

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

Financial Supplement

Assured Guaranty Ltd.

March 31, 2020



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This financial supplement should be read in conjunction with documents filed by Assured Guaranty Ltd. (AGL and, together with its subsidiaries, Assured Guaranty or the Company) with the United States (U.S.) Securities and Exchange Commission (SEC), including its Annual Report on Form 10-K for the year ended December 31, 2019 and its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020.

Cautionary Statement Regarding Forward Looking Statements

Any forward looking statements made in this supplement reflect the current views of Assured Guaranty with respect to future events and financial performance and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements involve risks and uncertainties that may cause actual results to differ materially from those set forth in these statements. Assured Guaranty's forward looking statements could be affected by many events. These events include (1) the development, course and duration of the COVID-19 pandemic and the governmental and private actions taken in response, and the global consequences of the pandemic and such actions, including their impact on the factors listed below; (2) changes in the world's credit markets, segments thereof, interest rates, credit spreads or general economic conditions; (3) developments in the world's financial and capital markets that adversely affect insured obligors' repayment rates, Assured Guaranty's insurance loss or recovery experience, investments of Assured Guaranty or assets it manages; (4) reduction in the amount of available insurance opportunities and/or in the demand for Assured Guaranty's insurance; (5) the loss of investors in Assured Guaranty's asset management strategies or the failure to attract new investors to Assured Guaranty's asset management business; (6) the possibility that budget or pension shortfalls or other factors will result in credit losses or impairments on obligations of state, territorial and local governments and their related authorities and public corporations that Assured Guaranty insures or reinsures; (7) insured losses in excess of those expected by Assured Guaranty or the failure of Assured Guaranty to realize loss recoveries that are assumed in its expected loss estimates for insurance exposures; (8) increased competition, including from new entrants into the financial guaranty industry; (9) poor performance of Assured Guaranty's asset management strategies compared to the performance of the asset management strategies of Assured Guaranty's competitors; (10) the possibility that investments made by Assured Guaranty for its investment portfolio, including alternative investments and investments it manages, do not result in the benefits anticipated or subject Assured Guaranty to reduced liquidity at a time it requires liquidity or to unanticipated consequences; (11) the impact of market volatility on the mark-to-market of Assured Guaranty's assets and liabilities subject to mark-to-market, including certain of its investments, most of its contracts written in credit default swap form, and variable interest entities as well as on the mark-to-market of assets Assured Guaranty manages; (12) rating agency action, including a ratings downgrade, a change in outlook, the placement of ratings on watch for downgrade, or a change in rating criteria, at any time, of AGL or any of its insurance subsidiaries, and/or of any securities AGL or any of its subsidiaries have issued, and/or of transactions that AGL's insurance subsidiaries have insured; (13) the inability of Assured Guaranty to access external sources of capital on acceptable terms; (14) changes in applicable accounting policies or practices; (15) changes in applicable laws or regulations, including insurance, bankruptcy and tax laws, or other governmental actions; (16) the failure of Assured Guaranty to successfully integrate the business of BlueMountain Capital Management, LLC (BlueMountain) and its associated entities; (17) the possibility that acquisitions made by Assured Guaranty, including its acquisition of BlueMountain (BlueMountain Acquisition), do not result in the benefits anticipated or subject Assured Guaranty to unanticipated consequences; (18) difficulties with the execution of Assured Guaranty's business strategy; (19) loss of key personnel; (20) the effects of mergers, acquisitions and divestitures; (21) natural or man-made catastrophes or pandemics; (22) other risk factors identified in AGL's filings with the U.S. SEC; (23) other risks and uncertainties that have not been identified at this time; and; (24) management's response to these factors. Assured Guaranty undertakes no obligation to update publicly or review any forward looking statement, whether as a result of new information, future developments or otherwise, except as required by law.

Assured Guaranty Ltd.
Selected Financial Highlights (1 of 2)
(dollars in millions, except per share amounts)

	Three Months Ended			
	March 31,			
	2020	2019		
GAAP Highlights				
Net income (loss) attributable to AGL	\$ (55)	\$ 54		
Net income (loss) attributable to AGL per diluted share	(0.59)	0.52		
Weighted average shares outstanding				
Basic shares outstanding	92.6	103.0		
Diluted shares outstanding ⁽²⁾	92.6	104.0		
Effective tax rate on net income	7.1 %	7.8%		
GAAP return on equity (ROE) ⁽⁴⁾	(3.4)%	3.3%		
Non-GAAP Highlights ⁽¹⁾				
Adjusted operating income (loss) ⁽¹⁾⁽⁶⁾				
Insurance	\$ 85	\$ 111		
Asset Management	(9)	—		
Corporate	(39)	(25)		
Other	(4)	—		
Adjusted operating income (loss)	\$ 33	\$ 86		
Adjusted operating income (loss) per diluted share ⁽¹⁾⁽⁶⁾	\$ 0.36	\$ 0.82		
Effective tax rate on adjusted operating income ⁽³⁾	24.7 %	13.1 %		
Adjusted operating ROE ⁽¹⁾⁽⁴⁾⁽⁹⁾	2.2 %	5.4 %		
Insurance Segment				
Gross written premiums (GWP)	\$ 64	\$ 39		
Present value of new business production (PVP) ⁽¹⁾	51	42		
Gross par written	3,033	2,707		
Asset Management Segment				
Wind-down funds net outflows	\$ (875)	\$ —		
As of				
	March 31, 2020		December 31, 2019	
	Amount	Per Share	Amount	Per Share
Shareholders' equity attributable to AGL	\$ 6,240	\$ 69.35	\$ 6,639	\$ 71.18
Adjusted operating shareholders' equity ⁽¹⁾⁽⁷⁾	6,051	67.25	6,246	66.96
Adjusted book value ⁽¹⁾⁽⁸⁾	8,820	98.02	9,047	96.99
Gain (loss) related to the effect of consolidating variable interest entities (VIE consolidation) included in adjusted operating shareholders' equity	12	0.14	7	0.07
Gain (loss) related to VIE consolidation included in adjusted book value	2	0.03	(4)	(0.05)
Shares outstanding at the end of period	90.0		93.3	
Exposure				
Financial guaranty net debt service outstanding	\$ 363,893		\$ 374,130	
Financial guaranty net par outstanding	230,898		236,807	
Claims-paying resources ⁽⁵⁾	11,011		11,357	

- 1) Please refer to the explanation of Non-GAAP Financial Measures set forth at the end of this Financial Supplement and for a description of the changes to the discount rates used in the calculation of non-GAAP financial measure. The prior period has been recast to present these measures at 3%, instead of a 6% discount rate.
- 2) Non-GAAP diluted shares outstanding were 93.4 million and 104.0 million for the three months ended as of March 31, 2020 and 2019, respectively.
- 3) Represents the ratio of adjusted operating provision for income taxes to adjusted operating income before income taxes.
- 4) Quarterly ROE calculations represent annualized returns. See page 7 for additional information on calculation.
- 5) See page 12 for additional detail on claims-paying resources.
- 6) "Adjusted operating income" was formerly known as "Non-GAAP operating income."
- 7) "Adjusted operating shareholders' equity" was formerly known as "Non-GAAP operating shareholders' equity."
- 8) "Adjusted book value" was formerly known as "Non-GAAP adjusted book value."
- 9) "Adjusted operating ROE" was formerly known as "Non-GAAP operating ROE."

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

	Three Months Ended	
	March 31,	
	2020	2019
Effect of refundings and terminations on GAAP measures:		
Net earned premiums, pre-tax	\$ 15	\$ 26
Net income effect	11	19
Net income per diluted share	0.12	0.18
Effect of refundings and terminations on non-GAAP measures:		
Operating net earned premiums and credit derivative revenues ⁽¹⁾ , pre-tax	\$ 15	\$ 26
Adjusted operating income ⁽¹⁾ effect	11	19
Adjusted operating income per diluted share ⁽¹⁾	0.12	0.18

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

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

	As of	
	March 31, 2020	December 31, 2019
Assets		
Investment portfolio:		
Fixed-maturity securities available-for-sale	\$ 8,568	\$ 8,854
Short-term investments, at fair value	933	1,268
Other invested assets	121	118
Total investment portfolio	9,622	10,240
Cash	139	169
Premiums receivable, net of commissions payable	1,233	1,286
Deferred acquisition costs	113	111
Salvage and subrogation recoverable	820	747
Financial guaranty variable interest entities' (FG VIEs') assets, at fair value	368	442
Assets of consolidated investment vehicles	645	572
Goodwill and other intangible assets	212	216
Other assets	593	543
Total assets	\$ 13,745	\$ 14,326
Liabilities and shareholders' equity		
Unearned premium reserve	\$ 3,706	\$ 3,736
Loss and loss adjustment expense (LAE) reserve	1,050	1,050
Long-term debt	1,221	1,235
Credit derivative liabilities	265	191
FG VIEs' liabilities with recourse, at fair value	312	367
FG VIEs' liabilities without recourse, at fair value	82	102
Liabilities of consolidated investment vehicles	431	482
Other liabilities	405	511
Total liabilities	7,472	7,674
Redeemable noncontrolling interests in consolidated investment vehicles	8	7
Common stock	1	1
Retained earnings	6,100	6,295
Accumulated other comprehensive income	138	342
Deferred equity compensation	1	1
Total shareholders' equity attributable to Assured Guaranty Ltd.	6,240	6,639
Nonredeemable noncontrolling interests	25	6
Total shareholders' equity	6,265	6,645
Total liabilities, redeemable noncontrolling interests and shareholders' equity	\$ 13,745	\$ 14,326

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

	Three Months Ended	
	March 31,	
	2020	2019
Revenues		
Net earned premiums	\$ 103	\$ 118
Net investment income	80	98
Asset management fees	23	—
Net realized investment gains (losses)	(5)	(12)
Net change in fair value of credit derivatives	(77)	(22)
Fair value gains (losses) on committed capital securities (CCS)	48	(9)
Fair value gains (losses) on FG VIEs	(9)	5
Fair value gains (losses) on consolidated investment vehicles	(12)	—
Foreign exchange gain (loss) on remeasurement	(62)	11
Other income (loss)	7	6
Total revenues	96	195
Expenses		
Loss and LAE	20	46
Interest expense	22	23
Amortization of deferred acquisition costs (DAC)	3	6
Employee compensation and benefit expenses	64	41
Other operating expenses	45	23
Total expenses	154	139
Income (loss) before provision for income taxes and equity in net earnings of investees	(58)	56
Equity in net earnings of investees	(4)	2
Income (loss) before income taxes	(62)	58
Provision (benefit) for income taxes	(4)	4
Net income (loss)	(58)	54
Less: Noncontrolling interests	(3)	—
Net income (loss) attributable to AGL	\$ (55)	\$ 54
Earnings per share:		
Basic	\$ (0.59)	\$ 0.52
Diluted	\$ (0.59)	\$ 0.52

Assured Guaranty Ltd.

