Assured Guaranty (Europe) SA

SIREN: 852 597 384

Statutory financial statements

For the year ended 31 December 2020

Assured Guaranty (Europe) SA

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For the year ended 31 December 2020

Contents

Company information

Directors
Robert Bailenson
Dominic Frederico
Neil Kirk (appointed 30th April 2020)
Dominic Nathan (appointed 30th April 2020)
Richard Nicholas (appointed 30th April 2020)
Nicholas Proud
Penelope Shaw (appointed 1st March 2021)
Raphaël de Tapol (appointed 30th April 2020)
Michael Winch (appointed 30th April 2020)

Company secretaries
Isabelle Colombel
Ruth Cove (resigned 31st December 2020)
Sandali Harvey

Registered office
71, rue du Faubourg Saint-Honoré,
75008 Paris
France

Independent auditors
PricewaterhouseCoopers SA
Chartered Accountants and Statutory Auditors
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex
Paris
France

Assured Guaranty (Europe) SA

Managing Director's Report

1.1. Principal activities

Assured Guaranty (Europe) SA, (the "Company" or "AGE SA"), was established to enable the Assured Guaranty Group to continue underwriting new business and service existing European Economic Area ('EEA") policies following the United Kingdom's ("UK's") departure from the European Union ("EU") and EEA ("Brexit") in January 2020. The Company was incorporated on 19 July 2019.

The principal activity of the Company is providing financial guarantees for public finance (including infrastructure finance) and structured finance obligations. Financial guarantee insurance written by the Company generally guarantees scheduled payments of principal and interest on an issuer's obligations in the event, and to the extent of, a payment default.

The Company is governed by the French Insurance Code and regulated by the Autorité de Contrôle Prudentiel et de Résolution ("ACPR") and is registered with the Trade and Companies Register ("RCS") in France (SIREN: 852 597 384).

The ACPR authorised the Company as an insurance undertaking from 2 January 2020, pursuant to Article R.321-1 of the French Insurance Code. The Company is authorised to carry out three classes of general insurance business in France:

- 14) Credit
- 15) Suretyship
- 16) Miscellaneous financial loss

AGE SA is a subsidiary of Assured Guaranty Municipal Corp. ("AGM"). AGM is an insurance company domiciled in the State of New York, United States of America ("US"). AGM provides financial guarantee insurance on debt obligations issued in the US public finance and global public finance and infrastructure markets.

Parental and Affiliate Support Agreements

The Company benefits from a number of reinsurance and other support agreements from affiliated Assured Guaranty Group companies, which are described below.

AGM Transferred Business Reinsurance Agreement
The AGM Transferred Business Reinsurance Agreement reinsures business transferred to the Company under the Portfolio Transfer. Different percentages of reinsurance cessions are specified for the different reinsured policies.

New Business Reinsurance Agreement
The New Business Reinsurance Agreement reinsures 90% of the Company's retention on any new policies. It also provides reinsurance for certain policies transferred to AGE SA for which Assured Guaranty UK Limited ("AGUK"), formerly Assured Guaranty (Europe) plc, was not reinsured by AGM, for which the quota share percentage cession is approximately 88% to 90%, varying by policy.

Both the Transferred Business Reinsurance Agreement and the New Business Reinsurance Agreement require AGM to pledge collateral to support its reinsurance obligations to the Company. AGM's collateral requirement at the end of each calendar quarter is calculated as the sum of AGM's share of: (a) AGE SA's unearned premium reserve (net of AGE SA's reinsurance premium payable to AGM); (b) AGE SA's provisions for unpaid losses and allocated loss adjustment expenses (net of any salvage recoverable), and (c) any unexpired risk provisions, in each case as calculated in accordance with French GAAP.

Managing Director's Report (continued)

AGC Transferred Business Reinsurance Agreement

The Assured Guaranty Corp. ("AGC") Transferred Business Reinsurance Agreement preserves AGC's 90% quota share reinsurance of the legacy Assured Guaranty (UK) plc policies, and 100% reinsurance of the legacy CIFG Europe S.A. ("CIFGE") policies transferred to the Company under the Portfolio Transfer. The agreement also imposes a collateral requirement on AGC consistent with the AGM Reinsurance Agreement, as described above.

AGRE Transferred Business Reinsurance Agreements

The Assured Guaranty Reinsurance Limited ("AGRE") Transferred Business Reinsurance Agreements preserves AGRE's quota share reinsurance of the AGUK and legacy Assured Guaranty (London) plc ("AGLN") policies transferred to the Company under the Portfolio Transfer. The agreement also imposes a collateral requirement on AGRE consistent with the AGM Transferred Business and New Business Reinsurance Agreements, as described above.

Excess of Loss Reinsurance Agreement

Under the AGM Excess of Loss Reinsurance Agreement, AGM is required to pay the Company the amount by which (i) the sum of (a) the Company's incurred losses calculated in accordance with French GAAP and (b) the Company's net paid losses and loss adjustment expenses, exceed (ii) an amount equal to (a) the Company's capital resources under French law minus (b) 110% of the amounts as may be required by the ACPR as a condition for the Company to maintain its authorization to carry on a financial guarantee business in France. The AGM Transferred Business Reinsurance Agreement permits the Company to terminate the agreement upon the following events: a downgrade of AGM's ratings by Moody's below Aa3 or by S&P below AA- if AGM fails to restore its rating(s) to the required level within a prescribed period of time, AGM's insolvency or failure by AGM to maintain the minimum capital required by its home jurisdiction.

AGM Net Worth Maintenance Agreement

Under the terms of the AGM Net Worth Maintenance Agreement AGM is obligated to ensure the Company maintains capital resources equal to 110% of the amounts as may be required by the ACPR as a condition of the Company maintaining its authorization to carry on financial guarantee business in France provided that AGM's contributions (a) do not exceed 35% of AGM's policyholders' surplus on an accumulated basis as determined by the laws of the State of New York, and (b) are in compliance with Section 1505 of the New York Insurance Law.

Ratings

Obligations insured by the Company are generally awarded ratings on the basis of the financial strength ratings given to the Company by major securities rating agencies. As at 1 April 2021, AGM and the Company have been assigned the following insurance financial strength ratings set out below, by S&P Global Ratings, a business unit of Standard & Poor's Financial Services ("S&P") and Kroll Bond Rating Agency, Inc. ("KBRA"):

S&P: AA / Stable Outlook

KBRA: AA+ / Stable Outlook

These ratings are subject to continuous review. S&P and KBRA have both reaffirmed the financial strength ratings of AGM and the Company within the last 12 months. Most recently, on 16 July 2020, S&P issued a credit rating report in which it affirmed AGM's financial strength rating of "AA" (stable outlook) and has assigned the same rating to the Company. On 29 October 2020, KBRA affirmed its financial strength rating of AA+ (stable outlook) of AGM and assigned the same rating to the Company.

