

Assured Guaranty Ltd. (AGO)
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Third Quarter 2025 Earnings Call

Robert Tucker
Senior Managing Director, Investor Relations and Corporate Communications

Thank you, operator. And thank you all for joining Assured Guaranty for our Third Quarter 2025 financial results conference call.

Today's presentation is made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995.

The presentation may contain forward-looking statements about our new business and credit outlooks, market conditions, credit spreads, financial ratings, loss reserves, financial results or other items that may affect our future results.

These statements are subject to change due to new information or future events. Therefore, you should not place undue reliance on them, as we do not undertake any obligation to publicly update or revise them, except as required by law.

If you are listening to a replay of this call, or if you are reading the transcript of the call, please note that our statements made today may have been updated since this call.

Please refer to the Investor Information section of our website for our most recent presentations and SEC filings, most current financial filings, and for the risk factors.

This presentation also includes references to non-GAAP financial measures.

We present the GAAP financial measures most directly comparable to the non-GAAP financial measures referenced in this presentation, along with a reconciliation between such GAAP and non-GAAP financial measures, in our current Financial Supplement and Equity Investor Presentation, which are on our website at AssuredGuaranty.com.

Turning to the presentation, our speakers today are Dominic Frederico, President and Chief Executive Officer of Assured Guaranty Ltd., Rob Bailenson, our Chief Operating Officer, and Ben Rosenblum, our Chief Financial Officer. After their remarks, we will open the call to your questions.

As the webcast is not enabled for Q&A, please dial in to the call if you would like to ask a question.

I will now turn the call over to Dominic.

Dominic Frederico
President and Chief Executive Officer

Thank you, Robert, and welcome to everyone joining today's call.

We continued to build value for Assured Guaranty's shareholders and policyholders during the third quarter and first nine months of 2025. Adjusted book value per share of \$181.37 and adjusted operating shareholders' equity per share of \$123.10 both reached record highs at the end of the third quarter. Year-to-date, Assured Guaranty has earned adjusted operating income of \$6.77 per share; this is an increase of approximately 17% compared with the same period last year.

Third quarter financial guaranty production was strong. We produced \$91 million of PVP in the quarter, 44% more than in the third quarter last year and 42% more than in the second quarter of 2025, as transactions coming to market returned to a more typical business mix for Assured Guaranty. Rob will provide more details on this later in the call.

For the first nine months, we generated a total of \$194 million of PVP, of which U.S. public finance business produced \$152 million. We benefited from record U.S. municipal bond issuance and strong investor demand for our municipal bond insurance, including from institutional investors on some very large infrastructure transactions.

Additionally, our U.S. public finance secondary market business flourished, with \$1.5 billion of insured par, representing two and a half times the amount of secondary business we insured in all of 2024.

Non-U.S. public finance and global structured finance contributed \$42 million of PVP collectively during the first nine months. Production in these business lines tends to be more episodic than in U.S. public finance because their transactions are fewer, generally larger, and typically have longer lead times.

In structured finance, we have been building our subscription finance business, which is characterized by many smaller, shorter duration, and renewable transactions. Rob will provide more details on this.

Our investment portfolio performance has been enhanced by greater use of alternative investments in recent years. We continue to see excellent performance from our alternative investments, whose inception-to-date annualized internal rate of return, including from funds managed by Sound Point and Assured Healthcare Partners, was approximately 13% through September.

In terms of our share repurchase program, on November 5th the Board of Directors authorized the repurchase of an additional \$100 million of our common shares, bringing our current authorization to just over \$330 million.

I am looking forward to a successful fourth quarter, in which we have already booked some sizable transactions. We continue to look for strategic opportunities to expand our current insurance businesses into new sectors and new markets and to diversify our revenue sources further to support prudent, sustainable growth.

I will now turn the call over to Rob.

Robert Bailenson
Chief Operating Officer

Thank you, Dominic.

In the third quarter, the PVP across our three insurance business lines was \$91 million. This result was led by our core business, U.S. public finance.

We closed U.S. public finance transactions totaling \$7.9 billion of par in the third quarter, compared with \$5.4 billion in the third quarter of 2024.

The third quarter of this year saw a marked change from the previous two quarters in the business mix of U.S. municipal bonds that came to market. Many triple-B issuers held back from coming to market during the first six months of the year. This resulted in a skew toward higher-rated transactions in the available market for our insurance during the first half of the year.