Results by Segment

(in millions)

Results by Segment for the Three Months Ended March 31, 2020 and March 31, 2019

Three Months Ended March 31, 2020					
	Insurance	Asset Management	Corporate	Other	Total
Revenues					
Net earned premiums and credit derivative revenues	\$ 107	\$ —	\$ —	\$ (1)	\$ 106
Net investment income	83	—	1	(4)	80
Asset management fees	—	16	—	7	23
Fair value gains (losses) on FG VIEs	—	—	—	(9)	(9)
Fair value gains (losses) on consolidated investment vehicles	—	—	—	(12)	(12)
Other income (loss)	6	1	(5)	—	2
Total revenues	196	17	(4)	(19)	190
Expenses					
Loss expense	18	—	—	(6)	12
Interest expense	—	—	25	(3)	22
Amortization of DAC and intangible assets	3	3	—	—	6
Employee compensation and benefit expenses	41	18	5	—	64
Other operating expenses	22	7	5	8	42
Total expenses	84	28	35	(1)	146
Equity in net earnings of investees	(9)	—	(5)	10	(4)
Income (loss) before income taxes	103	(11)	(44)	(8)	40
Provision (benefit) for income taxes	18	(2)	(5)	(1)	10
Noncontrolling interests	—	—	—	(3)	(3)
Adjusted operating income (loss)	\$ 85	\$ (9)	\$ (39)	\$ (4)	\$ 33
Three Months Ended March 31, 2019					
	Insurance	Asset Management	Corporate	Other	Total
Revenues					
Net earned premiums and credit derivative revenues	\$ 126	\$ —	\$ —	\$ (3)	\$ 123
Net investment income	99	—	1	(2)	98
Fair value gains (losses) on FG VIEs	—	—	—	5	5
Other income (loss)	9	—	(1)	—	8
Total revenues	234	—	—	—	234
Expenses					
Loss expense	44	—	—	1	45
Interest expense	—	—	24	(1)	23
Amortization of DAC and intangible assets	6	—	—	—	6
Employee compensation and benefit expenses	37	—	4	—	41
Other operating expenses	20	—	3	—	23
Total expenses	107	—	31	—	138
Equity in net earnings of investees	1	—	1	—	2
Income (loss) before income taxes	128	—	(30)	—	98
Provision (benefit) for income taxes	17	—	(5)	—	12
Noncontrolling interests	—	—	—	—	—
Adjusted operating income (loss)	\$ 111	\$ —	\$ (25)	\$ —	\$ 86

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

Adjusted Operating Income Reconciliation

	Three Months Ended	
	March 31,	
	2020	2019
Net income (loss) attributable to AGL	\$ (55)	\$ 54
Less pre-tax adjustments:		
Realized gains (losses) on investments	(5)	(12)
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(88)	(28)
Fair value gains (losses) on CCS	48	(9)
Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves	(57)	9
Total pre-tax adjustments	(102)	(40)
Less tax effect on pre-tax adjustments	14	8
Adjusted operating income (loss)	<u>\$ 33</u>	<u>\$ 86</u>
Per diluted share:		
Net income (loss) attributable to AGL	\$ (0.59)	\$ 0.52
Less pre-tax adjustments:		
Realized gains (losses) on investments	(0.06)	(0.12)
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(0.95)	(0.26)
Fair value gains (losses) on CCS	0.52	(0.09)
Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves	(0.62)	0.09
Total pre-tax adjustments	(1.11)	(0.38)
Tax effect on pre-tax adjustments	0.16	0.08
Adjusted operating income (loss) (1)	<u>\$ 0.36</u>	<u>\$ 0.82</u>

1) Based on the non-GAAP diluted shares outstanding, which were 93.4 million and 104.0 million for the three months ended as of March 31, 2020 and 2019, respectively.

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

Assured Guaranty Ltd.
Selected Financial Highlights
GAAP to Non-GAAP Reconciliations (2 of 3)
(dollars in millions)

ROE Reconciliation and Calculation

	March 31, 2020	December 31, 2019	March 31, 2019	December 31, 2018
Shareholders' equity attributable to AGL	\$ 6,240	\$ 6,639	\$ 6,669	\$ 6,555
Adjusted operating shareholders' equity	6,051	6,246	6,341	6,342
Gain (loss) related to VIE consolidation included in adjusted operating shareholders' equity	12	7	3	3
Three Months Ended				
March 31,				
	2020		2019	
Net income (loss) attributable to AGL	\$ (55)		\$ 54	
Adjusted operating income (loss)	33		86	
Average shareholders' equity attributable to AGL	\$ 6,440		\$ 6,612	
Average adjusted operating shareholders' equity	6,149		6,342	
Gain (loss) related to VIE consolidation included in average adjusted operating shareholders' equity	10		5	
GAAP ROE ⁽¹⁾			(3.4)%	3.3%
Adjusted operating ROE ⁽¹⁾			2.2 %	5.4 %

1) Quarterly ROE calculations represent annualized returns.

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

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

	As of			
	March 31, 2020	December 31, 2019	March 31, 2019	December 31, 2018
Reconciliation of shareholders' equity attributable to AGL to adjusted book value ⁽¹⁾:				
Shareholders' equity attributable to AGL	\$ 6,240	\$ 6,639	\$ 6,669	\$ 6,555
Less pre-tax reconciling items:				
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(144)	(56)	(73)	(45)
Fair value gains (losses) on CCS	101	52	65	74
Unrealized gain (loss) on investment portfolio excluding foreign exchange effect	275	486	419	247
Less taxes	(43)	(89)	(83)	(63)
Adjusted operating shareholders' equity	6,051	6,246	6,341	6,342
Pre-tax reconciling items:				
Less: Deferred acquisition costs	113	111	104	105
Plus: Net present value of estimated net future revenue	193	206	214	219
Plus: Net unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed	3,273	3,296	2,972	3,005
Plus taxes	(584)	(590)	(518)	(526)
Adjusted book value	<u>\$ 8,820</u>	<u>\$ 9,047</u>	<u>\$ 8,905</u>	<u>\$ 8,935</u>
Gain (loss) related to VIE consolidation included in adjusted operating shareholders' equity (net of tax (provision) benefit of \$(4), \$(2), \$(1), and \$(1))	\$ 12	\$ 7	\$ 3	\$ 3
Gain (loss) related to VIE consolidation included in adjusted book value (net of tax (provision) benefit of \$(2), \$1, \$5, and \$4)	\$ 2	\$ (4)	\$ (20)	\$ (15)

(1) See Non-GAAP Financial Measures set forth at the end of this Financial Supplement for a description of the changes to the discount rates used in the calculation of non-GAAP financial measure. The discount rate used for net present value of estimated net future revenues as of March 31, 2020 is 3%. The prior periods have been recast to present the net present value of net future revenues discounted at 3% instead of 6%.

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

Assured Guaranty Ltd.
Investment Portfolio and Cash
As of March 31, 2020
(dollars in millions)

	Amortized Cost	Allowance for Credit Losses	Pre-Tax Book Yield	After-Tax Book Yield	Fair Value	Annualized Investment Income ⁽¹⁾
Investment portfolio:						
Fixed maturity securities, available-for-sale:						
Obligations of states and political subdivisions ⁽²⁾⁽⁴⁾	\$ 3,952	\$ (11)	3.63 %	3.35 %	\$ 4,204	\$ 143
U.S. government and agencies	160	—	3.72	3.23	175	6
Corporate securities ⁽⁴⁾	2,292	(39)	2.94	2.59	2,233	66
Mortgage-backed securities:						
Residential mortgage-backed securities (RMBS) ⁽³⁾⁽⁴⁾	737	(16)	4.78	4.02	717	35
Commercial mortgage-backed securities	399	—	3.49	3.01	414	14
Asset-backed securities ⁽⁴⁾	687	(7)	5.48	4.41	653	37
Non-U.S. government securities	183	—	1.13	1.13	172	2
Total fixed maturity securities	8,410	(73)	3.63	3.22	8,568	303
Short-term investments	933	—	0.41	0.34	933	4
Cash ⁽⁵⁾	139	—	—	—	139	—
Total	\$ 9,482	\$ (73)	3.31%	2.93%	\$ 9,640	\$ 307

Ratings ⁽⁶⁾:		
	Fair Value	% of Portfolio
U.S. government and agencies	\$ 175	2.0%
AAA/Aaa	1,379	16.1
AA/Aa	3,689	43.1
A/A	1,898	22.1
BBB	728	8.5
Below-investment-grade (BIG) ⁽⁷⁾	648	7.6
Not rated	51	0.6
Total fixed maturity securities, available-for-sale	<u>\$ 8,568</u>	<u>100.0%</u>

Duration of fixed maturity securities and short-term investments (in years):	4.0
Average ratings of fixed maturity securities and short-term investments	AA-

- 1) Represents annualized investment income based on amortized cost and pre-tax book yields.
- 2) Includes obligations of state and local political subdivisions that have been insured by other financial guarantors. The underlying ratings of these bonds, after giving effect to the lower of the rating assigned by S&P Global Ratings, a division of Standard & Poor's Financial Services LLC (S&P) or Moody's Investors Service, Inc. (Moody's), average A. Includes fair value of \$10 million insured by Assured Guaranty Municipal Corp. (AGM).
- 3) Includes fair value of \$190 million in subprime RMBS, which has an average rating of BIG.
- 4) Includes securities purchased or obtained as part of loss mitigation or other risk management strategies.
- 5) Cash is not included in the yield calculation.
- 6) Ratings are represented by the lower of the Moody's and S&P classifications except for bonds purchased for loss mitigation (loss mitigation securities) or other risk management strategies which use internal ratings classifications.
- 7) Includes below investment grade securities that were purchased or obtained as part of loss mitigation or other risk management strategies of \$1,086 million in par with carrying value of \$636 million.

Insurance Segment

Assured Guaranty Ltd.
Insurance Segment Results
(dollars in millions)

	Three Months Ended	
	March 31,	
	2020	2019
Revenues		
Net earned premiums and credit derivative revenues	\$ 107	\$ 126
Net investment income	83	99
Other income (loss)	6	9
Total revenues	196	234
Expenses		
Loss expense	18	44
Amortization of DAC	3	6
Employee compensation and benefit expenses	41	37
Other operating expenses	22	20
Total expenses	84	107
Equity in net earnings of investees	(9)	1
Adjusted operating income (loss) before income taxes	103	128
Provision (benefit) for income taxes	18	17
Adjusted operating income (loss)	\$ 85	\$ 111

Assured Guaranty Ltd.

