

ASSURED
GUARANTY®



Financial Supplement

Assured Guaranty Municipal Corp.

March 31, 2022

ASSURED GUARANTY[®]

MUNICIPAL

Assured Guaranty Municipal Corp. March 31, 2022 Financial Supplement

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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) with the Securities and Exchange Commission (SEC), including its Annual Report on Form 10-K for the year ended December 31, 2021 and its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2022. This financial supplement should also be read in conjunction with the Company's financial statements posted on agltd.com/investor-information. For the purposes of this financial supplement, all references to the "Company," or "Consolidated AGM," shall mean Assured Guaranty Municipal Corp. (AGM) and its consolidated entities (consisting primarily of Assured Guaranty UK Limited. (AGUK), Assured Guaranty (Europe) SA, AG Asset Strategies LLC (AGAS) certain variable interest entities, and prior to April 1, 2021, MAC Holdings Inc.). Until April 1, 2021 AGM owned 60.7% of the outstanding shares of Municipal Assurance Holdings Inc., and AGM's affiliate Assured Guaranty Corp. (AGC) owned the remaining 39.3%. On April 1, 2021, as part of a multi-step transaction, AGC sold its interest in MAC Holdings to AGM and MAC was merged with and into AGM, with AGM as the surviving company. AGM owns 65% of AGAS. Some amounts in this financial supplement may not add due to rounding.

Cautionary Statement Regarding Forward Looking Statements

Any forward looking statements made in this supplement reflect the current views of Assured Guaranty with respect to future events and financial performance and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements involve risks and uncertainties that may cause actual results to differ materially from those set forth in these statements. Assured Guaranty's forward looking statements could be affected by many events. These events include (1) the development, course and duration of the COVID-19 pandemic and the governmental and private actions taken in response, the effectiveness, acceptance and distribution of COVID-19 vaccines and therapeutics, and the global consequences of the pandemic and such actions, including their impact on the factors listed below; (2) consequences of the conflict in Ukraine, including economic sanctions, volatility in energy prices, and the potential for increased cyberattacks; (3) changes in the world's credit markets, segments thereof, interest rates, inflation, credit spreads or general economic conditions; (4) 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; (5) reduction in the amount of available insurance opportunities and/or in the demand for Assured Guaranty's insurance; (6) 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; (7) 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; (8) 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, including as a result of the failure to resolve Assured Guaranty's Puerto Rico exposures in a manner substantially consistent with the support agreements signed to date; (9) increased competition, including from new entrants into the financial guaranty industry; (10) poor performance of Assured Guaranty's asset management strategies compared to the performance of the asset management strategies of Assured Guaranty's competitors; (11) 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; (12) 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 financial guaranty contracts written in credit default swap form, and certain consolidated variable interest entities; (13) 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; (14) the inability of Assured Guaranty to access external sources of capital on acceptable terms; (15) changes in applicable accounting policies or practices; (16) changes in applicable laws or regulations, including insurance, bankruptcy and tax laws, or other governmental actions; (17) the possibility that acquisitions made by Assured Guaranty, including its acquisition of BlueMountain Capital Management, LLC (now known as Assured Investment Management LLC) and its associated entities (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 Municipal Corp.

Selected Financial Highlights (1 of 2)

(dollars in millions)

	Three Months Ended	
	March 31,	
	2022	2021
GAAP Highlights		
Net income (loss) attributable to AGM	\$ 17	\$ 44
Gross written premiums (GWP)	72	78
Effective tax rate on net income	12.8 %	16.7 %
GAAP return on equity (ROE) ⁽¹⁾	1.5 %	4.1 %
Non-GAAP Highlights ⁽²⁾		
Adjusted operating income ⁽²⁾	\$ 39	\$ 50
Present value of new business production (PVP) ⁽²⁾	68	75
Gross par written	4,505	5,284
Effective tax rate on adjusted operating income ⁽³⁾	13.6 %	18.4 %
Adjusted operating ROE ⁽¹⁾⁽²⁾	3.7 %	4.7 %
Effect of refundings and terminations on GAAP measures:		
Net earned premiums, pre-tax	\$ 19	\$ 11
Net income effect	16	9
Effect of refundings and terminations on non-GAAP measures:		
Operating net earned premiums and credit derivative revenues ⁽⁴⁾ , pre-tax	19	11
Adjusted operating income ⁽⁴⁾ effect	16	9

1) Quarterly ROE calculations represent annualized returns. See page 6 for additional information on calculation.

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

3) Represents the ratio of adjusted operating provision for income taxes to adjusted operating income before income taxes.

4) 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 Municipal Corp.

Selected Financial Highlights (2 of 2)

(dollars in millions)

	As of	
	March 31, 2022	December 31, 2021
Shareholder's equity attributable to AGM	\$ 4,154	\$ 4,428
Adjusted operating shareholder's equity ⁽¹⁾	4,211	4,309
Adjusted book value ⁽¹⁾	6,041	6,139
Gain (loss) related to the effect of consolidating FG VIEs (FG VIE consolidation) included in adjusted operating shareholder's equity	11	7
Gain (loss) related to FG VIE consolidation included in adjusted book value	2	—
Exposure		
Financial guaranty net debt service outstanding	\$ 244,500	\$ 245,877
Financial guaranty net par outstanding	155,644	156,219
Claims-paying resources⁽²⁾	6,602	6,729

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

2) See page 8 for additional detail on claims-paying resources.

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

	As of	
	March 31, 2022	December 31, 2021
Assets		
Investments:		
Fixed-maturity securities, available-for-sale, at fair value	\$ 4,498	\$ 4,398
Fixed-maturity securities, trading, at fair value	102	—
Short-term investments, at fair value	171	599
Surplus note of affiliate, held-to-maturity, at amortized cost	300	300
Equity method investments	695	695
Other invested assets, at fair value	5	5
Total investments	<u>5,771</u>	<u>5,997</u>
Cash	15	14
Loans receivable from affiliate	163	163
Premiums receivable	1,049	1,074
Ceded unearned premium reserve	639	643
Reinsurance recoverable on unpaid losses	70	98
Salvage and subrogation recoverable	421	528
Financial guaranty variable interest entities' (FG VIEs') assets, at fair value	222	229
Other assets	226	206
Total assets	<u>\$ 8,576</u>	<u>\$ 8,952</u>
Liabilities		
Unearned premium reserve	\$ 2,949	\$ 2,962
Loss and loss adjustment expense (LAE) reserve	313	384
Reinsurance balances payable, net	383	333
FG VIEs' liabilities, at fair value (with recourse of \$233 and \$243, without recourse of \$17 and \$17)	250	260
Other liabilities	308	369
Total liabilities	<u>4,203</u>	<u>4,308</u>
Shareholder's equity		
Preferred stock	—	—
Common stock	15	15
Additional paid-in capital	694	694
Retained earnings	3,554	3,633
Accumulated other comprehensive income (loss)	(109)	86
Total shareholder's equity attributable to Assured Guaranty Municipal Corp.	<u>4,154</u>	<u>4,428</u>
Noncontrolling interests	219	216
Total shareholder's equity	<u>4,373</u>	<u>4,644</u>
Total liabilities and shareholder's equity	<u>\$ 8,576</u>	<u>\$ 8,952</u>

Assured Guaranty Municipal Corp.
Condensed Consolidated Statements of Operations (unaudited)
(dollars in millions)

