over 6,916,506 shares.

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EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

CD&A ROADMAP

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SUMMARY

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

The Compensation Committee assesses performance using pre-established measures of success that are tied to our key business strategies. This approach encourages balanced performance, measured relative to financial and non-financial goals as well as measures of shareholder value, and discourages excessive risk taking or undue leverage by avoiding too much emphasis on any one metric or on short-term results.

Changes This Year

Every year since we started asking our shareholders to vote on the matter, our say-on-pay proposal has been approved by shareholders holding a majority of the Common Shares voting. While investors holding over 98% of the Common Shares voting approved our say-on-pay proposal at our Annual General Meeting in three out of the last four years, last year 60% approved. As part of our continuing dialogue with our shareholders, after the meeting we sought to engage with our shareholders to discuss their concerns and recommendations regarding our executive compensation program.

In response to last year s say-on-pay result and based on this feedback and advice from Cook, the Compensation Committee determined to make several changes in our executive compensation program.

Changes to Short-Term Cash Incentive Compensation Program

(effective beginning with the payment determined in February 2019 for the 2018 performance year)

Change	Reason
Reduction of our CEO s individual target cash incentive multiple to 2.0x from 2.5x	The reduction in this multiple, which is a component of our short-term cash incentive formula, results in a significantly lowered short-term cash incentive opportunity for our CEO this year compared to last year, even though he achieved greater accomplishments. This year our CEO s short-term cash incentive payment was $713,000 less than last year, a reduction of more than 15%, despite our CEO receiving a higher total achievement score than last year for his very significant contributions during 2018.
	The reduction in this multiple brings our CEO s short-term cash incentive opportunity as a multiple of his base salary more in line with companies in our executive compensation comparison group.

Negative discretion was introduced for scoring the achievement of financial performance goals that were set below prior year actual results	For the reasons described on pages 33 to 34 under Executive Compensation Program Structure and Process Setting Financial Performance Goals , the Compensation Committee may set a financial performance goal at a level that it views as challenging but that is nevertheless below prior year results. The Compensation Committee believes that it is appropriate for executives to be scored at 100% when they achieve their goals. The Compensation Committee recognizes, however, that, depending on the circumstances, characterizing performance as extraordinary (with an achievement score over 100%) for results below the prior year results may not be appropriate in all circumstances. Permitting the Compensation Committee to weigh the circumstances when a result exceeds the goal but is below the prior year results, and to reduce an achievement score well above 100% to closer to 100%, or to 100%, allows the Compensation Committee to award an achievement score that recognizes all of these factors. The Compensation Committee exercised that discretion in awarding achievement scores for 2018 performance related to the two financial performance goals where performance was above target levels but below 2017 actual results.

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Changes to Long-Term Equity Compensation Program

(effective beginning with the February 2019 grants)

Change	Reason
The portion of equity compensation dependent on performance measures was increased from 50% to 60%	The Compensation Committee believes that increasing the portion of equity compensation dependent on meeting performance targets increases the incentive of its executives to improve the performance measures targeted.
The Compensation Committee changed the basis on which it measures performance for purposes of determining whether, and how many, of our Common Shares are awarded for each performance share unit granted to an executive. Performance share units granted in 2015 through 2018 generally vested at the end of a three-year performance period if the highest 40-day average share price during the last eighteen months of the period exceeded certain price hurdles set by the Compensation Committee, with the number of shares awarded for each performance share unit depending on which hurdles were met.	Since the prices of our Common Shares may be influenced by many factors, including factors that may not be highly correlated to the long-term value of our Common Shares, the Compensation Committee believes that share price hurdles may no longer be the most appropriate performance measure for our performance share units.
Half of the new performance share units granted in 2019, or 30% of the equity compensation, was tied to growth in Core Adjusted Book Value* per share, which we refer to as Core ABV per share, over three years, with a target of 15% growth over three years	The Compensation Committee believes that Core ABV per share is the best measure of the intrinsic value of our Common Shares, and that growth in Core ABV per share will eventually result in growth in the price of our Common Shares. The Compensation believes that this measure is so important that it has incorporated the measure into both its short-term cash incentive program and its long-term equity compensation program, so that the executives are motivated to grow Core ABV per share on both a short-term and long-term basis.
The other half of the new performance share units granted in 2019, or 30% of the equity compensation, was tied to the performance of our total shareholder return, which we refer to as TSR, versus the TSR of the Russell Midcap Financial Services Index, which we refer to as the Index, over three years with a target of the 55th percentile of that Index; the award was capped at 100% if our TSR is negative, even if our TSR is above the 55th percentile of that Index	Since our ultimate goal is to create as much shareholder value as possible, the Compensation Committee believes that our long-term equity incentive compensation should also be based on our TSR. However, recognizing that share prices may be influenced by a number of factors, the Compensation Committee decided that a relative measure of TSR

was most appropriate.

Since our company is the only publicly traded financial guarantor actively writing policies, there is no obvious group of companies relative to which our performance should be compared. The Compensation Committee considered a number of alternatives for measuring our TSR relative to an appropriate benchmark. Ultimately, the Compensation Committee selected the Russell Midcap Financial Services Index as the most appropriate benchmark. See the discussion under Executive Compensation Program Structure and Process Components of Our Executive Compensation Program Relative TSR PSUs on page 36.

The Compensation Committee also decided to discontinue reimbursing its executives for the costs of financial planning in order to bring its perquisite policy more in line with that of its executive compensation comparison group.

* Core Adjusted Book Value per share, or Core ABV per share, is one of the measures used by the Compensation Committee to assess our performance and is described in greater detail on page 32. It is a non-GAAP financial measure and is labeled core to distinguish it from a similar non-GAAP financial measure that has not been adjusted to exclude the impact of consolidating financial guaranty variable interest entities.

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2018 Achievement Highlights

For 2018, our gross written premiums were at $612 million, while our premium production, a non-GAAP financial measure we use to measure our new business production and which we refer to as PVP*, was at $663 million. Both of these measures were the highest reported in ten years. In 2018, our shareholders equity per share, non-GAAP operating shareholder s equity* per share and non-GAAP adjusted book value* per share all reached record levels, at $63.23, $61.17 and $86.06, respectively. Our net income for the year was $521 million, or $4.68 per share, and our non-GAAP operating income* was $482 million, or $4.34 per share.

These results were driven in part by our successful pursuit of all four of our primary business strategies:

We increased new business production, with contributions from our U.S. public finance, international infrastructure and global structured finance business, as well as from our reinsurance transaction with Syncora Guarantee Inc., which we refer to as SGI.

Gross written premiums were at $612 million in 2018, while PVP was at $663 million. Both of these measures were the highest reported in ten years.

In the U.S. public finance market, we continued to lead the market with a 57% share of all insured new-issue par, and we began to underwrite more healthcare transactions, closing one for $500 million of par outstanding, the largest par we have insured on a single policy since 2013.

In the non-U.S. public finance market, we generated $44 million of PVP, closing transactions in every calendar quarter, including closing our first Australian transaction since prior to the 2008 financial crisis.

Our reinsurance transaction with SGI contributed $391 million of PVP.

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

We returned approximately $571 million during 2018 through repurchasing Common Shares ($500 million) and distributing dividends ($71 million).

Over the last six years, we have distributed approximately $3.1 billion to our shareholders through Common Share repurchases and dividends *14% more than our entire market capitalization* at December 31, 2012, just before we began our Common Share repurchase program.