Claims-Paying Resources

(dollars in millions)

As of March 31, 2020

	Assured Guaranty Municipal Corp.	Assured Guaranty Corp.	Municipal Assurance Corp.	Assured Guaranty Re Ltd. ⁽⁷⁾	Eliminations ⁽²⁾	Consolidated
Claims-paying resources						
Policyholders' surplus	\$ 2,573	\$ 1,668	\$ 277	\$ 823	\$ (478)	\$ 4,863
Contingency reserve ⁽¹⁾	997	623	196	—	(196)	1,620
Qualified statutory capital	3,570	2,291	473	823	(674)	6,483
Unearned premium reserve and net deferred ceding commission income ⁽¹⁾	1,997	423	136	573	(214)	2,915
Loss and LAE reserves ⁽¹⁾	145	130	(2)	162	2	437
Total policyholders' surplus and reserves	5,712	2,844	607	1,558	(886)	9,835
Present value of installment premium ⁽⁸⁾	389	188	—	199	—	776
CCS	200	200	—	—	—	400
Total claims-paying resources (including proportionate MAC ownership for AGM and AGC)	6,301	3,232	607	1,757	(886)	11,011
Adjustment for MAC ⁽³⁾	368	239	—	—	(607)	—
Total claims-paying resources (excluding proportionate MAC ownership for AGM and AGC)	\$ 5,933	\$ 2,993	\$ 607	\$ 1,757	\$ (279)	\$ 11,011
Statutory net exposure ⁽⁴⁾	\$ 127,664	\$ 22,082	\$ 17,379	\$ 60,503	\$ (575)	\$ 227,053
Equity method adjustment ⁽³⁾	10,549	6,830	—	—	(17,379)	—
Adjusted statutory net exposure ⁽¹⁾	\$ 138,213	\$ 28,912	\$ 17,379	\$ 60,503	\$ (17,954)	\$ 227,053
Net debt service outstanding ⁽⁴⁾	\$ 207,899	\$ 33,729	\$ 25,643	\$ 93,382	\$ (1,242)	\$ 359,411
Equity method adjustment ⁽³⁾	15,565	10,078	—	—	(25,643)	—
Adjusted net debt service outstanding ⁽¹⁾	\$ 223,464	\$ 43,807	\$ 25,643	\$ 93,382	\$ (26,885)	\$ 359,411
Ratios:						
Adjusted net exposure to qualified statutory capital	39:1	13:1	37:1	74:1		35:1
Capital ratio ⁽⁵⁾	63:1	19:1	54:1	113:1		55:1
Financial resources ratio ⁽⁶⁾	35:1	14:1	42:1	53:1		33:1
Adjusted statutory net exposure to claims-paying resources (incl. MAC adj. for AGM and AGC)	22:1	9:1	29:1	34:1		21:1

1) The numbers shown for AGM and Assured Guaranty Corp. (AGC) have been adjusted to include their indirect share of Municipal Assurance Corp. (MAC). AGM and AGC own 60.7% and 39.3%, respectively, of the outstanding stock of Municipal Assurance Holdings Inc., which owns 100% of the outstanding common stock of MAC. AGM has been adjusted to include 100% share of Assured Guaranty (Europe) plc, AGM's United Kingdom subsidiary. Amounts include financial guaranty insurance and credit derivatives.

2) Eliminations are primarily for (i) intercompany surplus notes between AGM and AGC, and (ii) MAC amounts, whose proportionate share are included in AGM and AGC based on ownership percentages, and (iii) eliminations of intercompany deferred ceding commissions. Net exposure and net debt service outstanding eliminations relate to second-to-pay policies under which an Assured Guaranty insurance subsidiary guarantees an obligation already insured by another Assured Guaranty insurance subsidiary, and net exposure related to intercompany cessions from AGM and AGC to MAC.

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

4) Net exposure and net debt service outstanding are presented on a statutory basis.

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

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

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

8) Discount rate was changed to 3% in first quarter 2020 from a 6% discount rate.

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

Assured Guaranty Ltd.

New Business Production (dollars in millions)

Reconciliation of GWP to PVP for the Three Months Ended March 31, 2020 and March 31, 2019 ⁽¹⁾

	Three Months Ended March 31, 2020					Three Months Ended March 31, 2019				
	Public Finance		Structured Finance		Total	Public Finance		Structured Finance		Total
	U.S.	Non - U.S.	U.S.	Non - U.S.		U.S.	Non - U.S.	U.S.	Non - U.S.	
Total GWP	\$ 29	\$ 34	\$ 1	\$ —	\$ 64	\$ 30	\$ 2	\$ 6	\$ 1	\$ 39
Less: Installment GWP and other GAAP adjustments ⁽²⁾	—	34	1	—	35	(2)	2	5	—	5
Upfront GWP	29	—	—	—	29	32	—	1	1	34
Plus: Installment premium PVP	—	21	1	—	22	—	4	4	—	8
Total PVP	<u>\$ 29</u>	<u>\$ 21</u>	<u>\$ 1</u>	<u>\$ —</u>	<u>\$ 51</u>	<u>\$ 32</u>	<u>\$ 4</u>	<u>\$ 5</u>	<u>\$ 1</u>	<u>\$ 42</u>
Gross par written	\$ 2,641	\$ 377	\$ 15	\$ —	\$ 3,033	\$ 2,016	\$ 176	\$ 494	\$ 21	\$ 2,707

- 1) See Non-GAAP Financial Measures set forth at the end of this Financial Supplement for a description of the changes to the discount rates used in the calculation of non-GAAP financial measure. The discount rate used for PVP as of March 31, 2020 is 3%. Prior period has been recast to present PVP discounted at 3% instead of 6%.
- 2) Includes present value of new business on installment policies discounted at the prescribed GAAP discount rates, GWP adjustments on existing installment policies due to changes in assumptions, any cancellations of assumed reinsurance contracts, and other GAAP adjustments.

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

Assured Guaranty Ltd.

Gross Par Written
(dollars in millions)

Gross Par Written by Asset Type

	Three Months Ended March 31, 2020	
	Gross Par Written	Avg. Internal Rating
Sector:		
U.S. public finance		
General obligation	\$ 1,070	A-
Healthcare	438	BBB-
Transportation	324	A-
Higher education	254	BBB
Tax backed	250	BBB+
Municipal utilities	246	BBB+
Housing revenue	59	BBB-
Total U.S. public finance	2,641	BBB+
Non-U.S. public finance:		
Renewable energy	377	BBB+
Total non-U.S. public finance	377	BBB+
Total public finance	3,018	BBB+
U.S. structured finance:		
Structured credit	15	BBB
Total U.S. structured finance	15	BBB
Non-U.S. structured finance:		
Total non-U.S. structured finance	—	--
Total structured finance	15	BBB
Total gross par written	\$ 3,033	BBB+

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

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

	1Q-19	2Q-19	3Q-19	4Q-19	1Q-20
PVP⁽¹⁾:					
Public finance - U.S.	\$ 32	\$ 44	\$ 46	\$ 79	\$ 29
Public finance - non-U.S.	4	8	16	280	21
Structured finance - U.S.	5	3	25	20	1
Structured finance - non-U.S.	1	1	2	3	—
Total PVP	\$ 42	\$ 56	\$ 89	\$ 382	\$ 51

Reconciliation of GWP to PVP:

Total GWP	\$ 39	\$ 51	\$ 69	\$ 518	\$ 64
Less: Installment GWP and other GAAP adjustments	5	7	21	436	35
Upfront GWP	34	44	48	82	29
Plus: Installment premium PVP	8	12	41	300	22
Total PVP⁽¹⁾	\$ 42	\$ 56	\$ 89	\$ 382	\$ 51

Gross par written:

Public finance - U.S.	\$ 2,016	\$ 3,657	\$ 4,212	\$ 6,452	\$ 2,641
Public finance - non-U.S.	176	299	237	5,635	377
Structured finance - U.S.	494	227	438	422	15
Structured finance - non-U.S.	21	—	22	45	—
Total	\$ 2,707	\$ 4,183	\$ 4,909	\$ 12,554	\$ 3,033

- 1) See Non-GAAP Financial Measures set forth at the end of this Financial Supplement for a description of the changes to the discount rates used in the calculation of non-GAAP financial measure. Prior periods have been recast to present PVP discounted at 3% for first quarter 2020 and all quarters of 2019, instead of a 6% discount rate.

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

Assured Guaranty Ltd.

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

	Financial Guaranty Insurance ⁽²⁾					
	Estimated Net Debt Service Amortization	Estimated Ending Net Debt Service Outstanding	Expected PV Net Earned Premiums	Accretion of Discount	Effect of FG VIE Consolidation on Expected PV Net Earned Premiums and Accretion of Discount	Future Credit Derivative Revenues ⁽³⁾
2020 (as of March 31)		\$ 363,893				
2020 Q2	\$ 5,379	358,514	\$ 80	\$ 5	\$ (1)	\$ 3
2020 Q3	7,263	351,251	78	5	(1)	3
2020 Q4	5,973	345,278	76	5	(1)	3
2021	22,899	322,379	287	19	(4)	11
2022	20,512	301,867	265	18	(4)	10
2023	17,775	284,092	246	17	(3)	9
2024	18,641	265,451	229	16	(3)	9
2020-2024	98,442	265,451	1,261	85	(17)	48
2025-2029	83,012	182,439	914	63	(12)	40
2030-2034	67,053	115,386	641	41	(12)	32
2035-2039	49,221	66,165	376	27	(7)	24
After 2039	66,165	—	507	46	—	19
Total	\$ 363,893		\$ 3,699	\$ 262	\$ (48)	\$ 163

1) Represents the future expected amortization of current debt service outstanding (principal and interest), assuming no advance refundings, as of March 31, 2020. Actual amortization differs from expected maturities because borrowers may have the right to call or prepay guaranteed obligations, terminations and because of management's assumptions on structured finance amortization.

2) See page 19, "Net Expected Loss to be Expensed."

3) Represents a non-GAAP financial measure. Please refer to the explanation of Non-GAAP Financial Measures set forth at the end of this Financial Supplement.

Assured Guaranty Ltd.

Rollforward of Net Expected Loss and LAE to be Paid (dollars in millions)

Rollforward of Net Expected Loss and LAE to be Paid⁽¹⁾ for the Three Months Ended March 31, 2020

	Net Expected Loss to be Paid/ (Recovered) as of December 31, 2019	Economic Loss Development/ (Benefit) During 1Q-20	(Paid)/Recovered Losses During 1Q-20	Net Expected Loss to be Paid/ (Recovered) as of March 31, 2020
Public Finance:				
U.S. public finance ⁽²⁾	\$ 531	\$ 56	\$ (94)	\$ 493
Non-U.S public finance	23	3	—	26
Public Finance	<u>554</u>	<u>59</u>	<u>(94)</u>	<u>519</u>
Structured Finance:				
U.S. RMBS ⁽³⁾	146	(63)	21	104
Other structured finance	37	1	(1)	37
Structured Finance	<u>183</u>	<u>(62)</u>	<u>20</u>	<u>141</u>
Total	<u><u>\$ 737</u></u>	<u><u>\$ (3)</u></u>	<u><u>\$ (74)</u></u>	<u><u>\$ 660</u></u>

- 1) Includes expected loss to be paid, economic loss development and paid (recovered) losses for all contracts (i.e. those accounted for as insurance, credit derivatives and FG VIEs).
- 2) The total net expected loss for troubled U.S. public finance exposures is net of a credit for estimated future recoveries of claims already paid was \$911 million as of March 31, 2020 and \$819 million as of December 31, 2019.
- 3) Includes future net representations and warranties payable of \$106 million as of March 31, 2020 and \$53 million as of December 31, 2019.

Assured Guaranty Ltd.

Loss Measures

As of March 31, 2020

(dollars in millions)

	Total Net Par Outstanding for BIG Transactions	Three Months Ended March 31, 2020		
		Loss and LAE	Loss and LAE included in Adjusted Operating Income (1)	Effect of FG VIE Consolidation (2)
Public finance:				
U.S. public finance	\$ 5,630	\$ 59	\$ 59	\$ —
Non-U.S public finance	837	—	—	—
Public finance	6,467	59	59	—
Structured finance:				
U.S. RMBS	1,580	(42)	(50)	(6)
Other structured finance	191	3	3	—
Structured finance	1,771	(39)	(47)	(6)
Total	\$ 8,238	\$ 20	\$ 12	\$ (6)

1) Adjusted operating income includes financial guaranty insurance and credit derivatives.