	Three Months Ended	
	March 31,	
	2022	2021
Revenues		
Net earned premiums	\$ 68	\$ 60
Net investment income	35	40
Net realized investment gains (losses)	(2)	(2)
Fair value gains (losses) on committed capital securities (CCS)	1	(9)
Fair value gains (losses) on FG VIEs	7	4
Foreign exchange gain (loss) on remeasurement	(25)	1
Other income (loss)	(7)	(1)
Total revenues	77	93
Expenses		
Loss and LAE	16	9
Employee compensation and benefit expenses	24	21
Write-off of insurance licenses of Municipal Assurance Corp.	—	16
Other expenses	13	13
Total expenses	53	59
Income (loss) before income taxes and equity in earnings (losses) of investees	24	34
Equity in earnings (losses) of investees	(1)	19
Income (loss) before income taxes	23	53
Less: Provision (benefit) for income taxes	3	9
Net income (loss)	20	44
Less: Noncontrolling interests	3	—
Net income (loss) attributable to Assured Guaranty Municipal Corp.	\$ 17	\$ 44

Assured Guaranty Municipal Corp.
Adjusted Operating Income Adjustments and Effect of FG VIE Consolidation
(dollars in millions)

Adjusted Operating Income Adjustments and Effect of FG VIE Consolidation for the Three Months Ended March 31, 2022 and March 31, 2021

	Three Months Ended March 31, 2022		Three Months Ended March 31, 2021	
	Adjusted Operating Income Adjustments ⁽¹⁾	Effect of FG VIE Consolidation ⁽²⁾	Adjusted Operating Income Adjustments ⁽¹⁾	Effect of FG VIE Consolidation ⁽²⁾
Adjustments to revenues:				
Net earned premiums	\$ —	\$ (1)	\$ —	\$ (1)
Net investment income	—	—	—	(1)
Net realized investment gains (losses)	(2)	—	(2)	—
Fair value gains (losses) on CCS	1	—	(9)	—
Fair value gains (losses) on FG VIEs	—	7	—	4
Foreign exchange gain (loss) on remeasurement	(24)	—	1	—
Other income (loss)	(1)	—	2	—
Total revenue adjustments	<u>(26)</u>	<u>6</u>	<u>(8)</u>	<u>2</u>
Adjustments to expenses:				
Loss expense	—	2	—	2
Total expense adjustments	<u>—</u>	<u>2</u>	<u>—</u>	<u>2</u>
Pre-tax adjustments	<u>(26)</u>	<u>4</u>	<u>(8)</u>	<u>—</u>
Less: Tax effect of adjustments	(4)	1	(2)	—
After-tax adjustments	<u>\$ (22)</u>	<u>\$ 3</u>	<u>\$ (6)</u>	<u>\$ —</u>

- 1) The "Adjusted Operating Income Adjustments" column represents the amounts recorded in the condensed consolidated statements of operations that the Company removes to arrive at adjusted operating income. Please refer to the explanation of Non-GAAP Financial Measures set forth at the end of this Financial Supplement.
- 2) The "Effect of FG VIE Consolidation" column represents the amounts included in the condensed consolidated statements of operations and 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.

Assured Guaranty Municipal Corp.
Selected Financial Highlights
GAAP to Non-GAAP Reconciliations (1 of 2)
(dollars in millions)

Adjusted Operating Income Reconciliation

	Three Months Ended			
	March 31,			
	2022		2021	
Net income (loss) attributable to AGM	\$	17	\$	44
Less pre-tax adjustments:				
Realized gains (losses) on investments		(2)		(2)
Non-credit impairment unrealized fair value gains (losses) on credit derivatives ⁽¹⁾		(1)		2
Fair value gains (losses) on CCS		1		(9)
Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves		(24)		1
Total pre-tax adjustments		(26)		(8)
Less tax effect on pre-tax adjustments		4		2
Adjusted operating income	\$	39	\$	50

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

ROE Reconciliation and Calculation

	As of			
	March 31,	December 31,	March 31,	December 31,
	2022	2021	2021	2020
Shareholder's equity attributable to AGM	\$ 4,154	\$ 4,428	\$ 4,329	\$ 4,419
Adjusted operating shareholder's equity	4,211	4,309	4,179	4,209
Gain (loss) related to FG VIE consolidation included in adjusted operating shareholder's equity	11	7	6	7

	Three Months Ended			
	March 31,			
	2022		2021	
Net income (loss) attributable to AGM	\$	17	\$	44
Adjusted operating income		39		50
Average shareholder's equity attributable to AGM	\$	4,291	\$	4,374
Average adjusted operating shareholder's equity		4,260		4,194
Gain (loss) related to FG VIE consolidation included in average adjusted operating shareholder's equity		9		7
GAAP ROE ⁽¹⁾		1.5 %		4.1 %
Adjusted operating ROE ⁽¹⁾		3.7 %		4.7 %

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 Municipal Corp.
Selected Financial Highlights
GAAP to Non-GAAP Reconciliations (2 of 2)
(dollars in millions)

	As of			
	March 31, 2022	December 31, 2021	March 31, 2021	December 31, 2020
Reconciliation of shareholder's equity attributable to AGM to adjusted book value				
Shareholder's equity attributable to AGM	\$ 4,154	\$ 4,428	\$ 4,329	\$ 4,419
Less pre-tax reconciling items:				
Non-credit impairment-related unrealized fair value gains (losses) on credit derivatives	(1)	1	—	(2)
Fair value gains (losses) on CCS	11	10	15	24
Unrealized gain (loss) on investment portfolio excluding foreign exchange effect	(76)	139	172	238
Less taxes	9	(31)	(37)	(50)
Adjusted operating shareholder's equity	4,211	4,309	4,179	4,209
Pre-tax reconciling items:				
Less: Deferred acquisition costs	(54)	(58)	(66)	(71)
Plus: Net present value of estimated net future credit derivative revenue	3	3	4	4
Plus: Net unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed	2,254	2,252	2,219	2,200
Plus taxes	(481)	(483)	(478)	(475)
Adjusted book value	\$ 6,041	\$ 6,139	\$ 5,990	\$ 6,009
Gain (loss) related to FG VIE consolidation included in:				
Adjusted operating shareholder's equity (net of tax benefit (provision) of \$(3), \$(2), \$(2), \$(2))	\$ 11	\$ 7	\$ 6	\$ 7
Adjusted book value (net of tax benefit (provision) of \$0, \$0, \$1, \$1)	\$ 2	\$ —	\$ (5)	\$ (2)

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

Assured Guaranty Municipal Corp.

Claims-Paying Resources

(dollars in millions)

	As of	
	March 31, 2022	December 31, 2021
Claims-paying resources		
Policyholders' surplus	\$ 2,909	\$ 3,053
Contingency reserve	893	877
Qualified statutory capital	3,802	3,930
Unearned premium reserve and net deferred ceding commission income ⁽¹⁾	2,116	2,127
Loss and LAE reserves ⁽¹⁾⁽⁵⁾	—	12
Total policyholders' surplus and reserves	5,918	6,069
Present value of installment premium ⁽¹⁾	484	460
CCS	200	200
Total claims-paying resources	\$ 6,602	\$ 6,729
Statutory net par outstanding ⁽²⁾	\$ 152,475	\$ 152,812
Net debt service outstanding ⁽²⁾	\$ 240,925	\$ 241,985
Ratios:		
Statutory net par outstanding to qualified statutory capital	40 :1	39 :1
Capital ratio ⁽³⁾	63 :1	62 :1
Financial resources ratio ⁽⁴⁾	36 :1	36 :1
Statutory net par outstanding to claims-paying resources	23 :1	23 :1

- 1) The numbers shown for AGM have been adjusted to include 100% share of its United Kingdom (U.K.) and French insurance subsidiaries.
- 2) Net par outstanding and net debt service outstanding are presented on a statutory basis.
- 3) The capital ratio is calculated by dividing net debt service outstanding by qualified statutory capital.
- 4) The financial resources ratio is calculated by dividing net debt service outstanding by total claims-paying resources.
- 5) Loss and LAE reserves exclude adjustments to claims-paying resources for AGM because they were in a net recoverable position of \$37 million as of March 31, 2022.

Assured Guaranty Municipal Corp.