In 2018, we successfully completed the combination of our European insurance subsidiaries, simplifying our capital structure, reducing our regulatory and financial reporting burden in Europe, and creating a surviving entity with significant capital.

We improved our financial results by using alternative strategies, including closing a major reinsurance transaction.

On June 1, 2018, we closed our transaction with SGI in which we reinsured, generally on a 100% quota share basis, substantially all of SGI s insured portfolio, generating $391 million of PVP*.

We continued our growth into the asset management area by acquiring a minority interest in the holding company of Rubicon Investment Advisors, an investment banking firm active in the global infrastructure sector.

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

In 2018, we achieved the resolution of the insured debt of our first major Puerto Rico credit, the Puerto Rico Sales Tax Financing Corporation (COFINA). That resolution was incorporated into the COFINA plan of adjustment approved by the U.S. District Court for the District of Puerto Rico in February 2019. We believe that resolution will result in a recovery of approximately 60% on the subordinated debt that we insure.

We continue to negotiate with representatives of the Commonwealth of Puerto Rico with respect to other Puerto Rico credits, while continuing to assert our rights though litigation until the Commonwealth and its advisors respond with solutions that recognize creditors rights, the requirements of the federal Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA), and constitutional requirements of the U.S. and Puerto Rico.

* Non-GAAP operating shareholder s equity, non-GAAP adjusted book value, non-GAAP operating income and PVP are non-GAAP financial measures. An explanation of these measures, which are considered when setting executive compensation, and a reconciliation to the most comparable GAAP measures, may be found on pages 92 to 97 of our Annual Report on Form 10-K for the year ended December 31, 2018.

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We achieved these results despite a persistently challenging business environment.

Over the last several years, municipal bond yields have been at historically low levels and credit spreads have been tight, making our product less attractive to issuers. Interest rates remained low in 2018 by historical standards, although modestly higher than in the previous year, and credit spreads were virtually unchanged.

New Issuance in the U.S. public finance market declined sharply in response to tax law changes, particularly restrictions on advance refundings.

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

The achievements described in this section were important considerations in determining the compensation of our named executive officers for the 2018 performance year.

Our Total Shareholder Return

While the aftermath of the landfall of Hurricane Maria in the Commonwealth of Puerto Rico negatively impacted our year-end 2017 cumulative TSR, our cumulative TSR recovered in 2018.

The table and chart below depict the cumulative TSR in dollars on our Common Shares from December 31, 2013 through December 31, 2018, relative to the cumulative TSR of the Russell Midcap Financial Services Index, Standard & Poor s 500 Stock Index and Standard & Poor s 500 Financials Index over the same period. The table and chart depict the value on December 31 of each year from 2013 through 2018 of a $100 investment made on December 31, 2013, with all dividends reinvested:

Cumulative TSR from 12/31/13	Assured Guaranty	Russell MC Financial Index	S&P 500 Index	S&P 500 Financial Ir
12/31/2013	100.00	100.00	100.00	100.00
12/31/2014	112.19	114.64	113.68	115.18

12/31/2015	116.12	117.34	115.24	113.38
12/31/2016	169.07	135.11	129.02	139.17
12/31/2017	153.79	157.56	157.17	169.98
12/31/2018	176.79	141.74	150.27	147.82

Calculated from total returns published by Bloomberg.

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As shown below, our cumulative TSR also exceeded the average cumulative TSR of our executive compensation comparison group over the last one, three and five years. Our executive compensation comparison group is described on page 47 under Executive Compensation Comparison Group.

Total Shareholder Return Comparison

	Comparison Group	
Period Ending 12/31/18	**Average TSR**	**Assured Guaranty T**
1 Year	(5.94)%	14.96%
3 Years	30.51%	52.24%
5 Years	54.42%	76.79%

Calculated from total returns published by Bloomberg.

2018 Results Against Financial Performance Measure Targets

We exceeded all of the 2018 financial performance goals set by the Compensation Committee, in some instances by large amounts. The table below summarizes our 2018 results against the 2018 targets for the financial performance measures. The financial performance goals are explained in more detail under Executive Compensation Program Structure and Process Components of Our Executive Compensation Program Cash Incentive Compensation on pages 31 to 32 below.

Snapshot of Our CEO s 2018 Compensation

For 2018, approximately 89% of Mr. Frederico s compensation constituted incentive compensation: 35% was in the form of a performance-based cash incentive that was awarded based on measuring performance against financial performance goals and non-financial objectives set at the beginning of the year, and 54% was in the form of a long-term equity-based incentive, with 60% of that equity award dependent on performance relative to our pre-established objectives. The allocation between fixed and incentive compensation for the 2018 performance year was consistent with the 2017 performance year, but the allocation between the short-term cash and long-term equity

portions of the incentive compensation was adjusted, with the long-term equity component of the incentive compensation rising to 61% from 56% of the incentive compensation, and the short-term cash component correspondingly decreasing to 39% from 44%.

Mr. Frederico received a compensation package for the 2018 performance year 4.0% lower than he received for the 2017 performance year.

Most of the change is attributable to the Compensation Committee s decrease of Mr. Frederico s Individual Cash Incentive Target Multiple to 2.0x from 2.5x in response to last year s say-on-pay result and based on shareholder feedback and advice from Cook. Primarily as a result of that decrease in multiple, Mr. Frederico s cash incentive was reduced by more than 15%. This was the result notwithstanding the fact that the Compensation Committee awarded Mr. Frederico a total achievement score of 152.5% in recognition of his extraordinary contributions in 2018, an increase from his total achievement score of 144.8% for 2017.

In recognition of Mr. Frederico s 2018 accomplishments and in order to incentivize him over the long term, the Compensation Committee granted Mr. Frederico long-term equity compensation with a nominal value of $6,000,000, an increase of 4.3% from his grant for the 2017 performance year.

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Mr. Frederico s compensation package for 2018 and 2017 were composed of the following:

	2018 Performance Year Compensation	2017 Performance Year Compensation	Change from 2017 to 2018
Fixed Compensation Base Salary[1]	$1,250,000	$1,250,000	%
Incentive Compensation			
Cash Incentive Compensation	$3,812,000	$4,525,000	(15.8)%
Long-Term Performance-Based Equity	$3,600,000[2]	$2,875,000[2]	25.2%
Long-Term Time-Based Equity	$2,400,000[2]	$2,875,000[2]	(16.5)%
Total Direct Compensation	$11,062,000	$11,525,000	(4.0)%

(1) Mr. Frederico s base salary for each of the 2018 and 2017 performance years was established at the beginning of such performance year, in February. Accordingly, Mr. Frederico s 2018 base salary was established in February 2018 based on Mr. Frederico s accomplishments in the 2017 performance year.

(2) Represents the Compensation Committee s target nominal value for the relevant performance year. The number of units granted is calculated by dividing such value by the average closing price on the NYSE of a Common Share over the 40 consecutive trading days ending on the date of grant.

The compensation package presented in the table above is different from the SEC-required disclosure in the Summary Compensation Table on page 53 and is not a substitute for the information in that table. Rather, it is intended to show how the Compensation Committee linked Mr. Frederico s compensation and its components to our performance results and his achievements for the prior year.