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

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

Assured Guaranty Ltd.
Net Expected Loss to be Expensed ⁽¹⁾
As of March 31, 2020
(dollars in millions)

	<u>GAAP</u>
2020 Q2	\$ 9
2020 Q3	9
2020 Q4	<u>9</u>
Subtotal 2020	27
2021	35
2022	35
2023	33
2024	32
2025-2029	134
2030-2034	90
2035-2039	32
After 2039	<u>9</u>
Total expected present value of net expected loss to be expensed⁽²⁾	427
Future accretion	<u>59</u>
Total expected future loss and LAE	<u>\$ 486</u>

1) The present value of net expected loss to be paid is discounted using risk free rates ranging from 0.0% to 1.39% for U.S. dollar denominated obligations.

2) Excludes \$33 million related to FG VIEs, which are eliminated in consolidation.

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

Net Par Outstanding and Average Rating by Asset Type

	As of March 31, 2020		As of December 31, 2019	
	Net Par Outstanding	Avg. Internal Rating	Net Par Outstanding	Avg. Internal Rating
U.S. public finance:				
General obligation	\$ 72,340	A-	\$ 73,467	A-
Tax backed	35,715	A-	37,047	A-
Municipal utilities	25,926	A-	26,195	A-
Transportation	16,105	BBB+	16,209	BBB+
Healthcare	7,256	BBB+	7,148	A-
Higher education	5,977	A-	5,916	A-
Infrastructure finance	5,384	A-	5,429	A-
Housing revenue	1,363	BBB+	1,321	BBB+
Investor-owned utilities	654	A-	655	A-
Renewable energy	207	A-	210	A-
Other public finance	1,868	A-	1,890	A-
Total public finance	172,795	A-	175,487	A-
Non-U.S. public finance:				
Regulated utilities	17,825	BBB+	18,995	BBB+
Infrastructure finance	16,684	BBB	17,952	BBB
Sovereign and sub-sovereign	10,834	A+	11,341	A+
Renewable energy	1,905	A	1,555	A
Pooled infrastructure	1,327	AAA	1,416	AAA
Total non-U.S. public finance	48,575	A-	51,259	A-
Total public finance	\$ 221,370	A-	\$ 226,746	A-
U.S. structured finance:				
RMBS	\$ 3,393	BBB-	\$ 3,546	BBB-
Life insurance transactions	1,794	AA-	1,776	AA-
Pooled corporate obligations	1,350	AA-	1,401	AA-
Consumer receivables	909	A-	962	A-
Financial products	806	AA-	1,019	AA-
Other structured finance	554	BBB+	596	BBB+
Total U.S. structured finance	8,806	A-	9,300	A-
Non-U.S. structured finance:				
RMBS	401	A	427	A
Pooled corporate obligations	55	BB+	55	BB+
Other structured finance	266	A+	279	A+
Total non-U.S. structured finance	722	A	761	A
Total structured finance	\$ 9,528	A-	\$ 10,061	A-
Total	\$ 230,898	A-	\$ 236,807	A-

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

Assured Guaranty Ltd.
Financial Guaranty Profile (2 of 3)
As of March 31, 2020
(dollars in millions)

Distribution by Ratings of Financial Guaranty Portfolio

Ratings:	Public Finance - U.S.		Public Finance - Non-U.S.		Structured Finance - U.S.		Structured Finance - Non-U.S.		Total	
	Net Par Outstanding	%	Net Par Outstanding	%	Net Par Outstanding	%	Net Par Outstanding	%	Net Par Outstanding	%
AAA	\$ 375	0.2 %	\$ 2,453	5.1 %	\$ 1,182	13.4 %	\$ 176	24.4 %	\$ 4,186	1.8 %
AA	19,037	11.0	4,921	10.1	3,753	42.7	35	4.8	27,746	12.0
A	92,788	53.7	14,621	30.1	1,031	11.7	172	23.8	108,612	47.0
BBB	54,965	31.8	25,743	53.0	1,110	12.6	298	41.3	82,116	35.6
BIG	5,630	3.3	837	1.7	1,730	19.6	41	5.7	8,238	3.6
Net Par Outstanding ⁽¹⁾	\$ 172,795	100.0%	\$ 48,575	100.0%	\$ 8,806	100.0%	\$ 722	100.0%	\$ 230,898	100.0%

1) As of March 31, 2020, excludes \$1.4 billion of net par attributable to loss mitigation strategies, including loss mitigation securities held in the investment portfolio, which are primarily BIG.

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

Assured Guaranty Ltd.
Financial Guaranty Profile (3 of 3)
As of March 31, 2020
(dollars in millions)

Geographic Distribution of Financial Guaranty Portfolio

	Net Par Outstanding	% of Total
U.S.:		
U.S. public finance:		
California	\$ 33,270	14.4 %
Pennsylvania	15,790	6.8
New York	15,141	6.6
Texas	14,628	6.3
Illinois	13,143	5.7
New Jersey	10,060	4.4
Florida	7,099	3.1
Michigan	5,361	2.3
Puerto Rico	4,270	1.8
Colorado	4,149	1.8
Other	49,884	21.6
Total U.S. public finance	172,795	74.8
U.S. structured finance	8,806	3.8
Total U.S.	181,601	78.6
Non-U.S.:		
United Kingdom	35,899	15.6
France	3,063	1.3
Canada	2,425	1.1
Australia	1,850	0.8
Austria	1,252	0.5
Other	4,808	2.1
Total non-U.S.	49,297	21.4
Total net par outstanding	\$ 230,898	100.0%

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

Assured Guaranty Ltd.
Specialty Insurance and Reinsurance Exposure
As of March 31, 2020
(dollars in millions)

	Gross Exposure		Net Exposure	
	As of March 31, 2020	As of December 31, 2019	As of March 31, 2020	As of December 31, 2019
Life insurance transactions ⁽¹⁾	\$ 1,091	\$ 1,046	\$ 940	\$ 898
Aircraft residual value insurance policies ⁽²⁾	393	398	238	243
Total	<u>\$ 1,484</u>	<u>\$ 1,444</u>	<u>\$ 1,178</u>	<u>\$ 1,141</u>

1) The life insurance transactions net exposure is projected to increase to approximately \$1.0 billion by September 30, 2026.

2) As of March 31, 2020, \$30 million of aircraft residual value insurance exposure was rated BIG.

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

Structured Finance

	Estimated Net Par Amortization					Estimated Ending Net Par Outstanding
	U.S. and Non-U.S. Pooled Corporate	U.S. RMBS	Financial Products	Other Structured Finance	Total	
2020 (as of March 31)						\$ 9,528
2020 Q2	\$ 20	\$ 161	\$ 5	\$ 76	\$ 262	9,266
2020 Q3	33	165	(9)	111	300	8,966
2020 Q4	29	148	(7)	86	256	8,710
2021	224	472	2	474	1,172	7,538
2022	243	405	16	49	713	6,825
2023	196	349	10	148	703	6,122
2024	67	301	13	126	507	5,615
2020-2024	812	2,001	30	1,070	3,913	5,615
2025-2029	197	705	159	713	1,774	3,841
2030-2034	134	182	537	915	1,768	2,073
2035-2039	169	499	78	887	1,633	440
After 2039	93	6	2	339	440	—
Total structured finance	\$ 1,405	\$ 3,393	\$ 806	\$ 3,924	\$ 9,528	

Public Finance

	Estimated Net Par Amortization	Estimated Ending Net Par Outstanding
2020 (as of March 31)		\$ 221,370
2020 Q2	\$ 2,713	218,657
2020 Q3	4,473	214,184
2020 Q4	3,254	210,930
2021	12,184	198,746
2022	10,798	187,948
2023	8,566	179,382
2024	10,032	169,350
2020-2024	52,020	169,350
2025-2029	47,671	121,679
2030-2034	42,255	79,424
2035-2039	33,332	46,092
After 2039	46,092	—
Total public finance	\$ 221,370	

Net par outstanding (end of period)

	1Q-19	2Q-19	3Q-19	4Q-19	1Q-20
Public finance - U.S.	\$ 181,408	\$ 180,537	\$ 176,515	\$ 175,487	\$ 172,795
Public finance - non-U.S.	44,615	44,488	42,882	51,259	48,575
Structured finance - U.S.	10,337	9,549	9,226	9,300	8,806
Structured finance - non-U.S.	965	793	752	761	722
Net par outstanding	\$ 237,325	\$ 235,367	\$ 229,375	\$ 236,807	\$ 230,898

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

Assured Guaranty Ltd.
Exposure to Puerto Rico (1 of 3)
As of March 31, 2020
(dollars in millions)

Exposure to Puerto Rico

	Par Outstanding		Debt Service Outstanding	
	Gross	Net	Gross	Net
Total	\$ 4,458	\$ 4,270	\$ 6,845	\$ 6,585

Exposure to Puerto Rico by Risk

	Net Par Outstanding						
	AGM	AGC	AG Re	Eliminations (1)	Total Net Par Outstanding	Gross Par Outstanding	
Commonwealth Constitutionally Guaranteed							
Commonwealth of Puerto Rico - General Obligation Bonds ⁽²⁾	\$ 611	\$ 268	\$ 375	\$ (1)	\$ 1,253	\$ 1,294	
Puerto Rico Public Buildings Authority (PBA) ⁽²⁾	7	140	—	(7)	140	145	
Public Corporations - Certain Revenues Potentially Subject to Clawback							
Puerto Rico Highways and Transportation Authority (PRHTA) (Transportation revenue) ⁽²⁾	223	480	187	(79)	811	842	
PRHTA (Highways revenue) ⁽²⁾	345	74	35	—	454	515	
Puerto Rico Convention Center District Authority (PRCCDA)	—	152	—	—	152	152	
Puerto Rico Infrastructure Financing Authority (PRIFA)	—	15	1	—	16	16	
Other Public Corporations							
Puerto Rico Electric Power Authority (PREPA) ⁽²⁾	525	71	226	—	822	838	
Puerto Rico Aqueduct and Sewer Authority (PRASA) ⁽³⁾	—	284	89	—	373	373	
Puerto Rico Municipal Finance Agency (MFA) ⁽³⁾	153	33	62	—	248	282	
University of Puerto Rico (U of PR) ⁽³⁾	—	1	—	—	1	1	
Total exposure to Puerto Rico	\$ 1,864	\$ 1,518	\$ 975	\$ (87)	\$ 4,270	\$ 4,458	

- 1) Net par outstanding eliminations relate to second-to-pay policies under which an Assured Guaranty insurance subsidiary guarantees an obligation already insured by another Assured Guaranty insurance subsidiary.
- 2) As of the date of this filing, the seven-member financial oversight board established by the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) has certified a filing under Title III of PROMESA for these exposures.
- 3) As of the date of this filing, the Company has not paid claims on these credits.

