Assured Guaranty Ltd. (AGO)
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Third Quarter 2026 Earnings Call

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Thank you, operator. And thank you all for joining Assured Guaranty for our Third Quarter 2026 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 and today's discussion may contain forward-looking statements about our new business and credit outlooks, including but not limited to estimates, expectations or ranges regarding future PVP or other new business production, 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, and the actual results may differ from those expressed or implied in these statements due to a number of risks and uncertainties, some of which are outside of our control. Therefore, you should not place undue reliance on them, as we do not undertake any obligation to publicly update or revise them including any estimates, expectations or ranges regarding future PVP or other new business production, except as required by law.

These forward-looking statements apply as of today, and you should not rely on them as representing our views in the future. We undertake no obligation to update these statements after this call. Please refer to our recent SEC filings for a discussion of risk factors that may cause actual results to differ materially from those expressed in our forward-looking statements and the investor information section of our website for our most recent presentations.

This presentation and today's discussion 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 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 on today's call.

Through the first nine months of 2026, our key valuation metrics, adjusted operating shareholders' equity and adjusted book value per share, once again reached record highs.

New business production was strong, generating $280 million of PVP in the first nine months. PVP increased in all three of our financial guaranty business lines, and global structured finance PVP more than doubled year over year. These results reflect the success of our growth strategy across the financial guaranty business. Rob will discuss our production in more detail in a moment.

During the third quarter, we also negotiated a restructuring agreement for Brightline, and we are pleased with the outcome. As outlined in our press release, once Brightline Florida Holding and its affiliates exit bankruptcy, the agreement provides for a total of $490 million of new OpCo capital, which includes $350 million of junior debt and $140 million of senior debt, of which Assured Guaranty has committed to provide $70 million. Assured Guaranty insures 51% of the senior revenue bonds and therefore holds and will continue to hold after the issuance of the new debt, the controlling voting position with respect to the bonds.

We are also pleased that Assured Life Re is progressing on its new business opportunities, especially considering that these deals can have a somewhat long gestation period, and we look forward to having additional information for you in the near term. We remain focused on opportunities that align with Assured Guaranty's core competencies while offering attractive returns and capital-efficient growth.

We see significant opportunities for future growth and greater revenue diversification. Along with our new annuity reinsurance business, we remain focused on growing our core financial guaranty business in the U.S. and non-U.S. markets, including Europe and the Asia-Pacific region. Within structured finance, fund finance is one of the areas where we continue to see strong growth and future opportunities. Looking forward, we will maintain disciplined underwriting and risk management to protect our policyholders, and the counterparties whose capital we help optimize.

We will continue to pursue our traditional business thoughtfully and strategically. We will also focus on new business opportunities and ways to further optimize our capital

structure. This strategy positions us to maximize the value of our guaranty for issuers and investors while also maximizing long-term shareholder value.

I will now turn the call over to Rob for more detail on our production results.

Robert Bailenson
Chief Operating Officer

Thank you, Dominic, and good morning, everyone.

Assured Guaranty closed $280 million of PVP in the first nine months of 2026. That is a 44% increase from $194 million in the first nine months of 2025, and only $6 million less than our total PVP for all of 2025.

PVP increased in all three of our financial guaranty businesses: 31% in U.S. public finance, 63% in non-U.S. public finance, and 117% in global structured finance. As Dominic noted, these results reflect the strength of our new business strategy and our multi-pronged approach to applying our financial guaranty products globally.

In U.S. public finance, we insured $15.6 billion of aggregate par across the primary and secondary markets in the first nine months of 2026, generating $199 million of PVP.

Highlights of the $15.6 billion of U.S. public finance par included:

- $1.5 billion of taxable military housing revenue bonds for Hampton Roads in the third quarter. Of that, $1.0 billion had an underlying AA rating, and $322 million was A rated;
- $636 million for the City of Houston, Texas, Hotel Tax, and
- $330 million in Student Housing Revenue Bonds for the Kentucky Bond Development Corporation, both earlier in the year;
- $285 million of port revenue bonds for the Municipality of Anchorage, Alaska in the third quarter, and
- $1.0 billion of secondary market par through September.