EXECUTIVE COMPENSATION PROGRAM STRUCTURE AND PROCESS

Overview of Philosophy and Design

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

The guiding principles of our program are:

Pay for Performance	Accountability	Alignment	Retention

by providing an incentive for exceptional performance and the possibility of reduced compensation if executives are unable to successfully execute our strategies	for short- and long-term performance	with shareholder interests	of highly qualified executives with financial guaranty experience

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We Align Pay With Performance

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

Our executive officers are eligible to receive a cash incentive, which is performance-based. They may also receive a long-term equity incentive, a portion of which is performance-based and cliff vests at the end of a three-year performance period if we meet certain performance targets, and a portion of which is time-based and cliff vests at the end of a three-year period. The long-term equity incentive is structured to encourage retention and a long-range mindset. In response to the result of our say-on-pay vote and based on shareholder feedback and advice from Cook, we made changes to our long-term equity incentive program beginning with the awards granted in February 2019 for the 2018 performance year.

Executive Compensation Is Closely Tied To Long-Term Performance

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

For the 2018 performance year, the compensation package for the executive officers contains three principal elements.

Principal Elements of Executive Compensation Package	Purpose
Base Salary	Based on responsibilities, skill set and experience, and market measures

If a company distributes shares of an additional share class to its existing shareholders through a mandatory corporate action, the additional share class will be evaluated for separate index membership. The new share class will be deemed eligible if the market capitalization of the distributed shares meets the minimum size requirement (the market capitalization of the smallest member of the Russell 3000E Index from the previous rebalance as adjusted for performance to date). If the additional share class is not eligible at the time of distribution, it will not be added to the Russell 2000® Index.

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Frank Russell Company doing business as Russell Investment Group (Russell) and Goldman Sachs International have entered into a non-exclusive license agreement, granting GS Finance Corp., in exchange for a fee, permission to use the Russell

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The EURO STOXX 50® Index

The EURO STOXX 50® Index is a free-float market capitalization-weighted index of 50 European blue-chip stocks and was created by and is sponsored and maintained by STOXX Limited. Publication of the EURO STOXX 50® Index began on February 26, 1998, based on an initial index value of 1,000 at December 31, 1991. The 50 stocks included in the EURO STOXX 50® Index trade in Euros, and are allocated, based on their country of incorporation, primary listing and largest trading volume, to one of the following countries: Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain, which we refer to collectively as the Eurozone. Companies allocated to a Eurozone country but not traded in Euros are not eligible for inclusion in the index. The level of the EURO STOXX 50® Index is disseminated on the STOXX Limited website. STOXX Limited is under no obligation to continue to publish the index and may discontinue publication of it at any time. Additional information regarding the EURO STOXX 50® Index may be obtained from the STOXX Limited website: stoxx.com. We are not incorporating by reference the website or any material it includes in this prospectus supplement.

The top ten constituent stocks of the EURO STOXX 50® Index as of September 4, 2018, by weight, are: Total S.A. (6.15%), SAP SE (4.78%), Siemens AG (4.04%), Sanofi (3.57%), Allianz SE (3.46%), LVMH Moët Hennessy Louis Vuitton SE (3.39%), Bayer AG (3.21%), ASML Holding N.V. (3.20%), Unilever N.V. (3.19%) and BASF SE (3.10%); constituent weights may be found at stoxx.com/download/indices/factsheets/SX5GT.pdf under Factsheets and Methodologies and are updated periodically.

As of September 4, 2018, the sixteen industry sectors which comprise the EURO STOXX 50® Index represent the following weights in the index: Automobiles & Parts (4.30%), Banks (12.50%), Chemicals (5.07%), Construction & Materials (3.85%), Food & Beverage (4.45%), Health Care (10.66%), Industrial Goods & Services (11.25%), Insurance (6.64%), Media (0.99%), Oil & Gas (7.92%), Personal & Household Goods (10.40%), Real Estate (1.05%), Retail (2.33%), Technology (9.13%), Telecommunications (4.54%) and Utilities (4.93%); industry weightings may be found at stoxx.com/download/indices/factsheets/SX5GT.pdf under Factsheets and Methodologies and are updated periodically. Percentages may not sum to 100% due to

rounding. Sector designations are determined by the index sponsor using criteria it has selected or developed. Index sponsors may use very different standards for determining sector designations. In addition, many companies operate in a number of sectors, but are listed in only one sector and the basis on which that sector is selected may also differ. As a result, sector comparisons between indices with different index sponsors may reflect differences in methodology as well as actual differences in the sector composition of the indices.

As of September 4, 2018, the eight countries which comprise the EURO STOXX 50® Index represent the following weights in the index: Belgium (2.62%), Finland (1.16%), France (38.98%), Germany (31.80%), Ireland (1.04%), Italy (4.65%), Netherlands (10.99%) and Spain (8.76%); country weightings may be found at stoxx.com/download/indices/factsheets/SX5GT.pdf under Factsheets and Methodologies and are updated periodically.

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EURO STOXX 50® *Index Composition.*

The EURO STOXX 50® Index is composed of 50 index stocks chosen by STOXX Limited from the 19 EURO STOXX Supersector indices, which represent the Eurozone portion of the STOXX Europe 600 Supersector indices. The 19 supersectors from which stocks are selected for the EURO STOXX 50® Index are Automobiles & Parts, Banks, Basic Resources, Chemicals, Construction & Materials, Financial Services, Food & Beverages, Health Care, Industrial Goods & Services, Insurance, Media, Oil & Gas, Personal & Household Goods, Real Estate, Retail, Technology, Telecommunications, Travel & Leisure and Utilities, although stocks from each of these supersectors are not necessarily included at a given time.

Component Selection

The composition of the EURO STOXX 50® Index is reviewed by STOXX Limited annually in September. Within each of the 19 EURO STOXX Supersector indices, the respective index component stocks are ranked by free-float market capitalization. The largest stocks are added to the selection list until the coverage is close to, but still less than, 60% of the free-float market capitalization of the corresponding EURO STOXX Total Market Index Supersector Index. If the next highest-ranked stock brings the coverage closer to 60% in absolute terms, then it is also added to the selection list. All remaining stocks that are current EURO STOXX 50® Index components are then added to the selection list. The stocks on the selection list are then ranked by free-float market capitalization. The 40 largest stocks on the selection list are chosen as index components. The remaining 10 stocks are then selected from the largest current stocks ranked between 41 and 60. If the number of index components is still below 50, then the largest remaining stocks on the selection list are added until the EURO STOXX 50® Index contains 50 stocks. In exceptional cases, the STOXX Limited Management Board may make additions and deletions to the selection list.

Ongoing *Maintenance of Component Stocks*

The component stocks of the EURO STOXX 50® Index are monitored on an ongoing monthly basis for deletion and quarterly basis for addition. Changes to the composition of the EURO STOXX 50® Index due to corporate actions (including mergers and takeovers, spin-offs, sector changes and bankruptcy) are announced immediately, implemented two trading days later and become effective on the next trading day after implementation.

The component stocks of the EURO STOXX 50® Index are subject to a fast exit rule. A component stock is deleted if it ranks 75 or below on the monthly selection list and it ranked 75 or below on the selection list of the previous month. The highest-ranked non-component stock will replace the exiting component stock.

The EURO STOXX 50® Index is also subject to a fast entry rule. All stocks on the latest selection lists and initial public offering (IPO) stocks are reviewed for a fast-track addition on a quarterly basis. A stock is added if it qualifies for the latest blue-chip selection list generated at the end of February, May, August or November and if it ranks within the lower buffer (between 1 and 25) on the selection list. If added, the stock replaces the smallest component stock.