1.2. 2020 Business Review

Brexit & Portfolio Transfer

During the year, an affiliate Company, AGUK transferred certain of its existing EEA policies to the Company under Part VII of the United Kingdom Financial Services and Markets Act 2000 and French insurance portfolio transfer procedures ("the Portfolio Transfer"). The Portfolio Transfer was approved by the UK High Court with an effective date of 1 October 2020 and resulted in a significant increase in the Company's insured portfolio. As at 31 December 2020 the company has €7.8 billion gross par insured (€512.1 million net). Further details of the transfer are provided within the Business Review below.

In contemplation of the Portfolio Transfer, and to provide AGE SA with sufficient capital to support the transferring business, the share capital of the Company was increased by €83.0 million on 28 September 2020 to €110.9 million, contributed by AGM, the majority shareholder of the Company.

Further information on the Part VII Transfer is provided in note 1.15 to the financial statements.

COVID-19 pandemic

COVID-19 triggered a global public health crisis and has caused unprecedented disruption to people lives, the global economy and financial markets. The pandemic related slowdown has pushed most global economies into recession with levels of unemployment continuing to rise despite unprecedented levels of central government support. While the development and rollout of effective vaccination programmes offer a potential route out of the current crisis, significant uncertainty remains as to the speed of economic recovery, as well as longer-term impacts to society, specific business sectors and the global economy generally.

As the pandemic took hold in the France in March 2020, the Board moved quickly to invoke the Company's business continuity plans to ensure the safety and well-being of its staff. The Company has now operated on a remote working basis for over a year, with no significant impact on day-to-day operations. Appropriate changes have been made to key processes and internal controls to ensure their continued effective operation during the period of remote working. Additional employee training has also been provided. The Company will continue to take measures to appropriately support and minimize risks to its employees, including the use of travel restrictions, appropriate provisions for those staff providing childcare and the continuation of remote working.

Against the unprecedented financial and economic impacts of COVID-19, we believe the results of the Company for the year, which are described within the business review section below, demonstrate the resilience of our insured portfolio and the confidence investors have in the Company's guarantee during times of significant uncertainty. To date the Company has not incurred any claims related to the pandemic impacts. While insured transactions in certain demand-based sectors have experienced significant strain due to the unprecedented slowdown in economic activity, their credit quality is supported by the resilient nature of the underlying transaction business model, debt service coverage and strong liquidity. We believe the performance of the insured portfolio during 2020 underlines the quality of our underwriting diligence.

The Company's affiliated reinsurers have not been significantly impacted by the pandemic to date and are expected to remain financially resilient and well positioned to honour their obligations to the Company.

The Company was able to underwrite new business throughout 2020. Despite the significant financial market disruption seen in the first and second quarters of the year, the Company exceeded its planned new business production for 2020 and has built a strong pipeline of new business for 2021. The heightened focus upon credit quality and liquidity by investors and the prospect for further future ratings migration also potentially increases the value of our guarantee for certain issuers and investors.

During the year the Board regularly reviewed the impact of COVID-19 on the insured portfolio, solvency, liquidity, investment portfolio and operations and the Company continues to actively monitor the potential impacts across all areas of its business. This includes utilising stress and scenario testing to assess potential impacts on its insured portfolio, and more broadly, solvency and liquidity positions. These scenarios take into consideration the impact to the insured portfolio of potential claims, the potential downgrade of insured risks, as well as the impact on the Company's investments. They include reverse stress

Managing Director's Report (continued)

scenarios and severe downside stress scenarios in which lockdowns and travel restrictions continue for a further 12 months or more and are followed by a prolonged period of reduced economic activity and recession. The Company does not expect to incur significant losses under such scenarios and its regulatory solvency and liquidity are expected to remain significantly in excess of the Company's minimum target requirements.

Additional share capital issued

In addition to the €83 million of share capital issued in September 2020, as described above, the Company's share capital was increased by €24 million following an extraordinary General Meeting held on 31 January 2020.

Financial position and performance

Following its authorisation by the ACPR on 2 January 2020, the Company underwrote its first financial guarantee policy in February, related to the refinancing of a Spanish solar power transaction. Despite subsequent significant disruption to financial markets due to the outbreak of the COVID-19 pandemic, the Company continued to underwrite business across the year, closing a total of 5 transactions with PVP and gross written premiums of €44.1 million (2019: €nil) and €50.6 million (2019: €nil) respectively. The value of net par insured was €512.1 million (2019: €nil).

In addition to new business premiums a total of €174.7 million gross written premiums were recorded in respect of the Portfolio Transfer.

The Board of Directors (the "Board") monitors the performance and position of the Company by reference to, among other measures, the following Key Performance Indicators ("KPIs"):

	2020	2019
Number of new transactions	**5**	-
	€'000	€'000
Present value of new business production (PVP)[1]	**44,097**	-
Earned premiums, net of reinsurance	**(261)**	-
Claims incurred, net of reinsurance	-	-
Change in other technical provisions, net of reinsurance	-	-
Acquisition and administrative expenses	**(2,358)**	(26)
Net investment loss	**(195)**	(9)
Loss before tax	**(3,026)**	(35)
Net insured par value of obligations ("par") outstanding	**512,138**	-
Regulatory solvency cover ratio[2]	**345%**	N/A

[1] PVP, which is a non-GAAP (Generally Accepted Accounting Principles) financial measure, is defined as gross upfront and instalment premiums received, plus the present value of gross estimated future instalment premiums on contracts written in the current year, discounted at 3% per year.
[2] The regulatory solvency cover ratio is the ratio of the Company's Solvency II Own Funds to the Company's Solvency Capital Requirement calculated in accordance with the Solvency II Standard Formula.

The Company's overall underwriting result for the year was a loss of €2.6 million. The loss was due to the cost of certain reinsurance obligations transferred to the Company under the Portfolio Transfer, which resulted in the Company recognising negative net earned premiums of €0.3 million. The expense base of the Company also remains high relative to the amount of in-force business while the Company continues to grow its in-force portfolio.

AGE SA has not incurred any claims to date. As noted above, the COVID-19 pandemic is not expected to significantly impact the credit quality of the Company's insured portfolio. No claims reserves or unexpired risk provisions have been recognised as at the balance sheet date.

Managing Director's Report (continued)
The Company's investment strategy focuses on establishing highly liquid, diversified investment portfolios of high credit quality managed by an external investment manager. The Company's first investment purchases were made in October 2020 following the significant increase in capital to support the Portfolio Transfer. Under French GAAP, the Company's investments are recorded on an amortised cost basis. The investment return of negative €0.2 million (2019: €0.01 million) is due to negative interest earned on the Company's operating and non-operating cash balances and amortisation recognised on investments purchased at a premium to par.