Assured Guaranty Ltd.
Exposure to Puerto Rico (2 of 3)
As of March 31, 2020
(dollars in millions)

Amortization Schedule of Net Par Outstanding of Puerto Rico

	2020 (2Q)	2020 (3Q)	2020 (4Q)	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030 - 2034	2035 - 2039	2040 - 2044	2045 - 2047	Total
Commonwealth Constitutionally Guaranteed																	
Commonwealth of Puerto Rico - General Obligation Bonds	\$ —	\$141	\$ —	\$ 15	\$ 37	\$ 14	\$ 73	\$ 68	\$ 34	\$ 90	\$ 33	\$ 64	\$ 419	\$ 265	\$ —	\$ —	\$ 1,253
PBA	—	5	—	13	—	7	—	6	11	40	1	—	38	19	—	—	140
Public Corporations - Certain Revenues Potentially Subject to Clawback																	
PRHTA (Transportation revenue)	—	25	—	18	28	33	4	29	24	29	34	47	166	292	82	—	811
PRHTA (Highway revenue)	—	22	—	35	6	32	33	34	1	—	9	11	177	94	—	—	454
PRCCDA	—	—	—	—	—	—	—	—	—	19	—	—	76	57	—	—	152
PRIFA	—	—	—	—	—	2	—	—	—	—	—	—	—	7	7	—	16
Other Public Corporations																	
PREPA	—	48	—	28	28	95	93	68	106	105	68	39	140	4	—	—	822
PRASA	—	—	—	—	—	—	1	25	27	28	29	—	—	2	15	246	373
MFA	—	45	—	40	40	22	18	17	34	12	10	6	4	—	—	—	248
U of PR	—	—	—	—	—	—	—	—	—	—	—	—	1	—	—	—	1
Total	\$ —	\$286	\$ —	\$149	\$139	\$205	\$222	\$247	\$237	\$323	\$184	\$167	\$1,021	\$ 740	\$ 104	\$ 246	\$4,270

Assured Guaranty Ltd.
Exposure to Puerto Rico (3 of 3)
As of March 31, 2020
(dollars in millions)

Amortization Schedule of Net Debt Service Outstanding of Puerto Rico

	2020 (2Q)	2020 (3Q)	2020 (4Q)	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030 - 2034	2035 - 2039	2040 - 2044	2045 - 2047	Total
Commonwealth Constitutionally Guaranteed																	
Commonwealth of Puerto Rico - General Obligation Bonds	\$ —	\$ 173	\$ —	\$ 74	\$ 94	\$ 70	\$ 128	\$ 119	\$ 82	\$ 136	\$ 74	\$ 103	\$ 572	\$ 294	\$ —	\$ —	\$ 1,919
PBA	—	9	—	20	6	13	6	13	17	45	3	3	50	20	—	—	205
Public Corporations - Certain Revenues Potentially Subject to Clawback																	
PRHTA (Transportation revenue)	—	46	—	59	68	72	41	65	59	63	66	78	294	356	89	—	1,356
PRHTA (Highway revenue)	—	34	—	58	27	52	51	51	17	15	25	26	233	101	—	—	690
PRCCDA	—	3	—	7	7	7	7	7	7	26	6	6	103	61	—	—	247
PRIFA	—	—	—	1	1	3	1	1	1	1	—	1	3	10	8	—	31
Other Public Corporations																	
PREPA	3	65	3	63	62	128	121	91	126	122	81	47	155	5	—	—	1,072
PRASA	—	10	—	19	19	19	20	44	44	44	44	14	68	70	82	272	769
MFA	—	52	—	50	48	28	23	21	37	14	11	6	5	—	—	—	295
U of PR	—	—	—	—	—	—	—	—	—	—	—	—	1	—	—	—	1
Total	\$ 3	\$ 392	\$ 3	\$ 351	\$ 332	\$ 392	\$ 398	\$ 412	\$ 390	\$ 466	\$ 310	\$ 284	\$ 1,484	\$ 917	\$ 179	\$ 272	\$ 6,585

Assured Guaranty Ltd.

U.S. RMBS Profile

As of March 31, 2020

(dollars in millions)

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

Ratings:	Prime First Lien	Alt-A First Lien	Option ARMs	Subprime First Lien	Second Lien	Total Net Par Outstanding
AAA	\$ 14	\$ 120	\$ 17	\$ 780	\$ —	\$ 931
AA	34	101	11	188	3	337
A	—	29	—	27	125	181
BBB	—	9	—	7	348	364
BIG	57	329	32	995	167	1,580
Total exposures	\$ 105	\$ 588	\$ 60	\$ 1,997	\$ 643	\$ 3,393

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

Year insured:	Prime First Lien	Alt-A First Lien	Option ARMs	Subprime First Lien	Second Lien	Total Net Par Outstanding
2004 and prior	\$ 21	\$ 18	\$ 1	\$ 539	\$ 44	\$ 623
2005	48	213	23	219	123	626
2006	36	41	10	263	206	556
2007	—	316	26	934	270	1,546
2008	—	—	—	42	—	42
Total exposures	\$ 105	\$ 588	\$ 60	\$ 1,997	\$ 643	\$ 3,393

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

Assured Guaranty Ltd.
Direct Pooled Corporate Obligations Profile
As of March 31, 2020
(dollars in millions)

Distribution of Direct Pooled Corporate Obligations by Ratings

	Net Par Outstanding	% of Total	Avg. Initial Credit Enhancement	Avg. Current Credit Enhancement
Ratings:				
AAA	\$ 201	14.9 %	47.1%	75.4%
AA	748	55.1 %	40.4%	50.1%
A	274	20.2 %	43.1%	46.2%
BBB	94	6.9 %	35.7%	36.2%
BIG	40	2.9 %	N/A	N/A
Total exposures	\$ 1,357	100.0%	41.5%	51.2%

Distribution of Direct Pooled Corporate Obligations by Asset Class

	Net Par Outstanding	% of Total	Avg. Initial Credit Enhancement	Avg. Current Credit Enhancement	Avg. Rating
Asset class:					
Trust preferred					
Banks and insurance	\$ 538	39.7 %	44.2%	59.6%	AA
U.S. mortgage and real estate investment trusts	110	8.1	47.4%	64.1%	A
Collateralized bond obligations / collateralized loan obligations	595	43.8	37.9%	41.3%	A+
Other pooled corporates	114	8.4	N/A	N/A	A+
Total exposures	\$ 1,357	100.0%	41.5%	51.2%	AA-

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

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

BIG Exposures by Asset Exposure Type

	As of	
	March 31, 2020	December 31, 2019
U.S. public finance:		
Tax backed	\$ 1,855	\$ 1,858
General obligation	1,840	1,969
Municipal utilities	1,472	1,472
Higher education	173	178
Transportation	99	100
Infrastructure finance	35	35
Healthcare	32	32
Housing revenue	17	17
Renewable energy	—	3
Other public finance	107	107
Total U.S. public finance	5,630	5,771
Non-U.S. public finance:		
Sovereign and sub-sovereign	405	415
Infrastructure finance	393	444
Renewable energy	39	39
Total non-U.S. public finance	837	898
Total public finance	\$ 6,467	\$ 6,669
U.S. structured finance:		
RMBS	\$ 1,580	\$ 1,618
Consumer receivables	103	108
Life insurance transactions	40	40
Other structured finance	7	30
Total U.S. structured finance	1,730	1,796
Non-U.S. structured finance:		
Pooled corporate obligations	40	40
Other structured finance	1	1
Total non-U.S. structured finance	41	41
Total structured finance	\$ 1,771	\$ 1,837
Total BIG net par outstanding	\$ 8,238	\$ 8,506

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

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

Net Par Outstanding by BIG Category⁽¹⁾

	As of	
	March 31, 2020	December 31, 2019
BIG Category 1		
U.S. public finance	\$ 1,441	\$ 1,582
Non-U.S. public finance	793	854
U.S. structured finance	195	191
Non-U.S. structured finance	40	40
Total BIG Category 1	2,469	2,667
BIG Category 2		
U.S. public finance	430	430
Non-U.S. public finance	—	—
U.S. structured finance	123	136
Non-U.S. structured finance	—	—
Total BIG Category 2	553	566
BIG Category 3		
U.S. public finance	3,759	3,759
Non-U.S. public finance	44	44
U.S. structured finance	1,412	1,469
Non-U.S. structured finance	1	1
Total BIG Category 3	5,216	5,273
BIG Total	\$ 8,238	\$ 8,506

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

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

Assured Guaranty Ltd.
Below Investment Grade Exposures (3 of 3)
As of March 31, 2020
(dollars in millions)

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

Name or description	Net Par Outstanding	Internal Rating (1)	60+ Day Delinquencies
U.S. public finance:			
Puerto Rico, General Obligation, Appropriations and Guarantees of the Commonwealth	\$ 1,409	CCC	
Puerto Rico Highways & Transportation Authority	1,265	CCC	
Puerto Rico Electric Power Authority	822	CCC	
Puerto Rico Aqueduct & Sewer Authority	373	CCC	
Puerto Rico Municipal Finance Agency	248	CCC	
Jackson Water & Sewer System, Mississippi	185	BB	
Virgin Islands Public Finance Authority	166	BB	
Puerto Rico Convention Center District Authority	152	CCC	
Stockton City, California	107	B	
Harrisburg Parking System, Pennsylvania	76	BB	
Alabama State University	75	BB+	
Atlantic City, New Jersey	56	BB	
Coatesville Area School District, Pennsylvania	53	BB	
Virgin Islands Water and Power Authority	53	CCC	
Total U.S. public finance	\$ 5,040		
Non-U.S. public finance:			
Valencia Fair	\$ 295	BB+	
Road Management Services PLC (A13 Highway)	172	B+	
M6 Duna Autopalya Koncessziós Zártkörűen Működő Részvénytársaság	119	BB+	
CountyRoute (A130) plc	70	BB-	
Total non-U.S. public finance	\$ 656		
Total	\$ 5,696		
U.S. structured finance:			
RMBS:			
Option One 2007-FXD2	\$ 172	CCC	14.9%
Soundview 2007-WMC1	155	CCC	27.0%
Option One Mortgage Loan Trust 2007-HL1	110	CCC	24.2%
Nomura Asset Accept. Corp. 2007-1	102	CCC	17.5%
Argent Securities Inc., Asset Backed Pass Through Certificates 2005-W4	93	CCC	13.2%
New Century 2005-A	84	CCC	14.4%
MABS 2007-NCW	62	BB	18.4%
ACE 2007-SL1	52	CCC	3.0%
ACE 2007-D1	52	CCC	22.3%
Subtotal RMBS	\$ 882		
Non-RMBS:			
National Collegiate Trust Series 2006-2	\$ 57	CCC	3.0%
Subtotal non-RMBS	\$ 57		
Total U.S. structured finance	\$ 939		
Total non-U.S. structured finance	\$ —		
Total	\$ 939		

1) Transactions below B- are categorized as CCC.