A deleted stock is replaced immediately to maintain the fixed number of stocks. The replacement is based on the latest monthly selection list. In the case of a merger or takeover where a component stock is involved, the original component stock is replaced by the new component stock. In the case of a spin-off, if the original stock was a component stock, then each spin-off stock qualifies for addition if it lies within the lower buffer (between 1 and 40) on the latest selection list. The largest qualifying spin-off stock replaces the original component stock, while the next qualifying spin-off stock replaces the lowest ranked component stock and likewise for other qualifying spin-off stocks.

The free float factors and outstanding number of shares for each index stock that STOXX Limited uses to calculate the EURO STOXX 50® Index, as described below, are reviewed, calculated and implemented on a quarterly basis and are fixed until the next quarterly review. Certain extraordinary adjustments to the free float factors and/or the number of outstanding shares are implemented and made effective more quickly. The timing depends on the magnitude of the change. Each component s weight is capped at 10% of the EURO STOXX 50® Index s total free float market capitalization. The free float factor reduces the index stock s number of shares to the actual amount available on the market. All holdings that are larger than five percent of the total outstanding number of shares and held on a long-term basis are excluded from the index calculation (including, but not limited to, stock owned by the company itself, stock owned by governments, stock owned by certain individuals or families, and restricted shares).

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Index Calculation

STOXX Limited calculates the EURO STOXX 50® Index using the Laspeyres formula, which measures the aggregate price changes in the index stocks against a fixed base quantity weight. The discussion below describes the price return calculation of the EURO STOXX 50® Index.

The formula for calculating the EURO STOXX 50® Index value can be expressed as follows:

$$\text{EURO STOXX 50® Index} = \frac{\text{Free Float Market Capitalization of the EURO STOXX 50® Index}}{\text{Divisor}}$$

The free float market capitalization of the EURO STOXX 50® Index is equal to the sum of the product of the price, the number of shares, the free float factor and the weighting cap factor for each index stock as of the time the EURO STOXX 50® Index is being calculated. The index stocks trade in Euros and thus, no currency conversion is required. Where any index component stock price is unavailable on any trading day, the index sponsor will generally use the last reported price for such component stock.

In case the investability and tradability of the index and index based products is affected by an upcoming market or company event that is considered significant or extreme by the STOXX Management Board, the following actions or a combination of the following actions are taken. For all such changes a minimum notification period of two full trading days will be observed. The action scope may include but is not limited to:

- application of expert judgment for index component pricing data,
- adjustment of operational procedures,
- postponement of index adjustments,
- adjustment of selection lists,

- change of weights of index constituents by adjusting the number of shares, free-float factors or weighting cap-factors, or

- adjustment of index compositions.

EURO STOXX 50 Divisor

The EURO STOXX 50® Index is calculated using a divisor that helps to maintain the continuity of the index s value so that corporate actions do not artificially increase or decrease the level of the EURO STOXX 50® Index.

The divisor is calculated by starting with the previous divisor in effect for the EURO STOXX 50® Index (which we call the original divisor value) and multiplying it by a fraction, the numerator of which is the previous free float market capitalization of the EURO STOXX 50® Index, plus or minus the difference between the closing market capitalization of the EURO STOXX 50® Index and the adjusted closing market capitalization of the EURO STOXX 50® Index, and the denominator of which is the previous free float market capitalization of the EURO STOXX 50. The adjusted free float market capitalization is calculated for stocks of companies that have experienced a corporate action of the type described below as of the time the new divisor value is being calculated using the free float market capitalization calculated with adjusted closing prices, the new number of shares, and the new free float factor minus the

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free float market capitalization calculated with that stock s original closing price, number of shares, and free float factor, in each case as used in calculating the original divisor value. Errors in divisor calculation are corrected on an intraday basis if discovered on the same day the new divisor is effective. If the error is discovered later, the error is corrected on an intraday basis if feasible and only if the error is considered significant by the STOXX Limited Management Board.

Divisor Adjustments

STOXX Limited adjusts the divisor for the EURO STOXX 50® Index to maintain the continuity of the EURO STOXX 50® Index values across changes due to corporate actions. Changes in weights due to corporate actions are distributed proportionally across all index components and equal an investment into the portfolio. The following is a summary of the adjustments to any index stock made for corporate actions and the effect of such adjustments on the divisor, where shareholders of the index stock will receive B new shares for every A share held (where applicable) and assuming that the version of the index to which your notes are linked is the price return version. All adjusted prices consider withholding taxes based on the new shares being distributed, using B * (1 withholding tax where applicable) .

(1) *Special cash dividend*:

Adjusted price = closing price dividend announced by the company * (1- withholding tax if applicable)

Divisor: decreases

(2) *Split and reverse split*:

Adjusted price = closing price * A / B

New number of shares = old number of shares * B / A

Divisor: no change

(3) *Rights offering*:

Adjusted price = (closing price * A + subscription price * B) / (A + B)

New number of shares = old number of shares * (A + B) / A

Divisor: increases

If the subscription price is not available or if the subscription price is equal to or greater than the closing price on the day before the effective date, then no adjustment is made.

Extremely dilutive rights issues having a share ratio larger or equal to 2000% (B/A≥20) are treated as follows:

STOXX will announce the deletion of the company from the index following the standard rules for index replacements if sufficient notice of two trading days before the ex-date can be given.

The company may enter the index again at the next periodic index review, but only after the new rights issue shares have been listed.

Extremely dilutive rights issues for which two trading days notice before the ex-date cannot be given, and all highly dilutive rights issues having a share ratio larger or equal to 200% (B/A>2) are treated as follows:

- The rights issue shares are included into the index with a theoretical price on the ex-date;
- The rights issue shares must be listed on an eligible stock exchange and tradable starting on the ex-date, otherwise, only a price adjustment is made and the rights are not included;
- The rights issue shares will have the same parameters as the parent company;
- The rights issue shares will be removed at the close of the day they start to trade with traded price being available; and

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- The number of shares and weighting factors will be increased after the new rights issue shares have been listed.

(4) *Stock dividend*:

Adjusted price = closing price * A / (A + B)

New number of shares = old number of shares * (A + B) / A

Divisor: no change

(5) *Stock dividend from treasury stock if treated as extraordinary dividend:*

Adjusted close = close close * B / (A + B)

Divisor: decreases

(6) *Stock dividend of another company:*

Adjusted price = (closing price * A price of other company * B) / A

Divisor: decreases

(7) *Return of capital and share consolidation*:

Adjusted price = [closing price capital return announced by company * (1 withholding tax)] * A / B

New number of shares = old number of shares * B / A

Divisor: decreases

(8) *Repurchase of shares / self-tender*:

Adjusted price = [(price before tender * old number of shares) (tender price * number of tendered shares)] / (old number of shares number of tendered shares)

New number of shares = old number of shares number of tendered shares

Divisor: decreases

(9) *Spin off*:

Adjusted price = (closing price * A price of spin off shares * B) / A

Divisor: decreases

(10) *Combination stock distribution (dividend or split) and rights offering*:

For this corporate action, the following additional assumptions apply:

Shareholders receive B new shares from the distribution and C new shares from the rights offering for every A share held; and

If A is not equal to one, all the following new number of shares formulae need to be divided by A.