New Business Production

(dollars in millions)

Reconciliation of GWP to PVP for the Three Months Ended March 31, 2022 and March 31, 2021

	Three Months Ended March 31, 2022					Three Months Ended March 31, 2021				
	Public Finance		Structured Finance			Public Finance		Structured Finance		
	U.S.	Non - U.S.	U.S.	Non - U.S.	Total	U.S.	Non - U.S.	U.S.	Non - U.S.	Total
Total GWP	\$ 49	\$ 23	\$ —	\$ —	\$ 72	\$ 74	\$ 4	\$ —	\$ —	\$ 78
Less: Installment GWP and other GAAP adjustments ⁽¹⁾	—	23	—	—	23	28	2	—	—	30
Upfront GWP	49	—	—	—	49	46	2	—	—	48
Plus: Installment premiums and other ⁽²⁾	—	19	—	—	19	26	1	—	—	27
Total PVP	<u>\$ 49</u>	<u>\$ 19</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 68</u>	<u>\$ 72</u>	<u>\$ 3</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 75</u>
Gross par written	\$ 3,931	\$ 574	\$ —	\$ —	\$ 4,505	\$ 5,284	\$ —	\$ —	\$ —	\$ 5,284

- (1) This includes the present value of new business on installment policies discounted at the prescribed GAAP discount rates, GWP adjustments on existing installment policies due to changes in assumptions, any cancellations of assumed reinsurance contracts, and other GAAP adjustments.
- (2) This includes the present value of future premiums and fees on new business paid in installments discounted at the approximate average pre-tax book yield of fixed-maturity securities purchased during the prior calendar year, other than certain fixed-maturities such as loss mitigation securities.

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

Assured Guaranty Municipal Corp.

Gross Par Written

(dollars in millions)

Gross Par Written by Asset Type

	Three Months Ended March 31,			
	2022		2021	
	Gross Par Written	Average Internal Rating	Gross Par Written	Average Internal Rating
Sector:				
U.S. public finance:				
General obligation	\$ 1,445	A-	\$ 1,757	A
Transportation	1,407	A-	340	BBB
Tax backed	374	A-	1,259	A
Healthcare	356	BBB	432	A-
Municipal utilities	292	A	610	BBB
Higher education	52	BBB+	233	A
Infrastructure finance	5	BBB	609	BBB
Housing revenue	—	—	44	BBB-
Total U.S. public finance	<u>3,931</u>	A-	<u>5,284</u>	A-
Non-U.S. public finance:				
Infrastructure finance	351	BBB	—	—
Regulated utilities	223	BBB	—	—
Total non-U.S. public finance	<u>574</u>	BBB	<u>—</u>	—
Total public finance	<u>\$ 4,505</u>	A-	<u>\$ 5,284</u>	A-
U.S. structured finance:				
Total U.S. structured finance	<u>—</u>	—	<u>—</u>	—
Non-U.S. structured finance:				
Total non-U.S. structured finance	<u>—</u>	—	<u>—</u>	—
Total structured finance	<u>—</u>	—	<u>—</u>	—
Total gross par written	<u>\$ 4,505</u>	A-	<u>\$ 5,284</u>	A-

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

Assured Guaranty Municipal Corp.

Investments and Cash (1 of 2)

As of March 31, 2022

(dollars in millions)

	Carrying Value as of March 31, 2022		
	AGM Consolidated (Excluding AGAS)	AGAS	AGM Consolidated
Fixed-maturity securities, available for sale:			
Obligations of state and political subdivisions ⁽¹⁾⁽²⁾	\$ 2,175	\$ —	\$ 2,175
U.S. government securities	70	—	70
Corporate securities	1,378	—	1,378
Mortgage-backed securities:			
Residential mortgage-backed securities (RMBS) ⁽²⁾	211	—	211
Commercial mortgage-backed securities (CMBS)	152	—	152
Asset-backed securities (ABS) ⁽²⁾			
Collateralized loan obligations	347	—	347
Other ABS ⁽²⁾	49	—	49
Non-U.S. government securities	116	—	116
Total fixed-maturity securities, available for sale	4,498	—	4,498
Fixed-maturity securities, trading ⁽³⁾	102	—	102
Short-term investments	102	69	171
Surplus note of affiliate	300	—	300
Equity method investments	136	559	695
Other invested assets	5	—	5
Cash	15	—	15
Total	\$ 5,158	\$ 628	\$ 5,786

	Carrying Value as of December 31, 2021		
	AGM Consolidated (Excluding AGAS)	AGAS	Consolidated AGM
Fixed-maturity securities, available for sale:			
Obligations of state and political subdivisions ⁽²⁾⁽⁴⁾	\$ 1,883	\$ —	\$ 1,883
U.S. government securities	73	—	73
Corporate securities	1,496	—	1,496
Mortgage-backed securities:			
Residential mortgage-backed securities (RMBS) ⁽²⁾	229	—	229
Commercial mortgage-backed securities (CMBS)	166	—	166
Asset-backed securities (ABS) ⁽²⁾			
Collateralized loan obligations	366	—	366
Other ABS ⁽²⁾	50	—	50
Non-U.S. government securities	135	—	135
Total fixed-maturity securities, available for sale	4,398	—	4,398
Short-term investments	523	76	599
Surplus note of affiliate	300	—	300
Equity method investments	152	543	695
Other invested assets	5	—	5
Cash	14	—	14
Total	\$ 5,392	\$ 619	\$ 6,011

- 1) Reflects obligations of state and local political subdivisions that have been insured by other financial guarantors. The underlying ratings of these bonds average AA, 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).
- 2) Includes securities purchased or obtained as part of loss mitigation or other risk management strategies.
- 3) Represent contingent value instruments received in connection with the consummation of the March Puerto Rico Resolution (see pg.21). These securities are not rated.
- 4) Reflects obligations of state and local political subdivisions that have been insured by other financial guarantors. The underlying ratings of these bonds average A, after giving effect to the lower of the rating assigned by S&P or Moody's.

Assured Guaranty Municipal Corp.

Investments and Cash (2 of 2)

As of March 31, 2022

(dollars in millions)

Fixed-Maturity, Short-Term Investments and Cash	Amortized Cost	Allowance for Credit Losses	Pre-Tax Book Yield	After-Tax Book Yield	Fair Value	Annualized Investment Income ⁽¹⁾
Fixed-maturity securities, available-for-sale:						
Obligations of state and political subdivisions ⁽²⁾⁽³⁾	\$ 2,164	\$ —	3.34 %	3.11 %	\$ 2,175	\$ 72
U.S. government securities	72	—	1.58	1.28	70	1
Corporate securities	1,434	(3)	2.09	1.81	1,378	30
Mortgage-backed securities:						
RMBS ⁽³⁾	251	(17)	5.51	4.36	211	14
CMBS	152	—	3.42	2.70	152	5
Asset-backed securities						
Collateralized loan obligations	350	—	2.34	1.85	347	8
Other ABS ⁽³⁾	49	—	2.87	2.67	49	1
Non-U.S. government securities	122	—	0.99	0.98	116	1
Total fixed-maturity securities, available-for-sale	<u>4,594</u>	<u>(20)</u>	<u>2.90</u>	<u>2.57</u>	<u>4,498</u>	<u>132</u>
Short-term investments	171	—	0.10	0.09	171	—
Cash ⁽⁴⁾	15	—	—	—	15	—
Total	<u>\$ 4,780</u>	<u>\$ (20)</u>	<u>2.80 %</u>	<u>2.48 %</u>	<u>\$ 4,684</u>	<u>\$ 132</u>

Fixed-maturity securities, trading ⁽⁶⁾

\$ 102

Ratings ⁽⁵⁾:

	Fair Value	% of Portfolio
U.S. government securities	\$ 70	1.6 %
AAA/Aaa	732	16.3
AA/Aa	1,463	32.5
A/A	1,103	24.5
BBB	508	11.3
BIG	201	4.4
Not rated ⁽⁷⁾	421	9.4
Total fixed-maturity securities, available-for-sale	<u>\$ 4,498</u>	<u>100.0 %</u>

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

3.9

Average ratings of available-for-sale fixed-maturity securities and short-term investments

A

- 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 average AA, after giving effect to the lower of the rating assigned by S&P or Moody's.
- 3) Includes securities purchased or obtained as part of loss mitigation or other risk management strategies.
- 4) Cash is not included in the yield calculation.
- 5) Ratings are represented by the lower of the Moody's or S&P classifications except for purchased securities that it has insured, and for which it had expected losses to be paid (loss mitigation securities) and certain other securities, which use internal ratings classifications. Loss mitigation and other securities for which internal ratings are used total \$288 million in par with carrying value of \$196 million and are included in the BIG category.
- 6) Represent contingent value instruments received in connection with the consummation of the March Puerto Rico Resolution (see pg.21). These securities are not rated.
- 7) Includes \$405 million of new recovery bonds received in connection with the consummation of the March Puerto Rico Resolution (see pg.21).