However, in the third quarter, issuance by triple-B credits came back from its temporarily lower levels and the mix of sectors and of underlying credit ratings in the municipal bonds we insured came more in line with our typical production mix, which contributed to strong third quarter results.

For the first three quarters of the year, U.S. municipal bond issuance increased by more than \$50 billion over what was already a record issuance during the first nine months of 2024, and total primary market insured par volume rose 18%. We continued to lead the industry, insuring 63% of the total insured U.S. municipal market par sold in nine months 2025, compared with 57% in nine months 2024 – insuring approximately \$21 billion of primary-market par through September 30th.

Also, year to date, Assured Guaranty insured some of the largest transactions that came to the municipal market, reflecting the continued institutional demand for our guaranty, and the increased price stability and market liquidity our insurance can provide. For example, on a sold basis, we insured 14 transactions of \$100 million or more in the third quarter. Year-to-date, we insured over 40 transactions of \$100 million or more.

For the third quarter, this included approximately \$650 million for the Massachusetts Development Finance Agency; \$600 million for the New York Transportation Development Corp.'s New Terminal One at JFK Airport; \$422 million for the City of Orlando; and \$372 million for the Illinois Municipal Electric Agency.

Additionally, double-A issuers and investors have continued to derive value from our guaranty. In aggregate, during the first nine months of 2025, we issued 132 policies on bonds with double-A underlying ratings across the primary and secondary municipal markets, totaling \$5.8 billion of par.

Further, our secondary market U.S. public finance strategy continues to produce strong results. We generated \$32 million of PVP in the first nine months of 2025, compared with \$5 million in the first nine months of 2024. The Company's \$1.5 billion of par written in the secondary market represented 7% of our U.S. public finance par written in the first nine months of 2025, compared with 2.4% in the first nine months of 2024. With \$4 trillion of municipal bonds outstanding, this business has plenty of room to grow.

Non-U.S. public finance added \$5 million in PVP for the quarter and has contributed \$19 million in PVP year-to-date. Year-to-date contributions were from several primary infrastructure finance and regulated utility transactions throughout the U.K. and the European Union, as well as secondary market transactions for U.K. sub-sovereign credits.

Global structured finance contributed \$8 million in PVP for the quarter and \$23 million in PVP year-to-date. Global structured finance's year-to-date PVP contribution came primarily from subscription finance and the upsize of a transaction in Australia that provided protection on a core lending portfolio for an Australian bank.

As Dominic mentioned, our global structured finance business has increasingly moved towards repeatable business, which generates future premiums as we see with subscription finance. And, since these are shorter duration transactions, we also benefit because we earn the premiums more rapidly and can recycle that capital. For example, the new business we insured in the first nine months of this year will mature within five years and we will earn all the premiums during that period. This time frame is two to three times faster than the structured finance business we were insuring just five years ago.

We are looking forward to a solid finish for the year. I'll now turn the call over to Ben for more details on our financial results.

Benjamin Rosenblum
Chief Financial Officer

Thank you, Dominic and Rob, and good morning.

Adjusted operating income in the third quarter of 2025 was \$124 million, or \$2.57 per share, which compares with adjusted operating income in the third quarter of last year of \$130 million, or \$2.42 per share.

In comparing third quarter 2025 to third quarter 2024, it's important to note that the investment income portfolio and the scheduled premiums from the financial guaranty-

insured portfolio both contributed more to adjusted operating income in the third quarter of this year than the comparable period of last year.

As of September 30, 2025, our deferred premium revenue was \$3.9 billion, consistent with last quarter. Large premium transactions as well as supplemental premiums on certain existing transactions contributed to the stable warehouse of earnings, that offset amortization on the existing insured portfolio and demonstrate the strength of our underwriting and new business development efforts.

Earnings from the investment portfolio come in several forms with different earnings recognition methods. The majority of our investments are available-for-sale fixed-maturity and short-term securities, that earn net investment income. This portfolio earned \$11 million more in the third quarter of 2025 than it earned in the third quarter of 2024 due to several factors:

- First, certain CLO equity tranche investments that were previously in a CLO fund were reclassified to the available-for-sale fixed-maturity portfolio. Net investment income in the third quarter of 2025 included \$9 million related to these CLO equity tranches, whereas in the prior year, the change in the NAV of the CLO fund was \$8 million and was reported in equity in earnings of investees.
- And second, net investment income on the externally managed fixed-maturity portfolio increased by \$4 million as our managers reinvested into some corporate securities that were higher yielding.
- Offsetting these increases was a reduction in earnings of \$7 million from the short-term investment portfolio as interest rates and our average balances declined.
- In addition to the CLO equity tranches, we have other alternative investments whose changes in NAV are reported in adjusted operating income. Earnings from this portfolio tend to be more volatile than earnings from the fixed-maturity portfolio. In the third quarter of 2025, the change in NAV from these alternative investments was a \$25 million gain, compared with a \$28 million gain in the third quarter of 2024.