If rights are applicable after stock distribution (one action applicable to another):

Adjusted price = [closing price * A + subscription price * C * (1 + B / A)] / [(A + B) * (1 + C / A)]

New number of shares = old number of shares * [(A + B) * (1 + C / A)] / A

Divisor: increases

If stock distribution is applicable after rights (one action applicable to another):

Adjusted price = (closing price * A + subscription price * C) / [(A + C) * (1 + B / A)]

New number of shares = old number of shares * [(A + C) * (1 + B / A)]

Divisor: increases

Stock distribution and rights (neither action is applicable to the other):

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Adjusted price = (closing price * A + subscription price * C) / (A + B + C)

New number of shares = old number of shares * (A + B + C) / A

Divisor: increases

(11) *Addition/deletion of a company*

No price adjustments are made. The net change in market capitalization determines the divisor adjustment.

(12) *Free float and shares changes*

No price adjustments are made. The net change in market capitalization determines the divisor adjustment.

License Agreement between STOXX Limited and Goldman Sachs

STOXX and its licensors (the Licensors) have no relationship to GS Finance Corp., other than the licensing of the EURO STOXX 50® Index and the related trademarks for use in connection with the notes.

STOXX and its Licensors do not:

- Sponsor, endorse, sell or promote the notes.
- Recommend that any person invest in the notes or any other securities.

- Have any responsibility or liability for or make any decisions about the timing, amount or pricing of the notes.

- Have any responsibility or liability for the administration, management or marketing of the notes.

- Consider the needs of the notes or the owners of the notes in determining, composing or calculating the EURO STOXX 50® Index or have any obligation to do so.

STOXX and its Licensors will not have any liability in connection with the notes. Specifically,

- **STOXX and its Licensors do not make any warranty, express or implied and disclaim any and all warranty about:**

- **The results to be obtained by the notes, the owner of the notes or any other person in connection with the use of the EURO STOXX 50® Index and the data included in the EURO STOXX 50® Index;**

- **The accuracy or completeness of the EURO STOXX 50® Index and its data;**

- **The merchantability and the fitness for a particular purpose or use of the EURO STOXX 50® Index and its data;**

- **STOXX and its Licensors will have no liability for any errors, omissions or interruptions in the EURO STOXX 50® Index or its data;**

- **Under no circumstances will STOXX or its Licensors be liable for any lost profits or indirect, punitive, special or consequential damages or losses, even if STOXX or its Licensors knows that they might occur.**

The licensing agreement between Goldman Sachs International and STOXX is solely for their benefit, and the benefit of certain affiliates of Goldman Sachs International, and not for the benefit of the owners of the notes or any other third parties.

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Historical Closing Levels of the Indices

The closing levels of the indices have fluctuated in the past and may, in the future, experience significant fluctuations. Any historical upward or downward trend in the closing level of any index during the period shown below is not an indication that such index is more or less likely to increase or decrease at any time during the life of your notes.

You should not take the historical closing levels of an index as an indication of the future performance of an index. We cannot give you any assurance that the future performance of any index or the index stocks will result in you receiving any coupon payments or receiving the outstanding face amount of your notes on the stated maturity date.

Neither we nor any of our affiliates make any representation to you as to the performance of the indices. Before investing in the offered notes, you should consult publicly available information to determine the relevant index levels between the date of this prospectus supplement and the date of your purchase of the offered notes. The actual performance of an index over the life of the offered notes, as well as the cash settlement amount at maturity may bear little relation to the historical levels shown below.

The graphs below show the daily historical closing levels of each index from September 7, 2008 through September 7, 2018. We obtained the closing levels in the graphs below from Bloomberg Financial Services, without independent verification. Although the official closing levels of the Russell 2000® Index are published to six decimal places by the index sponsor, Bloomberg Financial Services reports the levels of the Russell 2000® Index to fewer decimal places.

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Correlation of the Indices

The graph below shows the historical closing levels of each index from September 7, 2008 through September 7, 2018. For comparison purposes, each index has been adjusted to have a closing level of 100.00 on September 7, 2008 by dividing the closing level of that index on each day by the closing level of that index on September 7, 2008 and multiplying by 100.00. We obtained the closing levels used to determine the adjusted closing levels in the graph below from Bloomberg Financial Services, without independent verification. **You should not take the historical performance of the indices as an indication of the future performance of the indices.**

Movements in the values of the indices may be correlated or uncorrelated at different times during the term of the notes and, if there is correlation, such correlation may be positive (the indices move in the same direction) or negative (the indices move in reverse directions). The more similar the movements of the daily returns of the indices over the given period, the more positively correlated those indices are. The graph above illustrates the historical performance of each index relative to the other indices over the time period shown and provides an indication of how the relative performance of the daily returns of one index has historically been to another. **However, it is the actual level of the lesser performing index (and not the level of historical correlation between the indices) that determines the return on your notes.**

Please read Additional Risk Factors Specific to Your Notes You Are Exposed to the Market Risk of Each Index on page S-17 of this prospectus supplement.

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SUPPLEMENTAL DISCUSSION OF FEDERAL INCOME TAX CONSEQUENCES

The following section supplements the discussion of U.S. federal income taxation in the accompanying prospectus.

The following section is the opinion of Sidley Austin LLP, counsel to GS Finance Corp. and The Goldman Sachs Group, Inc. In addition, it is the opinion of Sidley Austin LLP that the characterization of the notes for U.S. federal income tax purposes that will be required under the terms of the notes, as discussed below, is a reasonable interpretation of current law.

This section does not apply to you if you are a member of a class of holders subject to special rules, such as:

- a dealer in securities or currencies;
- a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings;
- a bank;
- a life insurance company;
- a regulated investment company;
- an accrual method taxpayer subject to special tax accounting rules as a result of its use of financial statements;
- a tax exempt organization;
- a partnership;

- a person that owns a note as a hedge or that is hedged against interest rate risks;

- a person that owns a note as part of a straddle or conversion transaction for tax purposes; or

- a United States holder (as defined below) whose functional currency for tax purposes is not the U.S. dollar.

Although this section is based on the U.S. Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations under the Internal Revenue Code, published rulings and court decisions, all as currently in effect, no statutory, judicial or administrative authority directly discusses how your notes should be treated for U.S. federal income tax purposes, and as a result, the U.S. federal income tax consequences of your investment in your notes are uncertain. Moreover, these laws are subject to change, possibly on a retroactive basis.

You should consult your tax advisor concerning the U.S. federal income tax and other tax consequences of your investment in the notes, including the application of state, local or other tax laws and the possible effects of changes in federal or other tax laws.

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United States Holders

This section applies to you only if you are a United States holder that holds your notes as a capital asset for tax purposes. You are a United States holder if you are a beneficial owner of a note and you are:

- a citizen or resident of the United States;
- a domestic corporation;
- an estate whose income is subject to U.S. federal income tax regardless of its source; or
- a trust if a United States court can exercise primary supervision over the trust s administration and one or more United States persons are authorized to control all substantial decisions of the trust.

Tax Treatment. You will be obligated pursuant to the terms of the notes in the absence of a change in law, an administrative determination or a judicial ruling to the contrary to characterize your notes for all tax purposes as income-bearing pre-paid derivative contracts in respect of the indices. Except as otherwise stated below, the discussion below assumes that the notes will be so treated.

Coupon payments that you receive should be included in ordinary income at the time you receive the payment or when the payment accrues, in accordance with your regular method of accounting for U.S. federal income tax purposes.