Assured Guaranty Municipal Corp.

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

(dollars in millions)

	Financial Guaranty Insurance ⁽²⁾					Future Credit Derivative Revenues ⁽³⁾
	Estimated Net Debt Service Amortization	Estimated Ending Net Debt Service Outstanding	Expected PV Net Earned Premiums (i.e. Net Deferred Premium Revenue)	Accretion of Discount	Effect of FG VIE Consolidation on Expected PV Net Earned Premiums and Accretion of Discount	
2022 (as of March 31)		\$ 244,500				
2022 Q2	\$ 2,859	241,641	\$ 46	\$ 3	\$ 1	\$ —
2022 Q3	4,450	237,191	46	3	1	—
2022 Q4	3,520	233,671	45	3	1	—
2023	12,476	221,195	169	12	3	—
2024	12,746	208,449	159	11	3	1
2025	12,599	195,850	146	10	2	—
2026	12,650	183,200	136	10	2	1
2022-2026	61,300	183,200	747	52	13	2
2027-2031	54,535	128,665	561	38	11	1
2032-2036	44,676	83,989	396	26	10	—
2037-2041	31,800	52,189	252	18	2	—
After 2041	52,189	—	368	33	—	—
Total	\$ 244,500		\$ 2,324	\$ 167	\$ 36	\$ 3

1) Represents the future expected amortization of current debt service outstanding (principal and interest), assuming no advance refundings, as of March 31, 2022. Actual amortization differs from expected maturities because borrowers may have the right to call or prepay guaranteed obligations, terminations and because of management's assumptions on structured finance amortization.

2) See page 16, "Net Expected Loss to be Expensed."

3) Represents expected future premiums on insured credit derivatives.

Assured Guaranty Municipal Corp.
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, 2022

	Net Expected Loss to be Paid (Recovered) as of December 31, 2021	Economic Loss Development (Benefit) During 1Q-22	Net (Paid) Recovered Losses During 1Q-22	Net Expected Loss to be Paid (Recovered) as of March 31, 2022
Public Finance:				
U.S. public finance	\$ (47)	\$ 1	\$ (21)	\$ (67)
Non-U.S. public finance	9	(2)	—	7
Public Finance	<u>(38)</u>	<u>(1)</u>	<u>(21)</u>	<u>(60)</u>
Structured Finance:				
U.S. RMBS	81	2	28	111
Other structured finance	5	—	—	5
Structured Finance	<u>86</u>	<u>2</u>	<u>28</u>	<u>116</u>
Total	<u>\$ 48</u>	<u>\$ 1</u>	<u>\$ 7</u>	<u>\$ 56</u>

1) Includes net 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).

Assured Guaranty Municipal Corp.

Loss Measures
As of March 31, 2022
(dollars in millions)

	Total Net Par Outstanding for BIG Transactions	Three Months Ended March 31, 2022		
		GAAP Loss and LAE ⁽¹⁾	Loss and LAE Included in Adjusted Operating Income ⁽²⁾	Effect of FG VIE Consolidation ⁽³⁾
Public finance:				
U.S. public finance	\$ 1,973	\$ 9	\$ 9	\$ —
Non-U.S public finance	443	—	—	—
Public finance	<u>2,416</u>	<u>9</u>	<u>9</u>	<u>—</u>
Structured finance:				
U.S. RMBS	806	7	7	2
Other structured finance	18	—	—	—
Structured finance	<u>824</u>	<u>7</u>	<u>7</u>	<u>2</u>
Total	<u>\$ 3,240</u>	<u>\$ 16</u>	<u>\$ 16</u>	<u>\$ 2</u>

- 1) Includes loss expense related to contracts that are accounted for as insurance contracts.
- 2) Includes loss expense related to contracts that are accounted for as insurance contracts and credit derivatives.
- 3) 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 Municipal Corp.

Net Expected Loss to be Expensed⁽¹⁾

As of March 31, 2022

(dollars in millions)

	<u>GAAP</u>
2022 Q2	\$ 2
2022 Q3	2
2022 Q4	2
2023	7
2024	7
2025	6
2026	7
2022-2026	<u>33</u>
2027-2031	21
2032-2036	11
2037-2041	2
After 2041	<u>2</u>
Total expected present value of net expected loss to be expensed⁽²⁾	69
Future accretion	37
Total expected future loss and LAE	<u>\$ 106</u>

1) The present value of net expected loss to be paid is discounted using risk-free rates ranging from 0.00% to 2.61% for U.S. dollar denominated obligations.

2) Excludes \$24 million related to FG VIEs, which are eliminated in consolidation.

Assured Guaranty Municipal Corp.

Financial Guaranty Profile (1 of 3)

(dollars in millions)

Net Par Outstanding and Average Internal Rating by Asset Type

	As of March 31, 2022		As of December 31, 2021	
	Net Par Outstanding	Average Internal Rating	Net Par Outstanding	Average Internal Rating
U.S. public finance:				
General obligation	\$ 49,500	A-	\$ 49,738	A-
Tax backed	23,254	A-	23,561	A-
Municipal utilities	18,100	A-	18,276	A-
Transportation	11,666	BBB+	10,740	BBB+
Healthcare	7,717	BBB+	7,547	BBB+
Higher education	4,663	A-	4,679	A-
Infrastructure finance	2,636	BBB	2,633	BBB
Housing revenue	714	BBB-	715	BBB-
Renewable energy	6	A	12	A
Other public finance	263	BBB+	264	BBB+
Total U.S. public finance	118,519	A-	118,165	A-
Non-U.S. public finance:				
Infrastructure finance	12,015	BBB	12,259	BBB
Regulated utilities	11,756	BBB+	11,787	BBB+
Sovereign and sub-sovereign	9,200	A+	9,476	A+
Renewable energy	1,746	A-	1,887	A-
Total non-U.S. public finance	34,717	BBB+	35,409	BBB+
Total public finance	\$ 153,236	A-	\$ 153,574	A-
U.S. structured finance:				
RMBS	\$ 1,505	BBB-	\$ 1,561	BB+
Financial products	600	AA-	770	AA-
Other structured finance	43	BB	46	BB
Total U.S. structured finance	2,148	BBB	2,377	BBB
Non-U.S. structured finance:				
RMBS	123	BBB+	130	BBB+
Other structured finance	137	AAA	138	AAA
Total non-U.S. structured finance	260	AA-	268	AA-
Total structured finance	2,408	BBB+	2,645	BBB+
Total	\$ 155,644	A-	\$ 156,219	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 Municipal Corp.