The overall duration of the Company's investment portfolio as at 31 December 2020 was 7.8 years, with an average credit quality of AA-.

As at 31 December 2020, the Company had issued guarantees on financial obligations with gross outstanding par of €7.8 billion (2019: €nil) and net par after reinsurance of €0.5 billion (2019: nil). The increase from prior year was due to the Portfolio Transfer and new transactions closed during the year.

The Company is in a very strong financial position with a regulatory solvency cover ratio of 345%. At the prior year end the Company had not commenced insurance activities and held total capital of €3.9 million to ensure its compliance with the minimum capital requirement.

Payments deadlines of clients and suppliers for the past financial year

In accordance with Article D. 441-4 of the French Commercial Code, the information on the payment deadlines relating to customers and suppliers for the past financial year is provided below.

Invoices received and issued which were not settled at the closing date of financial year and in arrears
(Table required in Article D.441-4 I of the Commercial Code)

<table>
<tr><th rowspan="2">€'000</th><th colspan="6">Invoices <u>received</u> and unpaid as at the end of the financial year and in arrears</th><th colspan="6">Invoices <u>issued</u> and unpaid as at the end of the financial year and in arrears</th></tr>
<tr><th></th><th>1 to 30 days</th><th>31 to 60 days</th><th>61 to 90 days</th><th>91 days and more</th><th>Total (1 day and more)</th><th></th><th>1 to 30 days</th><th>31 to 60 days</th><th>61 to 90 days</th><th>91 days and more</th><th>Total (1 day and more)</th></tr>
<tr><td colspan="13">(A) Payment delays per tranche</td></tr>
<tr><td>Number of invoices concerned</td><td></td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td></td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Total amount of invoices concerned inclusive of tax</td><td></td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td></td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Percentage of the total purchases over the year</td><td></td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td colspan="6"></td></tr>
<tr><td>Percentage of the total turnover over the financial year</td><td colspan="6"></td><td></td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td colspan="13">(B) Invoices excluded from (A) which relate to litigious or non-recorded debts or receivables</td></tr>
<tr><td>Number of excluded invoices</td><td colspan="6">-</td><td colspan="6">-</td></tr>
<tr><td>Total amount of excluded invoices (indicate if the VAT is included or excluded)</td><td colspan="6">-</td><td colspan="6">-</td></tr>
<tr><td colspan="13">(C) Reference payment deadlines used (contractual or legal - article L. 441-6 or article L. 443-1 of the commercial code)</td></tr>
<tr><td>Payment deadlines used for the calculation of payment delays</td><td colspan="6">Contractual deadlines</td><td colspan="6">Contractual deadlines</td></tr>
</table>

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users.
This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Statutory auditor's report on the financial statements

For the year ended 31 December 2020

To the annual general meeting of
Assured Guaranty (Europe) SA
71 rue du Faubourg Saint-Honoré
75008 PARIS

Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying financial statements of Assured Guaranty (Europe) SA for the year ended December 31, 2020.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2020 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (code de commerce) and the French Code of Ethics (code de déontologie) for statutory auditors, for the period from 1 January 2020 to the date of our report we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014.

Furthermore, the non-audit services that we provided to your Company and its controlled undertakings during the financial year that are not disclosed in the management report or in the notes to the financial statements are as follows:

- Statutory Auditor's audit report on the reconciliation of the Shareholder's equity and Net income of Assured Guaranty (Europe) SA prepared on a French GAAP basis to the equivalent amount as measured by reference to US GAAP;
- Statement by the statutory auditor of Assured Guaranty (Europe) SA on the Balance Sheet and Solvency Capital Requirement (SCR), the Solvency and Financial Condition Report (SFCR) and on the Quantitative Reporting Templates attached to the SFCR.

Justification of Assessments - Key Audit Matters

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Portfolio transfer valuation *(See Notes 1.15 to the financial statements)*	
Key audit matter	**How our audit addressed the matter**
During the year, an affiliate Company, Assured Guaranty UK Limited ("AGUK"), formerly Assured Guaranty (Europe) plc, transferred certain of its existing EEA polices to the Company under Part VII of the United Kingdom Financial Services and Markets Act 2000 and French insurance portfolio transfer procedures ("the Portfolio Transfer"). The Portfolio Transfer was approved by the UK High Court with an effective date of 1 October 2020 and resulted in a significant increase in the Company's insured portfolio. Total gross premiums of €174.7 million, (€35.5 million net) due to the Company in respect of the transferred business have been recorded in the income statement.	Our audit approach to the risk relating to the valuation of this portfolio transfer was as follows: - We tested the consistency and exhaustivity between the policies listed in the transfer agreement and fair valued policies - On a sample basis, we tested the gross data recorded - We tested the correct application of the reinsurance agreement as well as the allocation between AGE UK and AGE SA for the commuted contracts - We tested the fair value assessment performed - We vouched these transactions to the cash settlement Finally, we assessed the adequacy of the disclosures in the financial statements.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

Information given in the management report and in the other documents with respect to the financial position and the financial statements provided to the Shareholders

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the other documents with respect to the financial position and the financial statements provided to the Shareholders, except that it is not our responsibility to conclude on the fair presentation and consistency with the financial statements of the solvency related information required by article L. 356-23 of the French Insurance Code (Code des assurances).

The fair presentation and the consistency with the annual financial statements of the information relating to payment terms mentioned in Article D.441-4 of the French commercial code call for the following comment:

As indicated in the management report, this information does not include insurance and reinsurance operations, as your company considers that they do not fall within the scope of the information to be produced, in accordance with the circular of the Fédération Française de l'Assurance of 29 May 2017.

Information relating to corporate governance

We attest that the section of the management report devoted to corporate governance sets out the information required by Articles L. 225-37-4 and L. 22-10-10 of the French Commercial Code (code de commerce).

Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditor

We were appointed as statutory auditors of Assured Guaranty (Europe) SA by your status on 8 July 2019.

As at 31 December 2020, we were in the 2nd year of total uninterrupted engagement.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Statutory Auditor's Responsibilities for the Audit of the Financial Statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.

- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit a report to the Audit Committee, which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (code de commerce) and in the French Code of Ethics (code de déontologie) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Neuilly-sur-Seine, 23 April 2021

The Statutory Auditor
PricewaterhouseCoopers Audit

Christine Billy

Assured Guaranty (Europe) SA
Financial statements and notes

Balance sheet at 31 December 2020
€'000

Assets	**2020**	**2019**
1. Uncalled subscribed capital or head office liaison account	-	-
2. Intangible assets	-	-
3. Investments:	**110,574**	**-**
3a. Land and buildings	-	-
3b. Investments in affiliated companies and companies linked by participating interests	-	-
3c. Other investments	110,574	-
3d. Receivables for cash deposited with ceding companies	-	-
4. Investments representing technical provisions relating to unit-linked contracts	-	-
5. Share of outwards reinsurers and retrocessionaires in technical provisions:	**227,125**	**-**
5a. Provisions for unearned premiums	227,125	-
5b. Provisions for claims payable	-	-
5c. Provisions for profit sharing and rebates	-	-
5d. Equalisation provisions	-	-
5e. Other technical provisions	-	-
5f. Technical provisions for unit-linked contracts	-	-
6. Receivables	**115,540**	**13**
6a. Receivables from direct insurance operations:	89,389	-
6aa. Premiums	89,389	-
6ab. Other receivables from direct insurance operations	-	-
6b. Receivables from reinsurance transactions	22,602	-
6c. Other receivables:	3,550	-
6ca. Staff	-	-
6cb. State social security and public authorities	-	-
6cc. Miscellaneous debtors	3,550	13
6d. Unpaid called-up capital	-	-
7. Other assets:	**8,600**	**3,874**
7a. Operating tangible assets	-	-
7b. Current account and cash	8,600	3,874
7c. Treasury shares	-	-
8. Accruals – assets:	**1,586**	**16**
8a. Accrued interest and rent	650	-
8b. Deferred acquisition costs	717	-
8c. Other accruals and prepayment	219	16
Total assets	**463,425**	**3,903**

€'000

Liabilities	**2020**	**2019**
1. Shareholders' equity:	**107,839**	**3,865**
1a. Share capital or head office liaison account	110,900	3,900
1b. Premiums related to share capital	-	-
1c. Revaluation reserves	-	-
1d. Other reserves	-	-
1e. Carry forward	(35)	-
1f. Result for the year	(3,026)	(35)
2. Subordinated liabilities	-	-
3. Gross technical provisions:	**222,369**	-
3a. Provisions for unearned premiums	222,369	-
3b. Provisions for claims	-	-
3c. Provisions for profit sharing and discounts	-	-
3d. Equalisation provisions	-	-
3e. Other technical provisions	-	-
4. Provisions	-	-
5. Liabilities for cash deposits received from reinsurers	-	-
6. Other liabilities:	**86,073**	**38**
6a. Payables arising from direct insurance operations	-	-
6b. Payables arising from reinsurance transactions	81,887	-
6c. Bonds	-	-
6d. Amounts owed to credit institutions	-	-
6e. Other liabilities:	**4,186**	-
6ea. Negotiable debt securities issued by the Company	-	-
6eb. Other loans, deposits and guarantees received	-	-
6ec. Staff	213	-
6ed. State, Social Security and public authorities	110	-
6ee. Miscellaneous creditors	3,863	38
7. Accruals - liabilities	47,144	-
Total liabilities	**463,425**	**3,903**

Income statement for the year ended 31 December 2020

€'000

	2020			For the period from 19.07.2020 to 31.12.2020
Technical account	**Gross**	**Cessions and retrocessions**	**Net**	**Net**
1. Earned premiums:	**11,368**	**(11,629)**	**(261)**	**-**
1a. Written premiums	234,206	(239,065)	(4,859)	-
1b. Change in provision for unearned premiums	(222,838)	227,436	4,598	-
2. Allocated investment income from the non-technical account	-	-	-	-
3. Other technical income	-	-	-	-
4. Claims expenses:	-	-	-	-
4a. Claims and expenses paid	-	-	-	-
4b. Changes to claims provisions	-	-	-	-
5. Charges to other technical provisions	-	-	-	-
6. Share of profit-sharing	-	-	-	-
7. Acquisition and administration expenses:	**(6,827)**	**4,469**	**(2,358)**	**(26)**
7a. Acquisition costs	717	-	717	-
7b. Administration fees	(7,544)	-	(7,544)	(26)
7c. Commissions received from reinsurers and substitute guarantors	-	4,469	4,469	-
8. Other technical expenses	-	-	-	-
9. Change in the equalisation provision	**-**	**-**	**-**	**-**
Technical result	**4,541**	**(7,160)**	**(2,619)**	**(26)**

Income statement for the year ended 31 December 2020

€'000

Non-technical account	**2020**	**For the period from 19.07.2019 to 31.12.2019**
1. Non-life insurance underwriting result	**(2,619)**	**(26)**
2. Life insurance underwriting result	**-**	**-**
3. Investment income:	**192**	**-**
3a. Investment income	192	-
3b. Other investment income	-	-
3c. Gains on the realisation of investments	-	-
4. Allocated investment income from non-life technical account		
5. Investment expenses:	**(386)**	**(9)**
5a. Internal and external investment management fees and financial expenses	(16)	
5b. Other investment expenses	(370)	(9)
5c. Losses from the realisation of investments	-	-
6. Investment return transferred to the non-life technical account	-	-
7. Other non-technical products	-	-
8. Other non-technical expenses:	**(212)**	**-**
8a. Social security charges	-	-
8b. Other non-technical expenses	(212)	-
9. Exceptional results:	-	-
9a. Extraordinary income	-	-
9b. Extraordinary expenses	-	-
10. Employee profit-sharing	-	-
11. Income taxes	-	-
12. Loss for the year / period	**(3,026)**	**(35)**

APPENDIX TO THE ANNUAL ACCOUNTS

ACCOUNTING PRINCIPLES AND METHODS

1.1 Accounting principles

The financial statements of the Company have been prepared in accordance with the following provisions:

- French generally accepted accounting principles, (NCA regulation no. 2015-11 dated 26 November 2015 as amended by ANC Regulation 2018-08 dated 11 December 2018) on the annual accounts of insurance undertakings and transactions of a specific nature;
- Articles L.123-12 to L.123-22 of the French Commercial Code, applicable to insurance companies pursuant to Article L.341-2 of the French Insurance Code (Code des Assurances); and
- NCA regulation no. 2014-03 of 5 June 2014 on the general chart of accounts, amended by regulation 2015-06 of 23 November 2015 on assets and notes, in the absence of specific provisions provided for in NCA regulation no. 2015-11 of 26 November 2015.

The main accounting policies adopted, the notes and details of the balance sheet and income statement are described below.

1.2 Investments

Investments consist of short-term variable income instruments and fixed income investments.

Entry costs and valuation at year-end
a. Variable income investments
Shares and other variable-income securities under Article R. 343-10 of the French Insurance Code are recorded at their purchase price, excluding accrued interest.

b. Fixed income investments
Bonds and other fixed-income securities under Articles R. 343-9 and R. 343-10 of the French Insurance Code are recorded at their purchase price, net of accrued interest at the time of purchase. The difference between the purchase price and the redemption value is reported in the income statement over the remaining term until the repayment date using the actuarial method. An amortisation of the premium or discount is recorded up to the time of transfer in the year the fixed income marketable securities are sold.

The realisable value recorded at the close is the most recent quoted price at the balance sheet date. For unlisted securities, it is the market value resulting from the price that would be obtained under normal market conditions and depending on their value to the Company.