On an inception-to-date basis, as of September 30, 2025, our aggregate alternative investments have generated an annualized internal rate of return of 13%, substantially greater than the returns on the fixed-maturity portfolio.

While adjusted operating income in the third quarter of 2025 reflects a modest decline compared with the third quarter of 2024, this was primarily attributable to the amount of the benefit related to improvements in U.S. RMBS recoveries

In both periods, we increased our recovery assumptions on second lien charged-off balances which resulted in a \$26 million benefit in the third quarter of this year, and a \$29 million benefit in the third quarter of last year. These assumption updates are based on observed trends over the past several years. Last year, we also updated recovery

assumptions on first-lien transactions, however these assumptions remained static this year.

Overall, we saw positive results in our third quarter loss development, with a total net economic benefit of \$38 million primarily related to legacy RMBS exposure and a non-U.S. public finance exposure.

As I mentioned last quarter, the largest below-investment-grade exposure in the investment portfolio, which was obtained as part of a loss mitigation strategy, was paid down in the third quarter. While there was no significant impact on income associated with this final resolution, on an inception-to-date basis, we received over \$100 million more than we paid out.

In October, a commercially leased building that was part of a loss mitigation strategy for a troubled insured exposure was sold. We expect to realize an after-tax gain associated with the sale and final resolution of this exposure in the fourth quarter of approximately \$10-\$15 million more than we paid out.

These outcomes showcase our multi-faceted approach to loss mitigation, combining vigorous legal defenses, enforcement of our rights under financial guaranty insurance contracts and financial flexibility, as well as our ability to extract value from the underlying collateral of our workout credits.

Turning to capital management, in the third quarter of 2025, we repurchased 1.4 million shares for \$118 million at an average price of \$83.06 per share and also returned \$16 million in dividends to our shareholders. Including our Board's approval earlier this week of an additional \$100 million in share repurchases, our remaining authorization is \$332 million.

In terms of our current holding company liquidity position, we have cash and investments of \$272 million, of which \$35 million resides in AGL. These liquidity balances reflect the \$213 million cash component of the \$250 million stock redemption approved by the Maryland Insurance Administration that was implemented in August.

Share repurchases, along with adjusted operating income and new business production, collectively contributed to new records for adjusted operating shareholders' equity per share of over \$123, and adjusted book value per share of over \$181.

While adjusted operating income varies from period-to-period, the consistent quarterly increases in these book value metrics reflect the value of our key strategic initiatives, which build shareholder value over the long term.

I'll now turn the call over to our operator to give you the instructions for the Q&A period.

Question and Answer Session

Operator

[Operator Instructions]

Our first question is from Marissa Lobo with UBS.

Marissa Lobo, UBS

Good morning. Thanks for taking my question. So first, on the changes to the investment portfolio you outlined, including higher-yielding corporates and CLO equity, how are you thinking about the ongoing allocation to these higher-yielding sectors in light of current macro trends?

Benjamin Rosenblum

We always work with our outside investment managers, and we have an internal group that looks at our investments as well, both our treasury and our alternative investments. And our idea is to obviously both optimize the yield on our investments as well as maintain a safe portfolio with adequate liquidity in the event we have a loss.

Marissa Lobo

Okay, thank you. And just looking at the listing of the low investment grade, could you talk a little bit about the issues with the Brightline transportation exposure and what's causing some of the pressure on those deals?

Dominic Frederico

Well, Brightline, as you know, is a new operation. They're having the total growing pains of a startup. They had a problem with both the choice of the lines and the number of the cars you're able to put on the availability for service. We're very comfortable with the structure, with our exposure. You remember we're in the senior most section of the capital stack. Significant equity and subordinated debt is beneath us. So, in terms of our view of it, they're having the typical growing pains as they get better at their management of both availability and route structure, it will basically work itself out.

Marissa Lobo

Thank you for that. And finally, just looking at the opportunity set. I was curious if there's a place for AGO to get involved in the current data center CapEx cycle?

Dominic Frederico

I'll let Rob – but yes, absolutely.