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

Assured Guaranty Ltd.
Largest Exposures by Sector (1 of 3)
As of March 31, 2020
(dollars in millions)

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

Credit Name:	Net Par Outstanding	Internal Rating (1)
New Jersey (State of)	\$ 3,897	BBB
Pennsylvania (Commonwealth of)	1,978	A-
New York Metropolitan Transportation Authority	1,891	A-
Illinois (State of)	1,752	BBB
Puerto Rico, General Obligation, Appropriations and Guarantees of the Commonwealth	1,409	CCC
Puerto Rico Highways & Transportation Authority	1,265	CCC
North Texas Tollway Authority	1,127	A
California (State of)	1,062	AA-
Foothills - Eastern Transportation Corridor, California	1,001	BBB
CommonSpirit Health, Colorado	1,000	A-
New York (City of), New York	992	AA-
Metro Washington Airports Authority (Dulles Toll Road)	990	BBB
Great Lakes Water Authority (Sewerage), Michigan	970	A-
Massachusetts (Commonwealth of)	951	AA-
San Diego Family Housing, LLC	944	AA
Philadelphia School District, Pennsylvania	912	A-
Chicago Public Schools, Illinois	912	BBB-
Metropolitan Pier and Exposition Authority, Illinois	887	BBB-
Massachusetts (Commonwealth of) Water Resources	875	AA
Port Authority of New York and New Jersey	864	BBB-
Suffolk County, New York	847	BBB
Alameda Corridor Transportation Authority, California	833	BBB+
Long Island Power Authority	832	A-
Puerto Rico Electric Power Authority	822	CCC
Pennsylvania Turnpike Commission	773	A-
Wisconsin (State of)	753	A+
ProMedica Healthcare Obligated Group, Ohio	750	BBB
Montefiore Medical Center, New York	749	BBB-
Nassau County, New York	708	A-
Jefferson County Alabama Sewer	704	BBB
Philadelphia (City of), Pennsylvania	684	BBB+
Connecticut (State of)	675	A-
Arizona (State of)	660	A+
Regional Transportation Authority (Sales Tax), Illinois	659	AA-
Georgia Board of Regents	635	A
Pittsburgh Water & Sewer, Pennsylvania	618	A-
LCOR Alexandria LLC	594	BBB+
North Carolina Turnpike Authority	584	BBB-
Oglethorpe Power Corporation, Georgia	575	BBB
Chicago (City of), Illinois	553	BBB
Garden State Preservation Trust (Open Space & Farmland), New Jersey	547	BBB+
Sacramento County, California	527	A-
New Jersey Turnpike Authority	519	A-
Clark County School District, Nevada	506	BBB+
Yankee Stadium LLC New York City Industrial Development Authority	457	BBB
New Haven (City of), Connecticut	445	BBB-
New York State Thruway Authority	445	A-
Harris County - Houston Sports Authority, Texas	438	A-
Great Lakes Water Authority (Water), Michigan	429	A-
Oregon School Boards Association, Oregon	424	AA-
Total top 50 U.S. public finance exposures	\$ 44,424	

1) Transactions below B- are categorized as CCC.

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

Assured Guaranty Ltd.
Largest Exposures by Sector (2 of 3)
As of March 31, 2020
(dollars in millions)

25 Largest U.S. Structured Finance Exposures

Credit Name:	Net Par Outstanding	Internal Rating (1)
Private US Insurance Securitization	\$ 530	AA
Private US Insurance Securitization	500	AA-
SLM Private Credit Student Trust 2007-A	395	A+
Private US Insurance Securitization	352	AA-
Fortress Credit Opportunities VII CLO Limited	257	AA-
Private US Insurance Securitization	224	AA-
ABPCI Direct Lending Fund CLO I Ltd	208	A
SLM Private Credit Student Loan Trust 2006-C	181	AA-
Option One 2007-FXD2	172	CCC
Soundview 2007-WMC1	155	CCC
Timberlake Financial, LLC Floating Insured Notes	141	BBB+
Brightwood Fund III Static 2018-1, LLC	130	AA
CWABS 2007-4	115	A+
Soundview Home Equity Loan Trust 2006-OPT1	111	AAA
New Century Home Equity Loan Trust 2006-1	111	AAA
Option One Mortgage Loan Trust 2007-HL1	110	CCC
Nomura Asset Accept. Corp. 2007-1	102	CCC
Countrywide HELOC 2006-I	98	A
OwnIt Mortgage Loan ABS Certificates 2006-3	93	AAA
Argent Securities Inc., Asset Backed Pass Through Certificates 2005-W4	93	CCC
CWALT Alternative Loan Trust 2007-HY9	88	A+
New Century 2005-A	84	CCC
Structured Asset Investment Loan Trust 2006-1	82	AAA
Countrywide 2007-13	80	AA
Preferred Term Securities XXIV, Ltd.	79	AA-
Total top 25 U.S. structured finance exposures	\$ 4,491	

1) Transactions below B- are categorized as CCC.

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

Assured Guaranty Ltd.
Largest Exposures by Sector (3 of 3)
As of March 31, 2020
(dollars in millions)

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

Credit Name:	Country	Net Par Outstanding	Internal Rating
Southern Water Services Limited	United Kingdom	\$ 2,589	A-
Quebec Province	Canada	1,993	A+
Thames Water Utility Finance PLC	United Kingdom	1,944	A-
Societe des Autoroutes du Nord et de l'Est de France S.A.	France	1,662	BBB+
Southern Gas Networks PLC	United Kingdom	1,635	BBB
Dwr Cymru Financing Limited (Welsh Water Plc)	United Kingdom	1,552	A-
Anglian Water Services Financing PLC	United Kingdom	1,411	A-
National Grid Gas PLC	United Kingdom	1,237	BBB+
British Broadcasting Corporation (BBC)	United Kingdom	1,212	A+
Channel Link Enterprises Finance PLC	France, United Kingdom	1,174	BBB
Verbund (Lease and Sublease of Hydro-Electric equipment)	Austria	1,104	AAA
Capital Hospitals (Issuer) PLC	United Kingdom	867	BBB-
Aspire Defence Finance plc	United Kingdom	801	BBB+
Verdun Participations 2 S.A.S.	France	702	BBB-
National Grid Company PLC	United Kingdom	675	BBB+
Yorkshire Water Services Finance Plc	United Kingdom	631	A-
South Lanarkshire Schools	United Kingdom	573	BBB
Sydney Airport Finance Company	Australia	547	BBB+
Campania Region - Healthcare receivable	Italy	547	BB+
Envestra Limited	Australia	541	A-
Coventry & Rugby Hospital Company Plc Walsgrave Hospital Guaranteed Secured	United Kingdom	521	BBB-
Severn Trent Water Utilities Finance Plc	United Kingdom	500	BBB+
Derby Healthcare PLC	United Kingdom	489	BBB
Wessex Water Services Finance plc	United Kingdom	462	BBB+
International Infrastructure Pool	United Kingdom	442	AAA
International Infrastructure Pool	United Kingdom	442	AAA
International Infrastructure Pool	United Kingdom	442	AAA
Central Nottinghamshire Hospitals PLC	United Kingdom	441	BBB
North Staffordshire PFI, 32-year EIB Index-Linked Facility	United Kingdom	440	BBB-
NewHospitals (St Helens & Knowsley) Finance PLC	United Kingdom	436	BBB
United Utilities Water PLC	United Kingdom	431	BBB+
Comision Federal De Electricidad (CFE) El Cajon Project	Mexico	424	BBB-
South East Water	United Kingdom	405	BBB+
Scotland Gas Networks plc	United Kingdom	399	BBB
Q Energy II	Spain	378	BBB+
NATS (En Route) PLC	United Kingdom	365	A
The Hospital Company (QAH Portsmouth) Limited	United Kingdom	361	BBB
Private International Sub-Sovereign Transaction	United Kingdom	350	AA-
BBi (DBCT) Finance Pty Limited	Australia	325	BBB
Octagon Healthcare Funding PLC	United Kingdom	316	BBB
Private International Sub-Sovereign Transaction	United Kingdom	309	AA
Bakethin Finance Plc	United Kingdom	297	A-
Leeds Hospital - St. James's Oncology Financing plc	United Kingdom	297	BBB
Valencia Fair	Spain	295	BB+
Catalyst Healthcare (Romford) Financing PLC	United Kingdom	292	BBB
Republic of Poland	Poland	289	A-
Dali Capital PLC-Northumbrian Water	United Kingdom	281	BBB+
Western Power Distribution (South Wales) PLC	United Kingdom	279	BBB+
Integrated Accommodation Services PLC	United Kingdom	272	BBB+
Private International Sub-Sovereign Transaction	United Kingdom	267	AA-
Total top 50 non-U.S. exposures		\$ 34,644	

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

Asset Management Segment

Assured Guaranty Ltd.
Asset Management Results (1 of 2)
(dollars in millions)

**Three Months Ended
March 31, 2020**

Revenues

Management fees:	
Collateralized loan obligations (CLOs)	\$ 5
Opportunity funds	2
Wind-down funds	9
Total management fees	<u>16</u>
Other income	<u>1</u>
Total revenues	<u><u>17</u></u>

Expenses

Amortization of intangible assets	3
Employee compensation and benefit expenses	18
Other operating expenses	7
Total expenses	<u>28</u>
Adjusted operating income (loss) before income taxes	<u>(11)</u>
Provision (benefit) for income taxes	<u>(2)</u>
Adjusted operating income (loss)	<u><u>\$ (9)</u></u>

Assured Guaranty Ltd.
Asset Management Results (2 of 2)
(dollars in millions)

Assets Under Management for the Three Months Ended March 31, 2020

	CLOs	Opportunity Funds	Wind-Down Funds	Total
Rollforward:				
Assets under management (AUM), December 31, 2019	\$ 12,758	\$ 1,023	\$ 4,046	\$ 17,827
Inflows	—	88	—	88
Outflows:				
Redemptions	—	—	—	—
Distributions	(67)	(85)	(875)	(1,027)
Total outflows	(67)	(85)	(875)	(1,027)
Net flows	(67)	3	(875)	(939)
Change in fund value	(46)	(57)	(306)	(409)
AUM, March 31, 2020 ⁽¹⁾	\$ 12,645	\$ 969	\$ 2,865	\$ 16,479
As of March 31, 2020:				
Funded AUM ⁽²⁾	\$ 12,634	\$ 849	\$ 2,843	\$ 16,326
Unfunded AUM ⁽²⁾	11	120	22	153
Fee Earning AUM ⁽³⁾	\$ 6,038	\$ 814	\$ 2,601	\$ 9,453
Non-Fee Earning AUM ⁽³⁾	6,607	155	264	7,026
As of December 31, 2019:				
Funded AUM ⁽²⁾	\$ 12,721	\$ 796	\$ 3,980	\$ 17,497
Unfunded AUM ⁽²⁾	37	227	66	330
Fee Earning AUM ⁽³⁾	\$ 3,438	\$ 695	\$ 3,838	\$ 7,971
Non-Fee Earning AUM ⁽³⁾	9,320	328	208	9,856

1) Includes AUM of the insurance company subsidiaries (intercompany AUM) of \$216 million in opportunity funds and \$41 million in a CLO Warehouse Fund (US) L.P.

2) Funded AUM refers to assets that have been deployed or invested into the funds or CLOs. Unfunded AUM refers to unfunded capital commitments from closed-end funds and CLO warehouse fund.

3) Fee Earning AUM refers to assets where Assured Investment Management collects fees or has elected not to waive or rebate fees to investors. Non-Fee Earning AUM refers to assets where Assured Investment Management does not collect fees or has elected to waive or rebate fees to investors.

Corporate Division

Assured Guaranty Ltd.
Corporate Results
(dollars in millions)

	Three Months Ended	
	March 31,	
	2020	2019
Total revenues	\$ (4)	\$ —
Expenses		
Interest expense	25	24
Employee compensation and benefit expenses	5	4
Other operating expenses	5	3
Total expenses	35	31
Equity in net earnings of investees	(5)	1
Adjusted operating income (loss) before income taxes	(44)	(30)
Provision (benefit) for income taxes	(5)	(5)
Adjusted operating income (loss)	<u>\$ (39)</u>	<u>\$ (25)</u>

Other

Assured Guaranty Ltd.