Financial Guaranty Profile (2 of 3)

As of March 31, 2022

(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	\$ 200	0.2 %	\$ 712	2.1 %	\$ 352	16.4 %	\$ 154	59.2 %	\$ 1,418	0.9 %
AA	9,711	8.2	3,443	9.9	826	38.5	2	0.8	13,982	9.0
A	64,454	54.4	8,908	25.6	58	2.6	2	0.8	73,422	47.2
BBB	42,181	35.5	21,211	61.1	88	4.1	102	39.2	63,582	40.8
BIG	1,973	1.7	443	1.3	824	38.4	—	—	3,240	2.1
Net Par Outstanding⁽¹⁾	\$ 118,519	100.0 %	\$ 34,717	100.0 %	\$ 2,148	100.0 %	\$ 260	100.0 %	\$ 155,644	100.0 %

1) As of March 31, 2022, the Company excluded \$454 million of net par attributable to loss mitigation securities.

Ceded Par Outstanding

	Ceded Par Outstanding ⁽¹⁾⁽²⁾	% of Total
Affiliated reinsurers	\$ 51,597	99.4 %
Non-affiliated reinsurers	300	0.6 %
Total	\$ 51,897	100.0 %

1) Of the total par ceded to BIG rated reinsurers, \$27 million is rated BIG.

2) The total collateral posted by all affiliated and non-affiliated reinsurers required to post or which had agreed to post collateral is approximately \$724 million.

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 Municipal Corp.

Financial Guaranty Profile (3 of 3)

As of March 31, 2022

(dollars in millions)

Geographic Distribution of Financial Guaranty Portfolio

	Net Par Outstanding	% of Total
U.S.:		
U.S. public finance		
California	\$ 22,726	14.6 %
Pennsylvania	11,365	7.3
Texas	11,304	7.3
New York	11,069	7.1
Illinois	8,730	5.6
New Jersey	6,461	4.2
Florida	4,819	3.1
Michigan	3,743	2.4
Louisiana	3,650	2.3
Alabama	2,614	1.7
Other	32,038	20.6
Total U.S. public finance	118,519	76.2
U.S. structured finance	2,148	1.4
Total U.S.	120,667	77.6
Non-U.S.:		
United Kingdom	26,180	16.7
Canada	1,733	1.1
France	1,574	1.0
Spain	1,364	0.9
Australia	1,179	0.8
Other	2,947	1.9
Total non-U.S.	34,977	22.4
Total net par outstanding	\$ 155,644	100.0 %

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

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

Structured Finance

	Estimated Net Par Amortization				Estimated Ending Net Par Outstanding
	U.S. RMBS	Financial Products	Other Structured Finance	Total	
2022 (as of March 31)					\$ 2,408
2022 Q2	\$ 65	\$ 11	\$ 5	\$ 81	2,327
2022 Q3	64	(12)	5	57	2,270
2022 Q4	57	(7)	9	59	2,211
2023	204	10	20	234	1,977
2024	178	13	20	211	1,766
2025	187	38	26	251	1,515
2026	134	48	31	213	1,302
2022-2026	889	101	116	1,106	1,302
2027-2031	294	325	146	765	537
2032-2036	114	148	41	303	234
2037-2041	206	24	—	230	4
After 2041	2	2	—	4	—
Total structured finance	\$ 1,505	\$ 600	\$ 303	\$ 2,408	

Public Finance

	Estimated Net Par Amortization	Estimated Ending Net Par Outstanding
2022 (as of March 31)		\$ 153,236
2022 Q2	\$ 1,067	152,169
2022 Q3	2,616	149,553
2022 Q4	1,857	147,696
2023	6,165	141,531
2024	6,733	134,798
2025	6,846	127,952
2026	7,243	120,709
2022-2026	32,527	120,709
2027-2031	31,977	88,732
2032-2036	29,368	59,364
2037-2041	21,700	37,664
After 2041	37,664	—
Total public finance	\$ 153,236	

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

Assured Guaranty Municipal Corp.

Exposure to Puerto Rico (1 of 3)

As of March 31, 2022

(dollars in millions)

Exposure to Puerto Rico

	Par Outstanding		Debt Service Outstanding	
	Gross	Net	Gross	Net
Total	\$ 1,516	\$ 1,216	\$ 1,983	\$ 1,600

Exposure to Puerto Rico by Risk ⁽¹⁾

	Net Par Outstanding	Gross Par Outstanding
Puerto Rico Exposures Subject to a Plan or Support Agreement		
Commonwealth of Puerto Rico - General Obligation Bonds ⁽²⁾	\$ 6	\$ 10
PBA (Second-to-pay policies on affiliate exposure) ⁽³⁾⁽²⁾	1	1
Subtotal - GO/PBA Plan	7	11
Puerto Rico Highways and Transportation Authority (PRHTA) (Transportation revenue)	154	204
PRHTA (Transportation revenue) (Second-to-pay policies on affiliate exposure) ⁽³⁾	79	79
PRHTA (Transportation revenue) total	233	283
PRHTA (Highways revenue)	381	430
Subtotal - HTA/CCDA PSA	614	713
Subtotal Subject to a Plan or Support Agreement	621	724
Other Puerto Rico Exposures		
Puerto Rico Electric Power Authority (PREPA)	469	621
Puerto Rico Municipal Finance Agency (MFA) ⁽⁴⁾	126	171
Subtotal Other Puerto Rico Exposures	595	792
Total exposure to Puerto Rico	\$ 1,216	\$ 1,516

1) The general obligation bonds of Puerto Rico and various obligations of its related authorities and public corporations aggregating \$1.2 billion net par outstanding as of March 31, 2022. Of that amount, \$1.1 billion was rated BIG, while the remainder was rated AA because it relates to second-to-pay policies on obligations insured by AGC, an affiliate of the Company.

2) On March 15, 2022, the Modified Eighth Amended Title III Joint Plan of Adjustment, confirmed on January 18, 2022, was consummated (March Puerto Rico Resolution), pursuant to which the Company, among other things, fully paid claims on all of its directly insured Puerto Rico GO bonds, other than certain GO bonds whose holders made certain elections. On the same date and pursuant to the same Plan of Adjustment, the Company fully paid claims on all of its directly insured PBA bonds, other than certain PBA bonds whose holders made certain elections.

3) Represents exposure as to which AGM guarantees payment of principal and interest when due in the event that both the obligor and the AGM affiliate that issued a primary insurance policy fail to pay.

4) All debt service on this insured exposure has been paid to date without any insurance claim being made on the Company.

Assured Guaranty Municipal Corp.

Exposure to Puerto Rico (2 of 3)

As of March 31, 2022

(dollars in millions)

Amortization Schedule of Net Par Outstanding of Puerto Rico

	2022 (2Q)	2022 (3Q)	2022 (4Q)	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032- 2036	2037	Total
Puerto Rico Exposures Subject to a Plan or Support Agreement															
Commonwealth of Puerto Rico - General Obligation Bonds	\$ —	\$ 6	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 6
PBA (Second-to-pay policies) ⁽¹⁾	—	—	—	—	—	1	—	—	—	—	—	—	—	—	1
Subtotal - GO/PBA Plan	—	6	—	—	—	1	—	—	—	—	—	—	—	—	7
PRHTA (Transportation revenue) (Primary policies)	—	11	—	12	—	4	4	18	18	22	23	15	20	7	154
PRHTA (Transportation revenue) (Second-to-pay policies) ⁽¹⁾	—	—	—	—	—	17	12	—	—	20	—	—	30	—	79
PRHTA (Highways revenue)	—	38	—	30	32	33	1	—	8	10	13	13	203	—	381
Subtotal - HTA/CCDA PSA	—	49	—	42	32	54	17	18	26	52	36	28	253	7	614
Subtotal Subject to a Plan or Support Agreement	—	55	—	42	32	55	17	18	26	52	36	28	253	7	621
Other Puerto Rico Exposures															
PREPA	—	22	—	69	66	53	58	59	29	30	24	59	—	—	469
MFA	—	25	—	14	14	14	28	11	10	6	4	—	—	—	126
Subtotal Other Puerto Rico Exposures	—	47	—	83	80	67	86	70	39	36	28	59	—	—	595
Total	\$ —	\$ 102	\$ —	\$ 125	\$ 112	\$ 122	\$ 103	\$ 88	\$ 65	\$ 88	\$ 64	\$ 87	\$ 253	\$ 7	\$ 1,216

1) Represents exposure in which AGM guarantees payment of principal and interest when due in the event that both the obligor and the AGM affiliate that issued a primary insurance policy fail to pay.