Impairment
The Company accounts for impairment of securities under Articles R. 343-9 (i.e., fixed income securities) and R. 343-10 (i.e., equity and other variable income securities) of the French Insurance Code as follows:

- Amortisable securities under Article R. 343-9
    - A reserve for impairment is recognised when there is reason to believe that the debtor will not be able to honour its commitments, either through a default in the payment of interest or repayment of principal.

- Variable-income or fixed-income securities under Article R. 343-10
    - A reserve for impairment is recognised for individual asset holding – line-by-line impairment (Provision pour Dépréciation Durable) for other than temporary impairment where indicators of impairment arise. The impairment recognised is determined based on the recoverable amount (i.e., the amount the Company expects to recover based on its best judgement).

    - A reserve for impairment is recognised in the event the fair market value of the overall investment portfolio is lower than the historical cost (Provision pour Risque d'Exigibilité).

- In the event of long-term impairment of a security covered by Article R. 343-10, the impairment recognised by the Company is the difference between the historical cost and recoverable amount.

Investment income and expenses
Investment income and expenses include income earned on investments, realised gains and losses on sale of investments, as well as realised foreign exchange gains and losses. The realised gains and losses on financial investments are calculated using the FIFO method (First in, First out).

1.3 Fixed assets

Tangible fixed assets are recorded at cost less depreciation. The costs of tangible fixed assets comprise their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated over the actual useful life of the assets.

In accordance with the provisions of CRC regulation 2002-10, the Company is required to perform an impairment test when internal or external indicators suggest that an intangible or tangible asset may have lost significant value.

If the present value (being the higher of value in use and market value) of a fixed asset is lower than the net book value, an impairment loss is recorded, reducing the net book value of the asset to its present value. When an impairment loss is recognised, the depreciable base of the impaired item is changed, as well as its depreciation schedule. The depreciation schedule may be changed again if the asset subsequently recovers its value. The Company does not hold any fixed assets as at the balance sheet date.

1.4 Other receivables and other liabilities

Receivables are recorded at their nominal value.

1.5 Deferred acquisition costs

Acquisition costs comprise the direct expenses for the production of new business, which include underwriter salaries and transaction legal fees. Management uses its judgment in determining what types of costs, as well as what percentage of these costs should be deferred.

The Company conducts an annual study to determine how much of the direct costs qualify for deferral. Costs incurred for soliciting potential customers, market research, training, administration, unsuccessful acquisition efforts, and product development as well as all overhead related costs are expensed as incurred and not deferred. Deferred acquisition costs are expensed on a straight-line basis over the shorter of the contractual maturity date on the associated direct policy or a maximum of five years. When an insured obligation is retired early, the remaining related deferred acquisition cost is expensed.

1.6 Claims and claim expenses incurred

Claims incurred comprise claims and related claims expenses paid in the year and the change in the provision for claims. A provision for claims outstanding is recorded when there is significant deterioration in an insured obligation and the obligation is in default at the balance sheet date. Claims outstanding are calculated gross of any reinsurance recoveries which are calculated separately (see reinsurance below).

A substantial measure of experience and judgment is involved in assessing the provision for claims, the ultimate cost of which may not be known with certainty for quite some time. Provisions for claims and related reinsurance recoveries are determined on the basis of information available at the balance sheet date; however, it is inherent in the nature of business written that the ultimate liabilities may vary as a result of subsequent developments.

1.7 Unexpired risks provision and equalisation reserve

A provision is established for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses, after taking into account future investment return. The expected claims are calculated based on information available at the balance sheet date. The unexpired risks provision is included in other technical provisions gross of reinsurance, whilst the reinsurer's share is included in within reinsurer's share of other technical provisions. Within the income statement, the movement in the unexpired risks provision is shown net of reinsurance.

An equalisation reserve is required to be recognised for credit insurance under French GAAP. As at 31 December 2020, the equalisation provision required to be held by the Company is €nil.

1.8 Written premiums

Premiums written relate to business incepted during the year, together with any differences between premiums recognised for prior years and those previously accrued and include estimates of premiums not yet due.

(i) Where the premium on a policy is received up front, the premium is recognised as written on the date of inception.

(ii) Where a premium is received in instalments and the underlying bonds are callable, management considers the nature of the call provision(s) and the likelihood of exercise of those provisions, and determines whether it is reasonably certain that the contract will run its full term. The full expected premium is recorded when it is received or when it is reasonably certain that it will be received. When the contract is not expected to run its full term, the premium that is recognised as written is either the premium amount to the first call point under the contract or guaranteed minimum premium (where such a clause exists in the policy documents) or where the contract is callable without any notice period, the Company records the instalments as they fall due. Written premiums are recognised as earned income over the period of the policy having regard to the incidence of risk.

    When instalment premiums to be received under the policy are linked to an outstanding debt that could be paid down faster than anticipated, or where a premium is linked to an index, the Company recognises premiums written based upon an analysis of the premium it is reasonably certain to receive. Any anticipated change in the expected premium receivable is recognised as an adjustment to premium; in the case of decreases in premium, as soon as it is foreseen and in the case of increases, when such an adjustment is assessed as reasonably certain.

1.9 Earned premiums

Written premiums are recognised as earned premiums over the policy duration on a time apportionment basis which reflects the incidence of risk. Unearned premiums represent the proportion of premiums written in the current or prior years that relate to unexpired terms of policies in force at the balance sheet date.

1.10 Reinsurance

Contracts entered into by the Company with reinsurers, under which the Company is compensated for losses on insurance policies issued by the Company and that meet the classification requirements for insurance contracts, are classified as reinsurance contracts.

Reinsurance premiums are recognised based on the premium reasonably expected to be paid across the life of the reinsurance contract. Reinsurance premiums are recognised as earned with regard to the incidence of risk for the direct business to which they relate.

The amounts recoverable from reinsurers (shown in reinsurer's share of provision for claims payable, reinsurer's share of other technical provisions and receivables from reinsurance transactions) are estimated based upon the gross claims outstanding, having due regard to collectability. Collectability is assessed on the basis of market data and other relevant information on the financial strength of each reinsurer and any collateral provided to the Company. The reinsurers' share of claims incurred in the income statement account reflects the change in amounts received or receivable from reinsurers in respect of those claims incurred during the period. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised in the income statement as Cessions and retrocessions written premiums.

1.11 Operating leases

Leases of assets where a significant portion of the risk and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. Any operating lease incentives, including rent free periods, are spread over the period of the lease.

1.12 Foreign currency translation

At the balance sheet date, the balance sheet and income statement items denominated in foreign currencies are converted to euros using the year-end rate. In accordance with Articles 241-5 and 241-6 of ANC Regulation 2015-11, foreign exchange differences are recorded:

- On the balance sheet in the case of translation differences on structural positions; and
- In foreign exchange gains and losses in the case of foreign exchange differences on operational foreign exchange positions.