Other Results (dollars in millions)

	Three Months Ended March 31, 2020			
	FG VIEs	Consolidated Investment Vehicles	Intersegment Eliminations and Reclasses	Total Other
	(in millions)			
Revenues				
Net earned premiums	\$ (1)	\$ —	\$ —	\$ (1)
Net investment income	(1)	—	(3)	(4)
Asset management fees	—	(1)	8	7
Fair value gains (losses) on FG VIEs	(9)	—	—	(9)
Fair value gains (losses) on consolidated investment vehicles	—	(12)	—	(12)
Total revenues	(11)	(13)	5	(19)
Expenses				
Loss and LAE	(6)	—	—	(6)
Interest expense	—	—	(3)	(3)
Other operating expenses	—	—	8	8
Total expenses	(6)	—	5	(1)
Equity in net earnings of investees	—	10	—	10
Adjusted operating income (loss) before income taxes	(5)	(3)	—	(8)
Provision (benefit) for income taxes	(1)	—	—	(1)
Noncontrolling interests	—	(3)	—	(3)
Adjusted operating income (loss)	\$ (4)	\$ —	\$ —	\$ (4)

	Three Months Ended March 31, 2019			
	FG VIEs	Consolidated Investment Vehicles	Intersegment Eliminations and Reclasses	Total Other
	(in millions)			
Revenues				
Net earned premiums	\$ (3)	\$ —	\$ —	\$ (3)
Net investment income	(1)	—	(1)	(2)
Fair value gains (losses) on FG VIEs	5	—	—	5
Total revenues	<u>1</u>	<u>—</u>	<u>(1)</u>	<u>—</u>
Expenses				
Loss and LAE	1	—	—	1
Interest expense	—	—	(1)	(1)
Other operating expenses	—	—	—	—
Total expenses	<u>1</u>	<u>—</u>	<u>(1)</u>	<u>—</u>
Equity in net earnings of investees	—	—	—	—
Adjusted operating income (loss) before income taxes	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Provision (benefit) for income taxes	—	—	—	—
Noncontrolling interests	—	—	—	—
Adjusted operating income (loss)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

Summary

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

	As of and for Three Months Ended March 31, 2020	Year Ended December 31,			
		2019	2018	2017	2016
GAAP Summary Statements of Operations Data					
Net earned premiums	\$ 103	\$ 476	\$ 548	\$ 690	\$ 864
Net investment income	80	378	395	417	408
Total expenses	154	503	422	748	660
Income (loss) before income taxes	(62)	460	580	991	1,017
Net income (loss) attributable to AGL	(55)	402	521	730	881
Net income (loss) attributable to AGL per diluted share	(0.59)	4.00	4.68	5.96	6.56
GAAP Summary Balance Sheet Data					
Total investments and cash	\$ 9,761	\$ 10,409	\$ 10,977	\$ 11,539	\$ 11,103
Total assets	13,745	14,326	13,603	14,433	14,151
Unearned premium reserve	3,706	3,736	3,512	3,475	3,511
Loss and LAE reserve	1,050	1,050	1,177	1,444	1,127
Long-term debt	1,221	1,235	1,233	1,292	1,306
Shareholders' equity attributable to AGL	6,240	6,639	6,555	6,839	6,504
Shareholders' equity attributable to AGL per share	69.35	71.18	63.23	58.95	50.82
Other Financial Information (GAAP Basis)					
Financial guaranty:					
Net debt service outstanding (end of period)	\$ 363,893	\$ 374,130	\$ 371,586	\$ 401,118	\$ 437,535
Gross debt service outstanding (end of period)	365,356	375,776	375,080	408,492	455,000
Net par outstanding (end of period)	230,898	236,807	241,802	264,952	296,318
Gross par outstanding (end of period)	232,153	238,156	244,191	269,386	307,474
Other Financial Information (Statutory Basis)⁽¹⁾					
Financial guaranty:					
Net debt service outstanding (end of period)	\$ 358,233	\$ 367,630	\$ 359,499	\$ 373,340	\$ 401,004
Gross debt service outstanding (end of period)	359,696	369,251	362,974	380,478	417,072
Net par outstanding (end of period)	225,875	230,984	230,664	239,003	262,468
Gross par outstanding (end of period)	227,131	232,333	233,036	243,217	272,286
Claims-paying resources⁽²⁾					
Policyholders' surplus	\$ 4,863	\$ 5,056	\$ 5,148	\$ 5,305	\$ 5,126
Contingency reserve	1,620	1,607	1,663	1,750	2,008
Qualified statutory capital	6,483	6,663	6,811	7,055	7,134
Unearned premium reserve and net deferred ceding commission income	2,915	2,961	2,950	2,849	2,672
Loss and LAE reserves	437	529	1,023	1,092	888
Total policyholders' surplus and reserves	9,835	10,153	10,784	10,996	10,694
Present value of installment premium ⁽³⁾	776	804	577	559	616
CCS and standby line of credit	400	400	400	400	400
Excess of loss reinsurance facility	—	—	180	180	360
Total claims-paying resources	\$ 11,011	\$ 11,357	\$ 11,941	\$ 12,135	\$ 12,070
Ratios:					
Net exposure to qualified statutory capital	35:1	35:1	34:1	34:1	37:1
Capital ratio	55:1	55:1	53:1	53:1	56:1
Financial resources ratio	33:1	32:1	30:1	31:1	33:1
Adjusted statutory net exposure to claims-paying resources	21:1	20:1	19:1	20:1	22:1
Par and Debt Service Written (FG and specialty)					
Gross debt service written:					
Public finance - U.S.	\$ 4,248	\$ 28,054	\$ 31,989	\$ 26,988	\$ 25,423
Public finance - non-U.S.	434	17,907	7,166	2,811	848
Structured finance - U.S.	19	1,704	1,191	500	1,143
Structured finance - non-U.S.	—	88	369	202	30
Total gross debt service written	\$ 4,701	\$ 47,753	\$ 40,715	\$ 30,501	\$ 27,444
Net debt service written	\$ 4,701	\$ 47,731	\$ 40,630	\$ 30,476	\$ 27,444
Net par written	3,033	24,331	24,538	17,962	17,854
Gross par written	3,033	24,353	24,624	18,024	17,854

- 1) Statutory amounts prepared on a consolidated basis. The National Association of Insurance Commissioners Annual Statements for U.S. Domiciled Insurance Subsidiaries are prepared on a stand-alone basis.
- 2) See page 12 for additional detail on claims-paying resources.
- 3) Discount rate was changed from 6% to 3% in first quarter 2020. Prior periods have been updated to reflect the change.

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

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

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

	Three Months Ended March 31, 2020	Year Ended December 31,			
		2019	2018	2017	2016
Total GWP	\$ 64	\$ 677	\$ 612	\$ 307	\$ 154
Less: Installment GWP and other GAAP adjustments ⁽²⁾	35	469	119	99	(10)
Upfront GWP	29	208	493	208	164
Plus: Installment premium PVP	22	361	204	107	61
Total PVP ⁽³⁾	\$ 51	\$ 569	\$ 697	\$ 315	\$ 225
PVP ⁽³⁾:					
Public finance - U.S.	\$ 29	\$ 201	\$ 402	\$ 197	\$ 161
Public finance - non-U.S.	21	308	116	89	29
Structured finance - U.S.	1	53	167	14	34
Structured finance - non-U.S.	—	7	12	15	1
Total PVP	\$ 51	\$ 569	\$ 697	\$ 315	\$ 225
Adjusted operating income reconciliation:					
Net income (loss) attributable to AGL	\$ (55)	\$ 402	\$ 521	\$ 730	\$ 881
Less pre-tax adjustments:					
Realized gains (losses) on investments	(5)	22	(32)	40	(30)
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(88)	(10)	101	43	36
Fair value gains (losses) on CCS	48	(22)	14	(2)	—
Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves	(57)	22	(32)	57	(33)
Total pre-tax adjustments	(102)	12	51	138	(27)
Less tax effect on pre-tax adjustments	14	(1)	(12)	(69)	13
Adjusted operating income (loss)	\$ 33	\$ 391	\$ 482	\$ 661	\$ 895
Adjusted operating income per diluted share reconciliation:					
Net income (loss) attributable to AGL per diluted share	\$ (0.59)	\$ 4.00	\$ 4.68	\$ 5.96	\$ 6.56
Less pre-tax adjustments:					
Realized gains (losses) on investments	(0.06)	0.22	(0.29)	0.33	(0.23)
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(0.95)	(0.11)	0.90	0.35	0.27
Fair value gains (losses) on CCS	0.52	(0.22)	0.13	(0.02)	—
Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves	(0.62)	0.21	(0.29)	0.46	(0.25)
Total pre-tax adjustments	(1.11)	0.10	0.45	1.12	(0.21)
Tax effect on pre-tax adjustments	0.16	(0.01)	(0.11)	(0.57)	0.09
Adjusted operating income (loss) per diluted share	\$ 0.36	\$ 3.91	\$ 4.34	\$ 5.41	\$ 6.68

- 1) Please refer to the explanation of Non-GAAP Financial Measures set forth at the end of this Financial Supplement.
- 2) Includes present value of new business on installment policies discounted at the prescribed GAAP discount rates, GWP adjustments on existing installment policies due to changes in assumptions, any cancellations of assumed reinsurance contracts, and other GAAP adjustments.
- 3) See Non-GAAP Financial Measures set forth at the end of this Financial Supplement for a description of the changes to the discount rates used in the calculation of non-GAAP financial measure. The discount rate used for PVP as of March 31, 2020 is 3%. The prior periods have been recast to present PVP discounted at 3% instead of 6%.

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

	As of March 31, 2020	As of December 31,			
		2019	2018	2017	2016
Adjusted book value reconciliation:					
Shareholders' equity attributable to AGL	\$ 6,240	\$ 6,639	\$ 6,555	\$ 6,839	\$ 6,504
Less pre-tax adjustments:					
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(144)	(56)	(45)	(146)	(189)
Fair value gains (losses) on CCS	101	52	74	60	62
Unrealized gain (loss) on investment portfolio excluding foreign exchange effect	275	486	247	487	316
Less taxes	(43)	(89)	(63)	(83)	(71)
Adjusted operating shareholders' equity	6,051	6,246	6,342	6,521	6,386
Pre-tax adjustments:					
Less: Deferred acquisition costs	113	111	105	101	106
Plus: Net present value of estimated net future revenue	193	206	219	162	147
Plus: Net unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed	3,273	3,296	3,005	2,966	2,922
Plus taxes	(584)	(590)	(526)	(515)	(835)
Adjusted book value	<u>\$ 8,820</u>	<u>\$ 9,047</u>	<u>\$ 8,935</u>	<u>\$ 9,033</u>	<u>\$ 8,514</u>
Gain (loss) related to VIE consolidation included in adjusted operating shareholders' equity (net of tax (provision) benefit of \$(4), \$(2), \$(1), \$(2), and \$4)	\$ 12	\$ 7	\$ 3	\$ 5	\$ (7)
Gain (loss) related to VIE consolidation included in adjusted book value (net of tax (provision) benefit of \$(2), \$1, \$4, \$3, and \$12)	\$ 2	\$ (4)	\$ (15)	\$ (14)	\$ (24)
Adjusted book value per share reconciliation:					
Shareholders' equity attributable to AGL per share	\$ 69.35	\$ 71.18	\$ 63.23	\$ 58.95	\$ 50.82
Less pre-tax adjustments:					
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(1.60)	(0.60)	(0.44)	(1.26)	(1.48)
Fair value gains (losses) on CCS	1.12	0.56	0.72	0.52	0.48
Unrealized gain (loss) on investment portfolio excluding foreign exchange effect	3.06	5.21	2.39	4.20	2.47
Less taxes	(0.48)	(0.95)	(0.61)	(0.71)	(0.54)
Adjusted operating shareholders' equity per share	67.25	66.96	61.17	56.20	49.89
Pre-tax adjustments:					
Less: Deferred acquisition costs	1.26	1.19	1.01	0.87	0.83
Plus: Net present value of estimated net future revenue	2.14	2.20	2.11	1.40	1.15
Plus: Net unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed	36.37	35.34	28.98	25.56	22.83
Plus taxes	(6.48)	(6.32)	(5.07)	(4.43)	(6.52)
Adjusted book value per share	<u>\$ 98.02</u>	<u>\$ 96.99</u>	<u>\$ 86.18</u>	<u>\$ 77.86</u>	<u>\$ 66.52</u>
Gain (loss) related to VIE consolidation included in adjusted operating shareholders' equity per share	\$ 0.14	\$ 0.07	\$ 0.03	\$ 0.03	\$ (0.06)
Gain (loss) related to VIE consolidation included in adjusted book value per share	\$ 0.03	\$ (0.05)	\$ (0.15)	\$ (0.12)	\$ (0.18)

1) See Non-GAAP Financial Measures set forth at the end of this Financial Supplement for a description of the changes to the discount rates used in the calculation of non-GAAP financial measure. The discount rate used for net present value of estimated net future revenues as of March 31, 2020 is 3%. The prior periods have been recast to present the net present value of net future revenues discounted at 3% instead of 6%.