Assured Guaranty Municipal Corp.

Exposure to Puerto Rico (3 of 3)

As of March 31, 2022

(dollars in millions)

Amortization Schedule of Net Debt Service Outstanding of Puerto Rico

	2022 (2Q)	2022 (3Q)	2022 (4Q)	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032- 2036	2037	Total
Puerto Rico Exposures Subject to a Plan or Support Agreement															
Commonwealth of Puerto Rico - General Obligation Bonds	\$ —	\$ 6	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 6
PBA (Second-to-pay policies) ⁽¹⁾	—	—	—	—	—	1	—	—	—	—	—	—	—	—	1
Subtotal - GO/PBA Plan	—	6	—	—	—	1	—	—	—	—	—	—	—	—	7
PRHTA (Transportation revenue) (Primary policies)	—	15	—	19	7	11	10	23	23	25	26	18	25	8	210
PRHTA (Transportation revenue) (Second-to-pay policies) ⁽¹⁾	—	3	—	4	4	21	15	3	3	23	1	2	35	—	114
PRHTA (Highways revenue)	—	48	—	48	48	48	14	13	22	23	25	24	236	—	549
Subtotal - HTA/CCDA PSA	—	66	—	71	59	80	39	39	48	71	52	44	296	8	873
Subtotal Subject to a Plan or Support Agreement	—	72	—	71	59	81	39	39	48	71	52	44	296	8	880
Other Puerto Rico Exposures															
PREPA	2	30	2	90	83	67	69	68	35	35	28	62	—	—	571
MFA	—	28	—	19	18	17	32	13	11	6	5	—	—	—	149
Subtotal Other Puerto Rico Exposures	2	58	2	109	101	84	101	81	46	41	33	62	—	—	720
Total	\$ 2	\$ 130	\$ 2	\$ 180	\$ 160	\$ 165	\$ 140	\$ 120	\$ 94	\$ 112	\$ 85	\$ 106	\$ 296	\$ 8	\$ 1,600

1) Represents exposure in which AGM guarantees payment of principal and interest when due in the event that both the obligor and the AGM affiliate that issued a primary insurance policy fail to pay.

Assured Guaranty Municipal Corp.

U.S. RMBS Profile

As of March 31, 2022

(dollars in millions)

Distribution of U.S. RMBS by Rating and Type of Exposure ⁽¹⁾

Ratings:	Prime First Lien	Alt-A First Lien	Option ARMs	Subprime First Lien	Second Lien	Total Net Par Outstanding
AAA	\$ —	\$ 42	\$ —	\$ 304	\$ —	\$ 346
AA	—	12	7	140	67	226
A	—	—	—	—	56	56
BBB	—	2	—	6	63	71
BIG	17	157	11	529	92	806
Total exposures	\$ 17	\$ 213	\$ 18	\$ 979	\$ 278	\$ 1,505

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	\$ —	\$ 9	\$ —	\$ 311	\$ 9	\$ 329
2005	—	92	6	94	34	226
2006	17	28	—	—	108	153
2007	—	84	12	546	127	769
2008	—	—	—	28	—	28
Total exposures	\$ 17	\$ 213	\$ 18	\$ 979	\$ 278	\$ 1,505

1) Assured Guaranty Municipal has not insured any new U.S. RMBS transactions since 2008.

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

Assured Guaranty Municipal Corp.
Credit Derivative Net Par Outstanding Profile
 As of March 31, 2022
 (dollars in millions)

Distribution of Credit Derivative Net Par Outstanding by Rating

Rating:	Net Par Outstanding	% of Total
AA	\$ 52	13.8 %
A	153	40.6
BBB	172	45.6
Total credit derivative net par outstanding ⁽¹⁾	\$ 377	100.0 %

1) Represents U.S. public finance.

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

Assured Guaranty Municipal Corp.

Below Investment Grade Exposures (1 of 3)

(dollars in millions)

BIG Exposures by Asset Exposure Type

	As of	
	March 31, 2022	December 31, 2021
U.S. public finance:		
Tax backed	\$ 976	\$ 1,167
Municipal utilities	668	668
General obligation	169	741
Transportation	73	74
Higher education	19	19
Housing revenue	9	9
Healthcare	4	4
Other public finance	55	54
Total U.S. public finance	1,973	2,736
Non-U.S. public finance:		
Infrastructure finance	354	382
Sovereign and sub-sovereign	89	91
Total non-U.S. public finance	443	473
Total public finance	2,416	3,209
U.S. structured finance:		
RMBS	806	829
Other structured finance	18	19
Total U.S. structured finance	824	848
Non-U.S. structured finance:		
Other structured finance	—	—
Total non-U.S. structured finance	—	—
Total structured finance	824	848
Total BIG net par outstanding	\$ 3,240	\$ 4,057

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 Municipal Corp.
Below Investment Grade Exposures (2 of 3)
(dollars in millions)

Net Par Outstanding by BIG Category⁽¹⁾

	As of	
	March 31, 2022	December 31, 2021
BIG Category 1		
U.S. public finance	\$ 867	\$ 1,062
Non-U.S. public finance	408	437
U.S. structured finance	45	95
Non-U.S. structured finance	—	—
Total BIG Category 1	1,320	1,594
BIG Category 2		
U.S. public finance	42	42
Non-U.S. public finance	—	—
U.S. structured finance	47	—
Non-U.S. structured finance	—	—
Total BIG Category 2	89	42
BIG Category 3		
U.S. public finance	1,064	1,632
Non-U.S. public finance	35	36
U.S. structured finance	732	753
Non-U.S. structured finance	—	—
Total BIG Category 3	1,831	2,421
BIG Total	\$ 3,240	\$ 4,057

- 1) 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 Municipal Corp.

Below Investment Grade Exposures (3 of 3)

As of March 31, 2022

(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 Highways & Transportation Authority	\$ 535	CCC	
Puerto Rico Electric Power Authority	469	CCC	
Illinois Sports Facilities Authority	216	BB+	
Puerto Rico Municipal Finance Agency	126	CCC	
Jackson Water & Sewer System, Mississippi	103	BB	
Virgin Islands Public Finance Authority (Gross Receipts)	80	BB	
Harrisburg Parking System, Pennsylvania	60	B	
Stockton City, California	55	B	
Total U.S. public finance	\$ 1,644		
Non-U.S. public finance:			
Road Management Services PLC (A13 Highway)	\$ 145	B+	
Dartford & Gravesham NHS Trust The Hospital Company (Dartford) Plc	122	BB+	
M6 Duna Autopalya Koncesszios Zrt.	56	BB+	
Total non-U.S. public finance	\$ 323		
Total	\$ 1,967		
U.S. structured finance:			
RMBS:			
Soundview 2007-WMC1	144	CCC	34.7%
Option One 2007-FXD2	131	CCC	18.6%
Nomura Asset Accept. Corp. 2007-1	71	CCC	21.1%
New Century 2005-A	62	CCC	21.1%
Total RMBS	\$ 408		
Subtotal U.S. structured finance	\$ 408		
Subtotal Non-U.S. structured finance	\$ —		
Total	\$ 408		

1) Transactions rated 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 Municipal Corp.