Upon the sale, exchange, redemption or maturity of your notes, you should recognize capital gain or loss equal to the difference between the amount realized on the sale, exchange, redemption or maturity (excluding any amounts attributable to accrued and unpaid coupon payments, which will be taxable as described above) and your tax basis in your notes. Your tax basis in your notes will generally be equal to the amount that you paid for the notes. Such capital gain or loss should generally be short-term capital gain or loss if you hold the notes for one year or less, and should be long-term capital gain or loss if you hold the notes for more than one year. Short-term capital gains are generally subject to tax at the marginal tax rates applicable to ordinary income.

No statutory, judicial or administrative authority directly discusses how your notes should be treated for U.S. federal income tax purposes. As a result, the U.S. federal income tax consequences of your investment in the notes are uncertain and alternative characterizations are possible. Accordingly, we urge you to consult your tax advisor in determining the

tax consequences of an investment in your notes in your particular circumstances, including the application of state, local or other tax laws and the possible effects of changes in federal or other tax laws.

Alternative Treatments. There is no judicial or administrative authority discussing how your notes should be treated for U.S. federal income tax purposes. Therefore, the Internal Revenue Service might assert that a treatment other than that described above is more appropriate. For example, the Internal Revenue Service could treat your notes as a single debt instrument subject to special rules governing contingent payment debt instruments.

Under those rules, the amount of interest you are required to take into account for each accrual period would be determined by constructing a projected payment schedule for the notes and applying rules similar to those for accruing original issue discount on a hypothetical noncontingent debt instrument with that projected payment schedule. This method is applied by first determining the comparable yield i.e., the yield at which we would issue a noncontingent fixed rate debt instrument with terms and conditions similar to your notes and then determining a payment schedule as of the applicable original issue date that would produce the comparable yield. These rules may have the effect of requiring you to include interest in income in respect of your notes prior to your receipt of cash attributable to that income.

If the rules governing contingent payment debt instruments apply, any income you recognize upon the sale, exchange, redemption or maturity of your notes would be treated as ordinary interest income.

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Any loss you recognize at that time would be treated as ordinary loss to the extent of interest you included as income in the current or previous taxable years in respect of your notes, and, thereafter, as capital loss.

If the rules governing contingent payment debt instruments apply, special rules would apply to persons who purchase a note at other than the adjusted issue price as determined for tax purposes.

It is possible that the Internal Revenue Service could assert that your notes should generally be characterized as described above, except that (1) the gain you recognize upon the sale, exchange, redemption or maturity of your notes should be treated as ordinary income or (2) you should not include the coupon payments in income as you receive them but instead you should reduce your basis in your notes by the amount of coupon payments that you receive. It is also possible that the Internal Revenue Service could seek to characterize your notes in a manner that results in tax consequences to you different from those described above.

It is also possible that the Internal Revenue Service could seek to characterize your notes as notional principal contracts. It is also possible that the coupon payments would not be treated as either ordinary income or interest for U.S. federal income tax purposes, but instead would be treated in some other manner.

You should consult your tax advisor as to possible alternative characterizations of your notes for U.S. federal income tax purposes.

Possible Change in Law

In 2007, legislation was introduced in Congress that, if enacted, would have required holders that acquired instruments such as your notes after the bill was enacted to accrue interest income over the term of such instruments. It is not possible to predict whether a similar or identical bill will be enacted in the future, or whether any such bill would affect the tax treatment of your notes.

In addition, on December 7, 2007, the Internal Revenue Service released a notice stating that the Internal Revenue Service and the Treasury Department are actively considering issuing guidance regarding the proper U.S. federal income tax treatment of an instrument such as the offered notes including whether the holders should be required to accrue ordinary income on a current basis and whether gain or loss should be ordinary or capital. It is not possible to determine what guidance they will ultimately issue, if any. It is possible, however, that under such guidance, holders of the notes will ultimately be required to accrue income currently and this could be applied on a retroactive basis. The Internal Revenue Service and the Treasury Department are also considering other relevant issues, including whether foreign holders of such instruments should be subject to withholding tax on any deemed income accruals and whether the special constructive ownership rules of Section 1260 of the Internal Revenue Code might be applied to such instruments. Except to the extent otherwise provided by law, GS Finance Corp. intends to continue treating the notes for U.S. federal income tax purposes in accordance with the treatment described above unless and until such time as Congress, the Treasury Department or the Internal Revenue Service determine that some other treatment is more appropriate.

It is impossible to predict what any such legislation or administrative or regulatory guidance might provide, and whether the effective date of any legislation or guidance will affect notes that were issued before the date that such legislation or guidance is issued. You are urged to consult your tax advisor as to the possibility that any legislative or administrative action may adversely affect the tax treatment of your notes.

United States Alien Holders

This section applies to you only if you are a United States alien holder. You are a United States alien holder if you are the beneficial owner of the notes and are, for U.S. federal income tax purposes:

- a nonresident alien individual;

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- a foreign corporation; or

- an estate or trust that in either case is not subject to U.S. federal income tax on a net income basis on income or gain from the notes.

Because the U.S. federal income tax treatment (including the applicability of withholding) of the coupon payments on the notes is uncertain, in the absence of further guidance, we intend to withhold on the coupon payments made to you at a 30% rate or at a lower rate specified by an applicable income tax treaty under an other income or similar provision. We will not make payments of any additional amounts. To claim a reduced treaty rate for withholding, you generally must provide a valid Internal Revenue Service Form W-8BEN, Internal Revenue Service Form W-8BEN-E, or an acceptable substitute form upon which you certify, under penalty of perjury, your status as a United States alien holder and your entitlement to the lower treaty rate. Payments will be made to you at a reduced treaty rate of withholding only if such reduced treaty rate would apply to any possible characterization of the payments (including, for example, if the coupon payments were characterized as contract fees). Withholding also may not apply to coupon payments made to you if: (i) the coupon payments are effectively connected with your conduct of a trade or business in the United States and are includable in your gross income for U.S. federal income tax purposes, (ii) the coupon payments are attributable to a permanent establishment that you maintain in the United States, if required by an applicable tax treaty, and (iii) you comply with the requisite certification requirements (generally, by providing an Internal Revenue Service Form W-8ECI). If you are eligible for a reduced rate of United States withholding tax, you may obtain a refund of any amounts withheld in excess of that rate by filing a refund claim with the Internal Revenue Service.

Effectively connected payments includable in your United States gross income are generally taxed at rates applicable to United States citizens, resident aliens, and domestic corporations; if you are a corporate United States alien holder, effectively connected payments may be subject to an additional branch profits tax under certain circumstances.

You will also be subject to generally applicable information reporting and backup withholding requirements with respect to payments on your notes and, notwithstanding that we do not intend to treat the notes as debt for tax purposes, we intend to backup withhold on such payments with respect to your notes unless you comply with the requirements necessary to avoid backup withholding on debt instruments (in which case you will not be subject to such backup withholding) as set forth under United States Taxation Taxation of Debt Securities United States Alien Holders in the accompanying prospectus.

Furthermore, on December 7, 2007, the Internal Revenue Service released Notice 2008-2 soliciting comments from the public on various issues, including whether instruments such as your notes should be subject to withholding. It is therefore possible that rules will be issued in the future, possibly with retroactive effects, that would cause payments on your notes to be subject to withholding, even if you comply with certification requirements as to your foreign status.