Glossary

Net Par Outstanding and Internal Ratings

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

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

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

Performance Indicators

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

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

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

Sectors

Below are brief descriptions of selected types of public and structured finance obligations that the Company insures and reinsures. For a more complete description, please refer to Assured Guaranty Ltd.'s Annual Report on Form 10-K for the year ended December 31, 2019.

Public Finance:

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

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

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

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

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

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

Glossary (continued)

Sectors (continued)

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

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

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

Renewable Energy Bonds are obligations backed by renewable energy sources, such as solar, wind farm, hydroelectric, geothermal and fuel cell.

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

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

Sovereign and Sub-Sovereign primarily includes obligations of local, municipal, regional or national governmental authorities or agencies outside of the United States.

Other Public Finance are obligations of or backed by local, municipal, regional or national governmental authorities or agencies not generally described in any of the other described categories.

Structured Finance:

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

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

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

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

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

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

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

Glossary (continued)

Definitions for Asset Management Segment

The Company uses AUM as a metric to measure progress in its Asset Management segment. The Company uses measures of its AUM in its decision making process and intends to use a measure of change in AUM in its calculation of certain components of management compensation. Investors also use AUM to evaluate companies that participate in the asset management business. AUM refers to the assets managed, advised or serviced by the Asset Management segment and equals the sum of the following:

- the net asset value of the opportunity and wind-down funds plus any unfunded commitments; and
- the amount of aggregate collateral balance and principal cash of BlueMountain's CLOs, including CLO equity that may be held by Assured Investment Management funds. This also includes CLO assets managed by BlueMountain Fuji Management, LLC (BM Fuji). BlueMountain is not the investment manager of BM Fuji CLOs, but rather has entered into a services agreement and a secondment agreement with BM Fuji pursuant to which BlueMountain provides certain services associated with the management of BM Fuji-advised CLOs and acts in the capacity of service provider.

The Company's calculation of AUM may differ from the calculation employed by other investment managers and, as a result, this measure may not be directly comparable to similar measures presented by other investment managers. The calculation also differs from the manner in which BlueMountain affiliates registered with the SEC report "Regulatory Assets Under Management" on Form ADV and Form PF in various ways.

The Company also uses several other measurements of AUM to understand and measure its AUM in more detail and for various purposes, including its relative position in the market and its income and income potential:

"Third-party assets under management" or "3rd Party AUM" refers to the assets BlueMountain manages or advises on behalf of third-party investors. This includes current and former employee investments in Assured Investment Management funds. For CLOs, this also includes CLO equity that may be held by Assured Investment Management funds.

"Intercompany assets under management" or "Intercompany AUM" refers to the assets BlueMountain manages or advises on behalf of the Company. This includes investments from affiliates of Assured Guaranty along with general partners' investments of BlueMountain (or its affiliates) into the funds.

"Funded assets under management" or "Funded AUM" refers to assets that have been deployed or invested into the funds or CLOs.

"Unfunded assets under management" or "Unfunded AUM" refers to unfunded capital commitments from closed-end funds and CLO warehouse fund.

"Fee earning assets under management" or "Fee Earning AUM" refers to assets where BlueMountain collects fees and has elected not to waive or rebate fees to investors.

"Non-fee earning assets under management" or "Non-Fee Earning AUM" refers to assets where BlueMountain does not collect fees or has elected to waive or rebate fees to investors. BlueMountain reserves the right to waive some or all fees for certain investors, including investors affiliated with BlueMountain and/or the Company. Further, to the extent that the Company's wind-down and/or opportunity funds are invested in BlueMountain managed CLOs, BlueMountain may rebate any management fees and/or performance compensation earned from the CLOs to the extent such fees are attributable to the wind-down and opportunity funds' holdings of CLOs also managed by BlueMountain.

Non-GAAP Financial Measures

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

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

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

The Company also provides the effect of VIE consolidation that is embedded in each non-GAAP financial measure, as applicable, which the Company believes may also be useful to investors, analysts and financial news media to evaluate Assured Guaranty's financial results. GAAP requires the Company to consolidate certain FG VIEs and investment vehicles. The Company does not own the consolidated FG VIEs and its exposure is limited to its obligation under the financial guaranty insurance contract. The Insurance segment presents the economic effect of the financial guaranty contracts associated with the consolidated FG VIEs. The Company does own a substantial ownership interest in its consolidated investment vehicles, which is reflected in the Insurance segment.

Management and the Board of Directors use non-GAAP financial measures further adjusted to remove the effect of VIE consolidation (which the Company refers to as its core financial measures), as well as GAAP financial measures and other factors, to evaluate the Company's results of operations, financial condition and progress towards long-term goals. The Company uses core financial measures in its decision making process and in its calculation of certain components of management compensation.

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

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

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

In the first quarter of 2020, the Company changed the discount rate used in the calculation of PVP and net present value of estimated future net revenues, which is a component of adjusted book value. Beginning in 2020, the discount rate will be the approximate average pre-tax fixed book yield of fixed-maturity securities purchased in the prior calendar year, excluding loss mitigation bonds. In prior periods the discount rate was a constant 6% discount rate. The Company made these changes and recast prior periods to better reflect the then current interest rate environment. The reconciliation tables of GAAP to non-GAAP financial measures for PVP and ABV indicate the new discount rate for each relevant period. The following paragraphs define each non-GAAP financial measure disclosed by the Company and describe why it is useful. To the extent there is a directly comparable GAAP financial measure, a reconciliation of the non-GAAP financial measure and the most directly comparable GAAP financial measure is presented within this financial supplement.

Adjusted Operating Income: Management believes that adjusted operating income is a useful measure because it clarifies the understanding of the underwriting results of the Company. Adjusted operating income is defined as net income (loss) attributable to AGL, as reported under GAAP, adjusted for the following:

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

Non-GAAP Financial Measures (continued)

- 3) Elimination of fair value gains (losses) on the Company's CCS that are recognized in net income. Such amounts are affected by changes in market interest rates, the Company's credit spreads, price indications on the Company's publicly traded debt, and other market factors and are not expected to result in an economic gain or loss.
- 4) Elimination of foreign exchange gains (losses) on remeasurement of net premium receivables and loss and LAE reserves that are recognized in net income. Long-dated receivables and loss and LAE reserves represent the present value of future contractual or expected cash flows. Therefore, the current period's foreign exchange remeasurement gains (losses) are not necessarily indicative of the total foreign exchange gains (losses) that the Company will ultimately recognize.
- 5) Elimination of the tax effects related to the above adjustments, which are determined by applying the statutory tax rate in each of the jurisdictions that generate these adjustments.

Adjusted Operating Shareholders' Equity and Adjusted Book Value: Management believes that adjusted operating shareholders' equity is a useful measure because it excludes the fair value adjustments on investments, credit derivatives and CCS that are not expected to result in economic gain or loss.

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

- 1) Elimination of non-credit-impairment unrealized fair value gains (losses) on credit derivatives, which is the amount of unrealized fair value gains (losses) in excess of the present value of the expected estimated economic credit losses, and non-economic payments. Such fair value adjustments are heavily affected by, and in part fluctuate with, changes in market interest rates, credit spreads and other market factors and are not expected to result in an economic gain or loss.
- 2) Elimination of fair value gains (losses) on the Company's CCS. Such amounts are affected by changes in market interest rates, the Company's credit spreads, price indications on the Company's publicly traded debt, and other market factors and are not expected to result in an economic gain or loss.
- 3) Elimination of unrealized gains (losses) on the Company's investments that are recorded as a component of accumulated other comprehensive income (AOCI) (excluding foreign exchange remeasurement). The AOCI component of the fair value adjustment on the investment portfolio is not deemed economic because the Company generally holds these investments to maturity and therefore should not recognize an economic gain or loss.
- 4) Elimination of the tax effects related to the above adjustments, which are determined by applying the statutory tax rate in each of the jurisdictions that generate these adjustments.

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

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

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

Non-GAAP Financial Measures (continued)

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

Net Present Value of Estimated Net Future Revenue: Management believes that this amount is a useful measure because it enables an evaluation of the value of the present value of estimated net future revenue for contracts other than financial guaranty insurance contracts (such as specialty insurance and reinsurance contracts and credit derivatives). This amount represents the net present value of estimated future revenue from these contracts (other than credit derivatives with net expected losses), net of reinsurance, ceding commissions and premium taxes.

Future installment premiums are discounted at the approximate average pre-tax book yield of fixed maturity securities purchased during the prior calendar year, other than loss mitigation securities. The discount rate is recalculated annually and updated as necessary. Net present value of estimated future revenue for an obligation may change from period to period due to a change in the discount rate or due to a change in estimated net future revenue for the obligation, which may change due to changes in foreign exchange rates, prepayment speeds, terminations, credit defaults or other factors that affect par outstanding or the ultimate maturity of an obligation. There is no corresponding GAAP financial measure.

PVP or Present Value of New Business Production: Management believes that PVP is a useful measure because it enables the evaluation of the value of new business production for the Company by taking into account the value of estimated future installment premiums on all new contracts underwritten in a reporting period as well as additional installment premium on existing contracts (which may result from supplements or fees or from the issuer not calling an insured obligation the Company projected would be called), whether in insurance or credit derivative contract form, which management believes GAAP gross written premiums and changes in fair value of credit derivatives do not adequately measure. PVP in respect of contracts written in a specified period is defined as gross upfront and installment premiums received and the present value of gross estimated future installment premiums.

Future installment premiums are discounted at the approximate average pre-tax book yield of fixed maturity securities purchased during the prior calendar year, other than loss mitigation securities. The discount rate is recalculated annually and updated as necessary. Under GAAP, financial guaranty installment premiums are discounted at a risk-free rate. Additionally, under GAAP, management records future installment premiums on financial guaranty insurance contracts covering non-homogeneous pools of assets based on the contractual term of the transaction, whereas for PVP purposes, management records an estimate of the future installment premiums the Company expects to receive, which may be based upon a shorter period of time than the contractual term of the transaction.

Actual installment premiums may differ from those estimated in the Company's PVP calculation due to factors including, but not limited to, changes in foreign exchange rates, prepayment speeds, terminations, credit defaults, or other factors that affect par outstanding or the ultimate maturity of an obligation.



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