Largest Exposures by Sector (1 of 3)

As of March 31, 2022

(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)	\$ 1,666	BBB
Pennsylvania (Commonwealth of)	1,372	A-
New York Metropolitan Transportation Authority	1,088	A-
Illinois (State of)	1,074	BBB-
Metro Washington Airports Authority (Dulles Toll Road)	1,031	BBB+
Foothill/Eastern Transportation Corridor Agency, California	993	BBB
CommonSpirit Health, Illinois	835	A-
Great Lakes Water Authority (Sewerage), Michigan	737	A-
Montefiore Medical Center, New York	694	BBB-
ProMedica Healthcare Obligated Group, Ohio	682	BBB
Philadelphia School District, Pennsylvania	673	A-
Central Florida Expressway Authority, Florida	663	A+
Tucson (City of), Arizona	662	A+
Jefferson County Alabama Sewer	634	BBB
Port Authority of New York and New Jersey	626	BBB
Massachusetts (Commonwealth of) Water Resources	621	AA
Puerto Rico Highways & Transportation Authority	614	B-
Dade County Seaport, Florida	606	A
Wisconsin (State of)	602	A
Pennsylvania Turnpike Commission	597	A-
Suffolk County, New York	574	BBB
Anaheim (City of), California	573	A-
Yankee Stadium LLC New York City Industrial Development Authority	565	BBB
Los Angeles Department of Airports (LAX Project), California	538	A-
California (State of)	536	AA-
Mets Queens Ballpark	517	BBB
Pittsburgh Water & Sewer, Pennsylvania	503	A-
Oglethorpe Power Corporation, Georgia	500	BBB
Long Island Power Authority	500	A-
Nassau County, New York	493	A-
Metropolitan Pier and Exposition Authority, Illinois	491	BBB-
New York (City of), New York	478	AA-
Philadelphia (City of), Pennsylvania	477	BBB+
Puerto Rico Electric Power Authority	469	CCC
San Joaquin Hills Transportation, California	454	BBB
Clark County School District, Nevada	454	BBB+
Massachusetts (Commonwealth of)	451	AA-
Kansas City, Missouri	442	A
Regional Transportation Authority (Sales Tax), Illinois	420	AA-
Sacramento County, California	416	A-
Hayward Unified School District, California	413	A
Chicago Public Schools, Illinois	413	BBB-
Garden State Preservation Trust, New Jersey Open Space & Farmland	403	BBB+
North Carolina Turnpike Authority	396	BBB-
New Jersey Turnpike Authority	386	A-
New York State Thruway Authority	378	A-
Jets Stadium Development, LLC	338	BBB
Harris County - Houston Sports Authority, Texas	336	BBB
Alameda Corridor Transportation Authority, California	329	BBB+
Kansas (State of)	327	A+
Total top 50 U.S. public finance exposures	\$ 30,040	

1) Transactions rated below B- are categorized as CCC.

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

Assured Guaranty Municipal Corp.

Largest Exposures by Sector (2 of 3)

As of March 31, 2022

(dollars in millions)

25 Largest U.S. Structured Finance Exposures

Credit Name:	Net Par Outstanding	Internal Rating ⁽¹⁾
Soundview 2007-WMC1	\$ 144	CCC
Option One 2007-FXD2	131	CCC
CWABS 2007-4	104	A+
Nomura Asset Accept. Corp. 2007-1	71	CCC
New Century 2005-A	62	CCC
Countrywide 2007-13	57	AA
Countrywide HELOC 2006-I	54	AA
ACE 2007-SL1	49	CCC
MABS 2007-NCW	47	B
ACE 2007-D1	42	CCC
Countrywide Home Loans (CWABS) 2004-1	39	AAA
Asset Backed Funding Corp. 2005-AQ1	33	AAA
Long Beach 2004-1	32	AAA
Renaissance (Delta) 2005-4	32	BB
Countrywide HELOC 2006-F	30	BBB
Wells Fargo Home Equity 2004-2	30	AAA
Countrywide HELOC 2007-A	29	A
Soundview Home Loan Trust 2008-1	28	CCC
Countrywide HELOC 2007-B	28	A
Mid-State Trust X	27	AAA
Countrywide HELOC 2005-D	23	BBB-
Renaissance (Delta) 2004-2	23	AAA
Terwin Mortgage Trust 2005-16HE	23	CCC
Terwin Mortgage Trust 2006-10SL	23	CCC
Long Beach 2004-3N	21	AAA
Total top 25 U.S. structured finance exposures	\$ 1,182	

1) Transactions rated below B- are categorized as CCC.

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

Assured Guaranty Municipal Corp.

Largest Exposures by Sector (3 of 3)

As of March 31, 2022

(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	\$ 2,108	BBB
Dwr Cymru Financing Limited	United Kingdom	1,564	A-
Anglian Water Services Financing PLC	United Kingdom	1,432	A-
Quebec Province	Canada	1,424	A+
British Broadcasting Corporation (BBC)	United Kingdom	1,166	A+
Channel Link Enterprises Finance PLC	France, United Kingdom	1,051	BBB
Thames Water Utilities Finance Plc	United Kingdom	1,047	BBB
Southern Gas Networks PLC	United Kingdom	815	BBB
Aspire Defence Finance plc	United Kingdom	800	BBB+
Verbund, Lease and Sublease of Hydro-Electric Equipment	Austria	694	AAA
Capital Hospitals (Issuer) PLC	United Kingdom	645	BBB-
Verdun Participations 2 S.A.S.	France	590	BBB-
Coventry & Rugby Hospital Company (Walsgrave Hospital) Plc	United Kingdom	530	BBB-
Yorkshire Water Services Finance Plc	United Kingdom	511	BBB
Sydney Airport Finance Company	Australia	490	BBB+
Derby Healthcare PLC	United Kingdom	474	BBB
North Staffordshire PFI, 32-year EIB Index-Linked Facility	United Kingdom	454	BBB-
Campania Region - Healthcare receivable	Italy	433	BB+
Envestra Limited	Australia	423	A-
Central Nottinghamshire Hospitals PLC	United Kingdom	409	BBB-
The Hospital Company (QAH Portsmouth) Limited	United Kingdom	380	BBB
National Grid Gas PLC	United Kingdom	361	BBB+
NewHospitals (St Helens & Knowsley) Finance PLC	United Kingdom	354	BBB+
Societe des Autoroutes du Nord et de l'est de la France S.A.	France	349	BBB+
Wessex Water Services Finance plc	United Kingdom	325	BBB+
Private International Sub-Sovereign Transaction	United Kingdom	323	AA-
South East Water	United Kingdom	319	BBB
Japan Expressway Holding and Debt Repayment Agency	Japan	292	A+
Severn Trent Water Utilities Finance Plc	United Kingdom	290	BBB+
Private International Sub-Sovereign Transaction	United Kingdom	285	A
Hypersol Solar Inversiones, S.A.U.	Spain	272	BBB
Q Energy - Phase II - Pride Investments, S.A.	Spain	270	BBB+
University of Essex, United Kingdom	United Kingdom	256	BBB+
South Lanarkshire Schools	United Kingdom	256	BBB
Q Energy - Phase III - FSL Issuer, S.A.U.	Spain	251	BBB
Scotland Gas Networks plc	United Kingdom	249	BBB
Private International Sub-Sovereign Transaction	United Kingdom	246	A
Octagon Healthcare Funding PLC	United Kingdom	237	BBB
Feria Muestrario Internacional de Valencia	Spain	232	BBB-
Western Power Distribution (South West) PLC	United Kingdom	231	BBB+
Plenary Health North Bay Finco Inc.	Canada	227	BBB
National Grid Company PLC	United Kingdom	224	BBB+
Western Power Distribution (South Wales) PLC	United Kingdom	220	BBB+
MPC Funding Limited	Australia	219	BBB+
Bakethin Finance Plc	United Kingdom	208	A-
Republic of Poland	Poland	202	A-
University of York (Civitas Living LLP), UK	United Kingdom	200	BBB
United Utilities Water PLC	United Kingdom	187	BBB+
Leeds Hospital - St. James's Oncology Financing plc	United Kingdom	184	BBB
University of Sussex - East Slope Residencies PLC	United Kingdom	181	BBB
Total top 50 non-U.S. exposures		\$ 24,890	