Robert Bailenson

Yes, we are actually evaluating the data center, and we are – we look at that opportunity every quarter as well as other opportunities we have executed in new areas like liquid natural gas, and we are actively looking at data centers as well.

Operator

[Operator Instructions]

Our next question comes from Tommy McJoynt from KBW.

Tommy McJoynt, KBW

Along the same line of that previous question. But more broadly speaking, I guess, what do you guys view as the pipeline to grow written premium into 2026. So as you look out at the various opportunities for increased infrastructure spending, any other structured credit pieces. If you could just talk about the pipeline into 2026?

Robert Bailenson

Well, we see great opportunities with all 3 of our financial guaranty lines of business. In U.S. public finance, as you've seen, we've made a big investment in secondary market both internal resources as well as modernizing our systems where we can interact much more quickly with our asset managers and investors that are looking for secondary market opportunities. As you can see, we've had great success this year, and we continue to see that as an opportunity going forward and a growth opportunity given that the market is 90% uninsured, there are a lot of credits that we can actually provide value on. It also demonstrates the trading benefit and trading value that we see in the market, and it helps us on the primary execution and also those primary executions help us in the secondary market as well.

In global structured finance, we're looking at core lending portfolios of banks and also regulatory capital that's needed in – for these Europe – mostly European and Australian banks. And as you can see, we've executed significantly in the fund finance sector, and we see continued growth opportunities there. And in Australia, we're looking at infrastructure as well, like airports and other utilities. So we're very – we feel very strongly going forward in the sector.

Dominic Frederico

Yes, I think we're very bullish on the ability of the company to produce and what production is going to look like going forward. As you look in the current quarter, it kind of reinforces our view of the domestic public finance market that we were getting hurt by a mix of business for the early quarters and this quarter kind of returned to normal and so the activity that we're able to book through that cadence. If you look internationally, as Rob says, we've got tremendous opportunities kind of across the globe where we have the law in our favor or rule of law, and those markets are expanding in terms of both asset classes, as somebody mentioned, in terms of data centers, it's an opportunity that we seen coming strongly.

Obviously, we're concerned about the power sources for some of those things, but that's part of the underwriting equation. As Rob said, we shifted to a different type of structured finance. It's shorter term, earns quickly, releases capital for recycling, will provide a better ROE to the bottom line of the company. Those opportunities, as more counterparties we identify and able to get an agreement with, we'll continue to expand that market and become a significant part of a repeatable business. So we look for good revenue sources to meet our underwriting criteria, and we think that there's a great opportunity globally to

the type of businesses that we write and the success we've had as I said, the quarter, I think kind of verifies that or gives some validation to that premise.

Robert Bailenson

I also want to just reiterate, we've been actively opening up new counterparties in both Europe and Australia, that want to trade with us for their core lending portfolios and risk-weighted assets. And as we open up these lines to these banks and trading with these banks, we help them in many areas, not just in fund finance, but other parts of the balance sheet that they need risk-weighted asset protection.

Tommy McJoynt

Got it. Thanks for all that color. And switching over to the Puerto Rico side, there were some positive developments during the quarter with the Oversight Board and some consolidation in the creditor groups. What's the onus for you guys to get more positive on – where you'd have to book a favorable reserve development particularly around that PREPA exposure? Like what type of events would you need to see?

Dominic Frederico

Well, Tommy, 2 things. One, you just cost me money because I bet the room we would not get a PREPA question. So now I'm down some bucks, thank you very much for that. What's going to really get a recognition of the value that we placed on the reserve and the claim is a deal. And obviously, we've had 3 deals that have been rescinded on us by the government. And we think we're in a very preferred position relative to being a creditor based on the appellate decision recently in terms of the perfected of our lien and the size of the claim. Now this administrative expense might be reappearing. We've been steadfast in our direction, in our view that we're going to defend our legal rights. And a great example is if you look at the current year, there are 3 transactions that reflect the full recovery of any paid losses or paid losses, if any, as well as an additional return on the fact that we held to our legal rights and litigated or negotiated ultimate settlements in our favor. And if you go back to RMBS, I look at it, we're 4 for 4. I don't expect to go 4 for 5.

Operator

This concludes the question-and-answer session. I would now like to turn the conference back over to our host, Robert Tucker, for closing remarks.

Robert Tucker

Thank you, operator. I'd like to thank everyone for joining us on today's call. If you have additional questions, please feel free to give us a call. Thank you very much.

Operator

This concludes today's conference call. Thank you all for attending. You may now disconnect your lines. Have a great day.