1.13 General expenses

Expenses are first entered into the accounts according to their nature and are then allocated to the technical account on the following basis:

- Directly allocation - expenses that can be directly attributed without the application of an allocation key
- Allocation key approach - expenses that are not directly attributable are allocated based on objective, appropriate and verifiable quantitative criteria.

Expenses are allocated to the following cost destinations:

- Loss adjustment expenses - professional legal fees associated claims;
- Contract acquisition costs - costs associated with successful underwriting activity;
- Contract administration fees - insurance portfolio management and monitoring costs; and
- Other technical expenses - costs that cannot be directly assigned or allocated are classified as other technical expenses

Loss adjustment expenses which are incurred on a per risk or policy basis are recorded under the direct allocation approach. Contract acquisition costs are recognised under the allocation key approach, as discussed under the deferred acquisition costs. Contract administration fees are recognised under the direct allocation approach. Currently, there are no expenses that cannot be allocated to the destinations and no costs are recognised as other technical expenses.

1.14 Income tax

Corporation tax expense is recognised on any profits subject to corporation tax. Tax credits are not recognised in the year when pre-tax losses are made but are used in future years to offset against profits generated from similar activities and recognised in the financial statements at that point in time.

INFORMATION RELATING TO BALANCE SHEET

1.15 Portfolio Transfer

To ensure that the Assured Guaranty Group could continue to administer its EEA policies after the end of the transition period for the UK's departure from the EU, AGUK transferred certain of its existing EEA polices to the Company under the Portfolio Transfer.

The Portfolio Transfer was approved by the UK High Court with an effective date of 1 October 2020. Under the terms of the transfer agreement, from that date AGUK transferred to the Company:

(i) the rights, benefits, obligations and liabilities under approximately 79 financial guarantee policies;
(ii) the rights, benefits, obligations and liabilities under all outwards reinsurance contracts attaching to the transferred policies;
(iii) the records, rights and obligations under ancillary contracts entered into in connection with the transferred policies; and
(iv) cash consideration.

In contemplation of the Portfolio Transfer, and to provide AGE SA with sufficient capital to support the transferring business, the share capital of the Company was increased by €83 million on 28 September 2020 to €110.9 million, contributed by AGM, the majority shareholder of the Company.

The Portfolio Transfer was affected as a sale of the transferring policies and related reinsurance protections at fair value. The assets and liabilities transferred from AGUK on 1 October 2020 are shown in the table below.

€'000	**1.10.2020**
Assets transferred:	
Reinsurance assets	139,136
Debtors, including insurance receivables	57,792
Cash at bank	27,422
Total assets transferred	**224,350**
Liabilities transferred:	
Insurance liabilities	(174,664)
Creditors, including reinsurance payables	(26,047)
Accruals and deferred income	(23,639)
Total liabilities transferred	**(224,350)**
Net assets transferred	**-**

Total gross premiums of €174.7 million (€35.5 million net) due to the Company in respect of the transferred business have been recorded in the income statement.

1.16 Investments

€'000	31.12.2019	Entries	Exits	31.12.2020
Gross amount				
Land and buildings	-	-	-	-
Investment in related companies and companies linked by and equity relationship	-	-	-	-
Fixed-income bonds and mutual funds	-	106,042	-	106,042
Cash mutual funds	-	4,695	-	4,695
Cash receivables deposited with ceding companies	-	-	-	-
Other investments	-	-	-	-
Total gross investments	**-**	**110,737**		**110,737**

	Depreciation and amortization 01.01.2020	Depreciation, amortisation and impairment	Reversal of depreciation, amortisation and impairment	Depreciation and impairment 31.12.2020
Land and buildings	-	-	-	-
Investment in related companies and companies linked by and equity relationship	-	-	-	-
Fixed-income bonds and mutual funds	-	(163)	-	(163)
Cash mutual funds	-	-	-	-
Cash receivables deposited with ceding companies	-	-	-	-
Other investments	-	-	-	-
Total	**-**	**(163)**	**-**	**(163)**
Net amount	-	**110,574**	-	**110,574**

€'000	Gross value	Realisable value
Summary of investments		
Bonds and fixed income securities	105,879	106,910
Other loans and similar instruments	-	-
Deposits with ceding companies	-	
Deposits (other than those above), cash, guarantees and other investments	4,695	4,695
Total	**110,574**	**110,605**
Of which forward instruments	-	-
Of which listed investments	110,574	110,605
Of which unlisted investments	-	-
Investments	**110,574**	**110,605**

Investments details

€'000	Gross value	Net book value	Realisable value
a) of which			
Investments measured in accordance with Article R.343-9	**110,574**	**110,574**	**110,605**
Investments measured in accordance with Article R.343-10	-	-	**-**
Investments measured in accordance with Article R.343-13	-	-	**-**
Investments measured in accordance with Article R.343-11	-	-	**-**
b) of which			
Securities representing technical reserves other than those listed below	**119,174**	**110,574**	**120,205**
Securities pledged to cover commitments to employee benefits institutions or covering managed investment funds	-	-	**-**
Securities deposited with ceding insurers (including ceding insurers whose commitments are guaranteed by the Company)	-	-	**-**
Securities allocated to special technical reserves for other business in France	-	-	**-**
Other allocated or unallocated investments	-	-	**-**
c) of which			
Investments and forward financial instruments in OECD (The Organisation for Economic Co-operation and Development) member countries	**118,691**	**118,854**	**119,722**
Investments and forward financial instruments in countries that are not members of the OECD	**483**	**485**	**483**

The value of future years amortisation on fixed income bonds and mutual funds is €1.0 million as at 31 December 2020 (€nil as at 31 December 2019).

1.17 Statement of due date of receivables

€'000		**31.12.2020**		
	Total	**<1 year**	**1 to 5 years**	**>5 years**
Receivables from direct insurance operations	**89,389**	14,289	27,648	47,452
Receivables from reinsurance transactions	**22,602**	3,220	6,399	12,983
Other receivables:	**3,550**	**3,498**	**51**	-
Staff	**-**	-	-	-
State social security and public authorities	**-**	-	-	-
Deferred tax asset	**-**	-	-	-
Miscellaneous debtors	**3,550**	3,498	51	-
Unpaid called-up capital	**-**	-	-	-
Total	**115,540**	**21,007**	**34,098**	**60,435**

€'000	31.12.2019			
	Total	**<1 year**	**1 to 5 years**	**>5 years**
Receivables from direct insurance operations	**-**	-	-	-
Receivables from reinsurance transactions	**-**	-	-	-
Other receivables:	**13**	13	-	-
Staff	**-**	-	-	
State social security and public authorities	**-**	-	-	-
Deferred tax asset	**-**	-	-	-
Miscellaneous debtors	**13**	13	-	-
Unpaid called-up capital	**-**	-	-	-
Total	**13**	**13**	**-**	**-**

1.18 Fixed assets

The Company does not own any tangible fixed assets at 31 December 2020 (31 December 2019: € nil).