As discussed above, alternative characterizations of the notes for U.S. federal income tax purposes are possible. Should an alternative characterization of the notes, by reason of a change or clarification of the law, by regulation or otherwise, cause payments with respect to the notes to become subject to withholding tax, we will withhold tax at the applicable statutory rate and we will not make payments of any additional amounts. Prospective United States alien holders of the notes should consult their tax advisors in this regard.

In addition, the Treasury Department has issued regulations under which amounts paid or deemed paid on certain financial instruments (871(m) financial instruments) that are treated as attributable to U.S.-source dividends could be treated, in whole or in part depending on the circumstances, as a dividend equivalent payment that is subject to tax at a rate of 30% (or a lower rate under an applicable treaty), which in the case of any coupon payments and any amounts you receive upon the sale, exchange, redemption or maturity of your notes, could be collected via withholding. If these regulations were to apply to the notes, we may be required to withhold such taxes if any U.S.-source dividends are paid on the stocks included in the indices during the term of the notes. We could also require you to make

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certifications (e.g., an applicable Internal Revenue Service Form W-8) prior to any coupon payment or the maturity of the notes in order to avoid or minimize withholding obligations, and we could withhold accordingly (subject to your potential right to claim a refund from the Internal Revenue Service) if such certifications were not received or were not satisfactory. If withholding was required, we would not be required to pay any additional amounts with respect to amounts so withheld. These regulations generally will apply to 871(m) financial instruments (or a combination of financial instruments treated as having been entered into in connection with each other) issued (or significantly modified and treated as retired and reissued) on or after January 1, 2019, but will also apply to certain 871(m) financial instruments (or a combination of financial instruments treated as having been entered into in connection with each other) that have a delta (as defined in the applicable Treasury regulations) of one and are issued (or significantly modified and treated as retired and reissued) on or after January 1, 2017. In addition, these regulations will not apply to financial instruments that reference a qualified index (as defined in the regulations). We have determined that, as of the issue date of your notes, your notes will not be subject to withholding under these rules. In certain limited circumstances, however, you should be aware that it is possible for United States alien holders to be liable for tax under these rules with respect to a combination of transactions treated as having been entered into in connection with each other even when no withholding is required. You should consult your tax advisor concerning these regulations, subsequent official guidance and regarding any other possible alternative characterizations of your notes for U.S. federal income tax purposes.

Foreign Account Tax Compliance Act (FATCA) Withholding

Pursuant to Treasury regulations, Foreign Account Tax Compliance Act (FATCA) withholding (as described in United States Taxation Taxation of Debt Securities Foreign Account Tax Compliance Act (FATCA) Withholding in the accompanying prospectus) will generally apply to obligations that are issued on or after July 1, 2014; therefore, the notes will generally be subject to FATCA withholding. However, according to published guidance, the withholding tax described above will not apply to payments of gross proceeds from the sale, exchange, redemption or other disposition of the notes made before January 1, 2019.

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EMPLOYEE RETIREMENT INCOME SECURITY ACT

This section is only relevant to you if you are an insurance company or the fiduciary of a pension plan or an employee benefit plan (including a governmental plan, an IRA or a Keogh Plan) proposing to invest in the notes.

The U.S. Employee Retirement Income Security Act of 1974, as amended (ERISA) and the U.S. Internal Revenue Code of 1986, as amended (the Code), prohibit certain transactions (prohibited transactions) involving the assets of an employee benefit plan that is subject to the fiduciary responsibility provisions of ERISA or Section 4975 of the Code (including individual retirement accounts, Keogh plans and other plans described in Section 4975(e)(1) of the Code) (a Plan) and certain persons who are parties in interest (within the meaning of ERISA) or disqualified persons (within the meaning of the Code) with respect to the Plan; governmental plans may be subject to similar prohibitions unless an exemption applies to the transaction. The assets of a Plan may include assets held in the general account of an insurance company that are deemed plan assets under ERISA or assets of certain investment vehicles in which the Plan invests. Each of The Goldman Sachs Group, Inc. and certain of its affiliates may be considered a party in interest or a disqualified person with respect to many Plans, and, accordingly, prohibited transactions may arise if the notes are acquired by or on behalf of a Plan unless those notes are acquired and held pursuant to an available exemption. In general, available exemptions are: transactions effected on behalf of that Plan by a qualified professional asset manager (prohibited transaction exemption 84-14) or an in-house asset manager (prohibited transaction exemption 96-23), transactions involving insurance company general accounts (prohibited transaction exemption 95-60), transactions involving insurance company pooled separate accounts (prohibited transaction exemption 90-1), transactions involving bank collective investment funds (prohibited transaction exemption 91-38) and transactions with service providers under Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code where the Plan receives no less and pays no more than adequate consideration (within the meaning of Section 408(b)(17) of ERISA and Section 4975(f)(10) of the Code). The person making the decision on behalf of a Plan or a governmental plan shall be deemed, on behalf of itself and the plan, by purchasing and holding the notes, or exercising any rights related thereto, to represent that (a) the plan will receive no less and pay no more than adequate consideration (within the meaning of Section 408(b)(17) of ERISA and Section 4975(f)(10) of the Code) in connection with the purchase and holding of the notes, (b) none of the purchase, holding or disposition of the notes or the exercise of any rights related to the notes will result in a nonexempt prohibited transaction under ERISA or the Code (or, with respect to a governmental plan, under any similar applicable law or regulation), and (c) neither The Goldman Sachs Group, Inc. nor any of its affiliates is a fiduciary (within the meaning of Section 3(21) of ERISA) or, with respect to a governmental plan, under any similar applicable law or regulation) with respect to the purchaser or holder in connection with such person s acquisition, disposition or holding of the notes, or as a result of any exercise by The Goldman Sachs Group, Inc. or any of its affiliates of any rights in connection with the notes, and neither The Goldman Sachs Group, Inc. nor any of its affiliates has provided investment advice in connection with such person s acquisition, disposition or holding of the notes.

If you are an insurance company or the fiduciary of a pension plan or an employee benefit plan (including a governmental plan, an IRA or a Keogh plan), and propose to invest in the notes, you should consult your legal counsel.

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SUPPLEMENTAL PLAN OF DISTRIBUTION

GS Finance Corp. has agreed to sell to GS&Co., and GS&Co. has agreed to purchase from GS Finance Corp., the aggregate face amount of the offered notes specified on the front cover of this prospectus supplement. GS&Co. proposes initially to offer the notes to the public at the original issue price set forth on the cover page of this prospectus supplement, and to UBS Financial Services Inc. at such price less a concession not in excess of 1.25% of the face amount.

In connection with the initial offering of the notes, the minimum face amount of notes that may be purchased by any investor is $1,000.

In the future, GS&Co. or other affiliates of GS Finance Corp. may repurchase and resell the offered notes in market-making transactions, with resales being made at prices related to prevailing market prices at the time of resale or at negotiated prices. GS Finance Corp. estimates that its share of the total offering expenses, excluding underwriting discounts and commissions, will be approximately $20,000. For more information about the plan of distribution and possible market-making activities, see Plan of Distribution in the accompanying prospectus.

We will deliver the notes against payment therefor in New York, New York on September 12, 2018. Under Rule 15c6-1 of the Securities Exchange Act of 1934, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes on any date prior to two business days before delivery will be required to specify alternative settlement arrangements to prevent a failed settlement.