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

Assured Guaranty Municipal Corp.
Summary of Statutory Financial and Statistical Data
(dollars in millions)

	As of and for the Three Months Ended March 31,	As of and for Year Ended December 31,			
	2022	2021	2020	2019	2018
Claims-Paying Resources ⁽¹⁾					
Policyholders' surplus	\$ 2,909	\$ 3,053	\$ 2,864	\$ 2,691	\$ 2,533
Contingency reserve	893	877	940	986	1,034
Qualified statutory capital	3,802	3,930	3,804	3,677	3,567
Unearned premium reserve and net deferred ceding commission income	2,116	2,127	2,112	2,027	1,873
Loss and LAE reserves ⁽²⁾	—	12	64	196	518
Total policyholders' surplus and reserves	5,918	6,069	5,980	5,900	5,958
Present value of installment premium	484	460	445	409	238
CCS	200	200	200	200	200
Excess of loss reinsurance facility	—	—	—	—	180
Total claims-paying resources (including proportionate MAC ownership for AGM)	6,602	6,729	6,625	6,509	6,576
Adjustment for MAC	—	—	363	370	434
Total claims-paying resources (excluding proportionate MAC ownership for AGM)	\$ 6,602	\$ 6,729	\$ 6,262	\$ 6,139	\$ 6,142
Ratios:					
Net par outstanding to qualified statutory capital	40 :1	39:1	38:1	38:1	36:1
Capital ratio	63 :1	62:1	61:1	62:1	57:1
Financial resources ratio	36 :1	36:1	35:1	35:1	31:1
Adjusted statutory net par outstanding to claims-paying resources (including MAC adjustment for AGM)	23 :1	23:1	22:1	22:1	20:1
Other Financial Information (Statutory Basis) ⁽³⁾					
Net debt service outstanding (end of period)	\$ 240,925	\$ 241,985	\$ 231,966	\$ 228,284	\$ 204,297
Gross debt service outstanding (end of period)	318,339	320,447	310,948	308,725	291,926
Net par outstanding (end of period)	152,475	152,812	144,501	140,579	129,893
Gross par outstanding (end of period)	203,031	204,014	195,657	192,018	185,515
Ceded to Assured Guaranty affiliates	50,256	50,859	50,768	50,665	53,733
Ceded par to other companies	299	343	388	774	1,889
Gross debt service written:					
Public finance	\$ 7,412	\$ 35,945	\$ 35,457	\$ 45,642	\$ 21,854
Structured finance	—	361	—	—	—
Total gross debt service written	\$ 7,412	\$ 36,306	\$ 35,457	\$ 45,642	\$ 21,854

- 1) See page 8 for additional detail on claims-paying resources and exposure. The December 31, 2018 - 2020 numbers shown for AGM have been adjusted to include its indirect share of MAC. Until April 1, 2021, AGM and AGC owned 60.7% and 39.3%, respectively, of the outstanding stock of Municipal Assurance Holdings Inc., which owned 100% of the outstanding common stock of MAC. On April 1, 2021, as part of a multi-step transaction, AGC sold its interest in MAC Holdings to AGM and MAC was merged with and into AGM, with AGM as the surviving company.
- 2) Loss and LAE reserves exclude adjustments to claims-paying resources for AGM because they were in a net recoverable position of \$37 million as of March 31, 2022.
- 3) The National Association of Insurance Commissioners Annual Statements for U.S. Domiciled Insurance Companies are prepared on a stand-alone basis.

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

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.

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, 2021.

Public Finance:

General Obligation Bonds are full faith and credit obligations 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 property 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 and tax-backed revenue bonds. Tax-backed obligations may be secured by a lien on specific pledged tax revenues, such as a gasoline or excise tax, or an income 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.

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 obligations, 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 or revenue relating to student accommodation.

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.

Renewable Energy Bonds are obligations backed by revenue from renewable energy sources.

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

Sovereign and Sub-Sovereign Obligations primarily include 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 first and second lien mortgage loans on residential properties. 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. An Alt-A borrower is generally defined as a prime quality borrower that lacks certain ancillary characteristics, such as fully documented income. RMBS include home equity lines of credit, which refers to a type of residential mortgage-backed transaction backed by second-lien loan collateral. The Company has not provided insurance for RMBS in the primary market since 2008.

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 Assured Guaranty 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.

Non-GAAP Financial Measures

The Company discloses both (a) financial measures determined in accordance with GAAP and (b) 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.

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.

GAAP requires the Company to consolidate entities where it is deemed to be the primary beneficiary which include:

- FG VIEs, which the Company does not own and where its exposure is limited to its obligation under the financial guaranty insurance contract, and
- CIVs in which certain subsidiaries invest and which are managed by AssuredIM.

The Company discloses the effect of FG VIE and CIV consolidation that is embedded in each non-GAAP financial measure, as applicable. The Company believes this information may also be useful to analysts and investors evaluating Assured Guaranty's financial results.

Management and the Board of Directors of AGL and the Company use non-GAAP financial measures further adjusted to remove the effect of FG VIE and CIV 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 for and in its calculation of certain components of management compensation. The financial measures that AGL and the Company use to help determine compensation are: (1) adjusted operating income, further adjusted to remove the effect of FG VIE and CIV consolidation; (2) adjusted operating shareholder's equity, further adjusted to remove the effect of FG VIE and CIV consolidation; (3) adjusted book value per share, further adjusted to remove the effect of FG VIE and CIV consolidation; (4) PVP, and (5) gross third-party assets raised.

Management believes that many investors, analysts and financial news reporters use adjusted operating shareholder's equity and/or adjusted book value, each further adjusted to remove the effect of FG VIE and CIV consolidation, as the principal financial measures 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 adjusted operating shareholder's equity, further adjusted to remove the effect of FG VIE and CIV consolidation, to evaluate the Company's capital adequacy.

Adjusted operating income, further adjusted for the effect of FG VIE and CIV 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 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 operating results of the Company. Adjusted operating income is defined as net income (loss) attributable to the Company, 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-related unrealized fair value gains (losses) on credit derivatives that are recognized in net income, which is the amount of unrealized fair value gains (losses) in excess of the present value of the expected estimated economic credit losses, and non-economic payments. Such fair value adjustments are heavily affected by, and in part fluctuate with, changes in market interest rates, the Company's credit spreads, and other market factors and are not expected to result in an economic gain or loss.
- 3) Elimination of fair value gains (losses) on the Company's CCS that are recognized in net income. Such amounts are affected by changes in market interest rates, the Company's credit spreads, price indications on the Company's publicly traded debt, and other market factors and are not expected to result in an economic gain or loss.

Non-GAAP Financial Measures (continued)

4) Elimination of foreign exchange gains (losses) on remeasurement of net premium receivables and loss and LAE reserves that are recognized in net income. Long-dated receivables and loss and LAE reserves represent the present value of future contractual or expected cash flows. Therefore, the current period's foreign exchange remeasurement gains (losses) are not necessarily indicative of the total foreign exchange gains (losses) that the Company will ultimately recognize.

5) Elimination of the tax effects related to the above adjustments, which are determined by applying the statutory tax rate in each of the jurisdictions that generate these adjustments.

Adjusted Operating Shareholder's Equity and Adjusted Book Value: Management believes that adjusted operating shareholder's 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 shareholder's equity is defined as shareholder's equity attributable to the Company, as reported under GAAP, adjusted for the following:

1) Elimination of non-credit impairment-related 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). 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 would 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 FG VIE and CIV consolidation, to measure the intrinsic value of the Company, excluding franchise value. Adjusted book value per share, further adjusted for FG VIE and CIV 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 shareholder's 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 shareholder's 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 present value of estimated net future revenue for non-financial guaranty insurance contracts. 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 premiums and fees 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), regardless of 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 certain fixed-maturity securities such as 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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