1.19 Accrued income and prepaid expenses

€'000	01.01.2020	Inputs	Outputs	31.12.2020
Accrued interest and rentals	-	650	**-**	**650**
Deferred acquisition cost	-	820	(103)	**717**
Other accrued income and prepayments:	**16**	**219**	**(16)**	**219**
Deferred tax asset	-	-	-	**-**
Prepaid expenses	16	219	(16)	219
Difference on redemption prices to be received	-	-	**-**	**-**
Accrued income	-	-	**-**	**-**
Other	-	-	**-**	**-**
Total	**16**	**1,689**	**(119)**	**1,586**

1.20 Shareholders' equity

€'000	31.12.2019	Appropriation of income	Increase	Decrease	31.12.2020
Share capital	3,900	-	107,000	-	**110,900**
Share Premium	-	-	-	-	**-**
Total	**3,900**	**-**	**107,000**	-	**110,900**
Other reserves		-	-	-	**-**
Carry forward	(35)	-	-	-	**(35)**
Loss for the year	0	-	-	(3,026)	**(3,026)**
Total	**(35)**	**-**	**-**	**(3,026)**	**(3,061)**
Total	**3,865**	**-**	**107,000**	**(3,026)**	**107,839**

Composition of the shareholder base

Companies	Securities '000	Values €'000	Voting rights %
Assured Guaranty Municipal Corp	110,889	110,889	99.99%
Assured Guaranty Municipal Holdings, Inc.	11	11	0.01%
Total	**110,900**	**110,900**	**100%**

During the year the Company made the following additional share issues:

- On 3 February 2020 an additional €24,000,000 of shares with a par value of €1
- On 28 September 2020 an additional €83,000,000 of shares with a par value of €1.

1.21 Provision for contingent liabilities

As at 31 December 2020 the Company does not have any contingent liabilities (31 December 2019: € nil).

1.22 Statement of debt maturities

€'000	31.12.2020			
	Total	<1 year	1 to 5 years	>5 years
Payables arising from direct insurance operations	-	-	-	-
Payables arising from reinsurance transactions	81,887	12,983	24,696	44,208
Bonds, including convertible bonds	-	-	-	-
Amounts owed to credit institutions	-	-	-	-
Other liabilities:				
Negotiable debt securities issued by the Company	-	-	-	-
Other loans, deposits and guarantees received	-	-	-	-
Staff	213	213	-	-
State, Social Security and public authorities	110	110	-	-
Sundry creditors	3,863	3,863	-	-
Total	**86,073**	**17,169**	**24,696**	**44,208**

€'000	**31.12.2019**			
	Total	**<1 year**	**1 to 5 years**	**>5 years**
Payables arising from direct insurance operations	-	-	-	-
Payables arising from reinsurance transactions	-	-	-	-
Bonds, including convertible bonds	-	-	-	-
Amounts owed to credit institutions	-	-	-	-
Other liabilities:				
Negotiable debt securities issued by the Company	-	-	-	-
Other loans, deposits and guarantees received	-	-	-	-
Staff	-	-	-	-
State, Social Security and public authorities	-	-	-	-
Sundry creditors	38	38	-	-
Deferred revenue	-	-	-	-
Total	**38**	**38**	**-**	**-**

Other amounts owed to group undertakings are unsecured, interest free and payable on demand.

1.23 Accruals and deferred income

€'000	**01.01.2019**	**Additions**	**Releases**	**31.12.2020**
Amortisation of redemption price differences	-	-	-	-
Reinsurance commission deferred	-	51,613	(4,469)	47,144
Totals	**-**	**51,613**	**(4,469)**	**47,144**

1.24 Analysis of non-life technical reserves

		31.12.2020		**31.12.2019**
€'000	**Gross**	**Share of assignees and retrocessionaires**	**Net**	**Net**
Provision for unearned written premiums	**222,369**	**227,125**	**(4,756)**	-
Provision for unexpired risks	-	-	-	-
Provisions for claims	-	-	-	-
Other technical provisions	-	-	-	-
Equalisation provisions	-	-	-	-
Total	**222,369**	**227,125**	**(4,756)**	**-**

1.25 Subordinated liabilities

The Company has no subordinated debt as at 31 December 2020.

1.26 Foreign currency assets and liabilities

	31.12.2020			
€'000	**Assets in foreign currencies**	**Of which exchange rate differences**	**Liabilities in foreign currencies**	**Of which exchange rate differences**
Euro	280,594	-	290,507	-
Pound Sterling	134,644	-	134,537	-
Japanese Yen	32,324	-	32,324	-
US dollar	15,863	-	6,057	-
Total	**463,425**	-	**463,425**	-

1.27 Off-balance sheet commitments

€'000	Affiliated companies	With shareholding link	Others
Schedule of commitments received and given			
1. Commitments received excluding reinsurance			
1a Endorsements, guarantees and leasing	-	-	-
2b Past service cost on IFC common status	-	-	-
2c End-of-career benefits fund	-	-	-
2. Commitments given:			
2a Endorsements, sureties and credit guarantees given	-	-	-
2b Shares and assets acquired with a commitment to resell	-	-	-
2c Other liabilities on securities, assets or income	-	-	-
2d Drawing rights given to a guarantee fund	-	-	-
2e Other commitments given	-	-	-
3. Reciprocal commitments:			
3a Securities received as collateral from assignees and retrocession in reinsurance	79,036	-	-
3b Securities received from companies that have given substitute transactions	-	-	-
3c Other mutual commitments	-	-	-
4. Other securities held on behalf of third parties	-	-	-
5. Outstanding forward financial instruments:	-	-	-
7a Breakdown of financial instruments outstanding by strategic category:	-	-	-
Investment or disinvestment strategies	-	-	-
Performance strategies	-	-	-
Other operations	-	-	-
7b Breakdown of outstanding forward financial instruments by market category:	-	-	-
Transactions on an over-the-counter market	-	-	-
Transactions on regulated or similar markets	-	-	-
7c Breakdown of outstanding forward financial instruments by type of market risk and instrument:	-	-	-
Interest rate risk	-	-	-
Currency risk	-	-	-
Equity risk	-	-	-
7d Breakdown of outstanding forward financial instruments by type of instrument:	-	-	-
Exchange contracts	-	-	-
Forward rate agreements	-	-	-
Forward contracts	-	-	-
Options	-	-	-
7e Breakdown of outstanding forward financial instruments by residual maturity of strategies:	-	-	-
From 0 to 1 year	-	-	-
From 1 to 5 years	-	-	-
More than 5 years	-	-	-

INFORMATION RELATING TO INCOME STATEMENT

1.28 Investment income and expenses

€'000	Financial income	Financial expenses	Total
Income from investments	192	-	192
Other financial expenses, commissions, fees	-	(386)	(386)
Financial income	**192**	**-**	**192**
Financial expense	**-**	**(386)**	**(386)**
Total investment income and expense	**192**	**(386)**	**(195)**

1.29 Breakdown of gross written premiums by geographical area

€'000	2020	2019
France	26,777	-
European Economic Area - excluding France	82,989	-
Non-European Economic Area countries	124,440	-
Total	**234,206**	-

The above table is based on the location of the risk. The Company did not commute or terminate any financial guaranty policies during 2020.