We have been advised by GS&Co. that it intends to make a market in the notes. However, neither GS&Co. nor any of our other affiliates that makes a market is obligated to do so and any of them may stop doing so at any time without notice. No assurance can be given as to the liquidity or trading market for the notes.

Any notes which are the subject of the offering contemplated by this prospectus supplement, the accompanying prospectus and the accompanying prospectus supplement may not be offered, sold or otherwise made available to any retail investor in the European Economic Area. Consequently no key information document required by Regulation (EU) No 1286/2014 (the PRIIPs Regulation) for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation. For the purposes of this provision:

(a) the expression retail investor means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, MiFID II); or

(ii) a customer within the meaning of Directive 2002/92/EC (as amended, the Insurance Mediation Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the Prospectus Directive); and

(b) the expression an offer includes the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe for the notes.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), GS&Co. has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of notes which are the subject of the offering contemplated by this prospectus supplement, the accompanying prospectus and the accompanying prospectus supplement to the public in that Relevant Member State except that, with effect from and including the Relevant Implementation Date, an offer of such notes may be made to the public in that Relevant Member State:

a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant dealer or dealers nominated by the issuer for any such offer; or

c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of notes referred to above shall require us or any dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

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For the purposes of this provision, the expression an offer of notes to the public in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe for the notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of the notes may only be communicated or caused to be communicated in circumstances in which Section 21(1) of the FSMA does not apply to GS Finance Corp. or The Goldman Sachs Group, Inc.

All applicable provisions of the FSMA must be complied with in respect to anything done by any person in relation to the notes in, from or otherwise involving the United Kingdom.

The notes may not be offered or sold in Hong Kong by means of any document other than (i) to professional investors as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and any rules made thereunder, or (ii) in other circumstances which do not result in the document being a prospectus as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that Ordinance; and no advertisement, invitation or document relating to the notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere) which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the notes which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the Securities and Futures Ordinance and any rules made thereunder.

This prospectus supplement, along with the accompanying prospectus supplement and the accompanying prospectus have not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus supplement, along with the accompanying prospectus supplement and the accompanying prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore (the SFA)) under Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to conditions set forth in the SFA.

Where the notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor, the securities (as defined in Section 239(1) of the SFA) of that corporation shall not be transferable for six months after that corporation has acquired the notes under Section 275 of the SFA except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person (as

defined in Section 275(2) of the SFA), (2) where such transfer arises from an offer in that corporation s securities pursuant to Section 275(1A) of the SFA, (3) where no consideration is or will be given for the transfer, (4) where the transfer is by operation of law, (5) as specified in Section 276(7) of the SFA, or (6) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore (Regulation 32).

Where the notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is a trust (where the trustee is not an accredited investor (as defined in Section 4A of the SFA)) whose sole purpose is to hold investments and each beneficiary of the trust is an accredited investor, the beneficiaries rights and interest (howsoever described) in that trust shall not be transferable for six months after that trust has acquired the notes under Section 275 of the SFA except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA), (2) where such transfer arises from an offer that is made on terms that such rights or interest are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction (whether such amount is to be paid for in cash or by exchange of securities or other assets), (3) where no consideration is or will be given for the transfer, (4) where the transfer is by operation of law, (5) as specified in Section 276(7) of the SFA, or (6) as specified in Regulation 32.

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The notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended), or the FIEA. The notes may not be offered or sold, directly or indirectly, in Japan or to or for the benefit of any resident of Japan (including any person resident in Japan or any corporation or other entity organized under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to or for the benefit of any resident of Japan, except pursuant to an exemption from the registration requirements of the FIEA and otherwise in compliance with any relevant laws and regulations of Japan.

The notes are not offered, sold or advertised, directly or indirectly, in, into or from Switzerland on the basis of a public offering and will not be listed on the SIX Swiss Exchange or any other offering or regulated trading facility in Switzerland. Accordingly, neither this prospectus supplement nor any accompanying prospectus supplement, prospectus or other marketing material constitute a prospectus as defined in article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus as defined in article 32 of the Listing Rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland. Any resales of the notes by the underwriters thereof may only be undertaken on a private basis to selected individual investors in compliance with Swiss law. This prospectus supplement and accompanying prospectus and prospectus supplement may not be copied, reproduced, distributed or passed on to others or otherwise made available in Switzerland without our prior written consent. By accepting this prospectus supplement and accompanying prospectus and prospectus supplement or by subscribing to the notes, investors are deemed to have acknowledged and agreed to abide by these restrictions. Investors are advised to consult with their financial, legal or tax advisers before investing in the notes.

Conflicts of Interest

GS&Co. is an affiliate of GS Finance Corp. and The Goldman Sachs Group, Inc. and, as such, will have a conflict of interest in this offering of notes within the meaning of Financial Industry Regulatory Authority, Inc. (FINRA) Rule 5121. Consequently, this offering of notes will be conducted in compliance with the provisions of FINRA Rule 5121. GS&Co. will not be permitted to sell notes in this offering to an account over which it exercises discretionary authority without the prior specific written approval of the account holder.

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VALIDITY OF THE NOTES AND GUARANTEE

In the opinion of Sidley Austin LLP, as counsel to GS Finance Corp. and The Goldman Sachs Group, Inc., when the notes offered by this prospectus supplement have been executed and issued by GS Finance Corp., the related guarantee offered by this prospectus supplement has been executed and issued by The Goldman Sachs Group, Inc., and such notes have been authenticated by the trustee pursuant to the indenture, and such notes and the guarantee have been delivered against payment as contemplated herein, (a) such notes will be valid and binding obligations of GS Finance Corp., enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors rights generally, concepts of reasonableness and equitable principles of general applicability (including, without limitation, concepts of good faith, fair dealing and the lack of bad faith), provided that such counsel expresses no opinion as to the effect of fraudulent conveyance, fraudulent transfer or similar provision of applicable law on the conclusions expressed above and (b) such related guarantee will be a valid and binding obligation of The Goldman Sachs Group, Inc., enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors rights generally, concepts of reasonableness and equitable principles of general applicability (including, without limitation, concepts of good faith, fair dealing and the lack of bad faith), provided that such counsel expresses no opinion as to the effect of fraudulent conveyance, fraudulent transfer or similar provision of applicable law on the conclusions expressed above. This opinion is given as of the date hereof and is limited to the laws of the State of New York and the General Corporation Law of the State of Delaware as in effect on the date hereof. In addition, this opinion is subject to customary assumptions about the trustee s authorization, execution and delivery of the indenture and the genuineness of signatures and certain factual matters, all as stated in the letter of such counsel dated July 10, 2017, which has been filed as Exhibit 5.6 to the registration statement on Form S-3 filed with the Securities and Exchange Commission by GS Finance Corp. and The Goldman Sachs Group, Inc. on July 10, 2017.

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We have not authorized anyone to provide any information or to make any representations other than those contained or incorporated by reference in this prospectus supplement, the accompanying prospectus supplement or the accompanying prospectus. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus supplement, the accompanying prospectus supplement and the accompanying prospectus is an offer to sell only the notes offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus supplement, the accompanying prospectus supplement and the accompanying prospectus is current only as of the respective dates of such documents.

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Prospectus Supplement dated July 10, 2017

Prospectus dated July 10, 2017

$5,880,000

GS Finance Corp.

Trigger Callable Contingent Yield Notes due 2022

guaranteed by

The Goldman Sachs Group, Inc.

Goldman Sachs & Co. LLC

UBS Financial Services Inc.

Selling Agent