1.30 Staff expenses

The Company has two full time employees. All other staff supporting the Company's operations are employees of AGUKS and AGSRV. In consideration for their services, management service fees were levied on the Company by the service companies. The total of salaries and the component of management fees relating to staff compensation is shown.

€'000	2020	2019
Salaries	1,657	-
Pension fund contributions	104	-
Social security charges	367	-
Other	2,838	-
Total	**4,966**	-

1.31 Staff

Average number of employees

€'000	2020	2019
Executives	2	-
Staff	-	-
Total	**2**	-

1.32 Fees for certification of accounts and other services

€'000	2020	2019
Statutory auditor	14	-
Other services	37	-
Total	**51**	**-**

1.33 Analysis of non-technical expenses

Non-technical expenses €'000	2020	2019
Losses on disposal of assets	-	-
Bank processing fees	-	-
Impairment of current assets	-	-
Allocation to the IS capitalisation reserve	-	-
Provision for disputes	-	-
Recovery on tax audit and URSSAF	-	-
Other	212	
Total	**212**	**-**

OTHER INFORAMATION

1.34 COVID-19 pandemic

COVID-19 triggered a global public health crisis and has caused unprecedented disruption to people lives, the global economy and financial markets. The pandemic related slowdown has pushed most global economies into recession with levels of unemployment continuing to rise despite unprecedented levels of central government support. While the development and rollout of effective vaccination programmes offer a potential route out of the current crisis, significant uncertainty remains as to the speed of economic recovery, as well as longer-term impacts to society, specific business sectors and the global economy generally.

As the pandemic took hold in France in March 2020, the Board moved quickly to invoke the Company's business continuity plans to ensure the safety and well-being of its staff. The Company has now operated on a remote working basis for over a year, with no significant impact on day-to-day operations. Appropriate changes have been made to key processes and internal controls to ensure their continued effective operation during the period of remote working. Additional employee training has also been provided. The Company will continue to take measures to appropriately support and minimize risks to its employees, including the use of travel restrictions, appropriate provisions for those staff providing childcare and the continuation of remote working.

During the year the Board regularly reviewed the impact of COVID-19 on the insured portfolio, solvency, liquidity, investment portfolio and operations and the Company continues to actively monitor the potential impacts across all areas of its business. This includes utilising stress and scenario testing to assess potential impacts on its insured portfolio, and more broadly, solvency and liquidity positions. These scenarios take into consideration the impact to the insured portfolio of potential claims, the potential downgrade of insured risks, as well as the impact on the Company's investments. They include reverse stress scenarios and severe downside stress scenarios in which lockdowns and travel restrictions continue for a further 12 months or more and are followed by a prolonged period of reduced economic activity and recession. The Company does not expect to incur significant losses under such scenarios and its regulatory solvency and liquidity remain significantly in excess of the Company's minimum target requirements.

1.35 Related party information

In 2020, the Company did not enter into any agreements governed by Article L.225-37-4, paragraph 2, of the French Commercial Code, i.e., agreements entered into other than in the normal course of business on arm's length terms, directly or through an intermediary, between (i) a director, the Chief Executive Officer or a shareholder that holds more than 10% of the voting rights at General Meetings of the Company's shareholders and (ii) a company controlled by the Company.

Commitments received from parent

The Company benefits from a net worth maintenance agreement provided by its parent. Under the terms of the AGM Net Worth Maintenance Agreement, AGM is obligated to ensure the Company maintains capital resources equal to 110% of the amounts as may be required by the ACPR as a condition of the Company maintaining its authorization to carry on financial guarantee business in the UK provided that AGM's contributions (a) do not exceed 35% of AGM's policyholders' surplus on an accumulated basis as determined by the laws of the State of New York, and (b) are in compliance with Section 1505 of the New York Insurance Law.

The Company also benefits from collateral pledged by the parent Company in respect of its reinsurance agreements with the Company. The AGM Reinsurance Agreement requires AGM to pledge collateral to support its reinsurance obligations to the Company. AGM's collateral requirement at the end of each calendar quarter is calculated as the sum of AGM's share of: (a) AGE's unearned premium reserve (net of AGE's reinsurance premium payable to AGM); (b) AGE's provisions for unpaid losses and allocated loss adjustment expenses (net of any salvage recoverable), and (c) any unexpired risk provisions, in each case as calculated in accordance with French GAAP.

1.36 Management information

The management of the Company consists solely of the Company's directors and its Key Function Holders.

1.37 Compensation paid and credit advances granted to members of the Board of Directors

The directors of the Company are either employees of the Company or employees of Assured Guaranty UK Services ("AGUKS"), Assured Guaranty US Group Services Inc ("AGSRV") and AGL. In consideration for their services, management fees were levied on the Company by AGUKS, AGSRV and AGL.

The aggregate remuneration (including benefits in kind) paid to members of the Company's Board of Directors by the Company, AGUKS, AGSRV and AGL in respect of their services as directors of the Company during 2020 was €1.4 million. The Company also paid €0.05 million to a money purchase pension scheme in respect of directors' qualifying service.

No credit advances were granted during 2020 or 2019 to members of the Board of Directors.

1.38 Post balance sheet events

There were no balance sheet events impacting the financial statements.

INCOME STATEMENT APPENDIX

For the year ended 31 December 2020

Non-life technical result by category

€'000	Credit and suretyship insurance
Premiums	11,368
Cost of services	-
Subscription balance	**11,368**
Acquisition costs	717
Other net management expenses	(7,544)
Net acquisitions and management expenses	**(6,827)**
Investment income	-
Profit sharing and technical interests	-
Financial balance	**-**
Substitute premiums	-
Substitute guarantors' share of service expenses	-
Substitute guarantors' share in profit sharing	-
Commissions received from substitute guarantors	-
Surrogate balance	**-**
Ceded premiums	(11,629)
Reinsurers' share of benefit expenses	-
Reinsurers' share of profit sharing	-
Commissions received from reinsurers	4,469
Reinsurance balance	**(7,160)**
Technical balance	**(2,619)**
Off accounts	
Amount of redemptions	-
Gross technical interest for the year	-
Gross technical provisions at the end of the year	-
Opening gross technical provisions	**-**