We guaranteed 23 transactions using $100 million or more of our insurance in the first nine months. The market continues to recognize the size of our capital base and the strength of our value proposition on these larger transactions.

We also insured approximately $5.1 billion of par on credits rated AA or higher by S&P and/or Moody's. This shows that we can add meaningful value even to highly rated bonds.

Turning to global structured finance, we are very pleased with PVP of $50 million, split evenly between U.S. and non-U.S. structured finance. That compares with $23 million in the first nine months of 2025. These results came primarily from fund finance, along with financial guaranties for life insurance capital management and a commercial real estate balloon note guaranty.

We continue to actively develop our fund finance business. As I've explained on previous calls, these transactions are often repeatable flow business with relatively short lives, from a few months to just over two years. As a result, we earn premiums considerably faster and can reuse the capital more quickly. Ben will discuss the earnings impact of the shorter duration business in a few minutes. Additionally, we expect many of these transactions to renew at maturity.

Non-U.S. public finance PVP was $31 million for the first nine months of 2026, compared with $19 million for the same period in 2025. In the third quarter, results included a primary market European toll road transaction. Earlier in the year, they included two regulated energy transactions in Spain and a primary social housing transaction in France. On the toll road deal, Assured Guaranty Europe guaranteed 200 million euros as part of a larger financing to refinance the A28 toll road in France.

We expect to finish the year with strong financial guaranty production. We are off to a good start in the fourth quarter, and we have a strong pipeline for the rest of 2026. We expect to deliver more than $400 million of financial guaranty PVP for full-year 2026. Several larger transactions could raise that total further, depending on their timing and execution.

Looking ahead to 2027, we are optimistic about our financial guaranty new business opportunities. As part of our strategy to grow globally, including in Europe and the Asia-Pacific region, we continue to expand how our products are used, grow our geographic footprint, and add or expand counterparty relationships. At the same time, we continue to create material value for issuers and investors in the U.S. municipal and other markets.

I will now turn the call over to Ben to discuss our financial results.

Benjamin Rosenblum
Chief Financial Officer

Thank you Dominic and Rob, and good morning.

I am pleased to report third quarter 2026 adjusted operating income of $86 million, or $1.94 per share.

This compares to adjusted operating income of $124 million, or $2.57 per share, in the third quarter of 2025. Last year’s results included a significant benefit due to increased recovery assumptions on U.S. RMBS exposures, which was the primary driver of the $30 million benefit in loss expense. This compares to a $2 million loss expense in the third quarter of this year.

Economic loss development, which unlike loss expense, ignores the impact of unearned premiums, was a benefit of $27 million in the third quarter of 2026, and is net of a $16 million loss attributed to updating discount rates. The largest component of the positive

economic loss development was Brightline, which achieved improved liquidity from the settlement we reached. Additionally, Brightline has continued to experience revenue growth, which, along with its improved liquidity position, should put the train system on the path to success.

Net earned premiums and credit derivative revenues increased from $98 million in the third quarter of last year to $114 million in the third quarter of this year. In addition to higher refundings, scheduled net earned premiums also increased mainly due to the continued growth in shorter duration strategies like fund finance, as well as the higher scheduled public finance net earned premiums.

Alternative investments generated $21 million in gains in the third quarter of this year, compared to $32 million in the third quarter of 2025 reflecting lower gains across several asset classes. We have an inception-to-date IRR of approximately 11.5% on the alternative investment portfolio, which is significantly higher than the 3-year average pre-tax yield in our fixed maturity portfolio of 4.5%.

As always, we continuously evaluate a range of capital deployment opportunities, and allocate capital to various strategies that may include:

- supporting growth in our financial guaranty business,
- growing our nascent life and annuity platform,
- helping to grow Sound Point, and
- capital management

In addition, we are also pursuing synthetic capital opportunities, including reinsurance, to further improve the efficiency and cost at which we can deploy capital. We will update you on that in the fourth quarter.

In the third quarter of 2026, we repurchased 123,000 shares for $10 million, at an average price of $83.78 per share, and we returned $17 million in dividends to our shareholders.

Our holding company liquidity is currently approximately $144 million, of which $66 million is at AGL.

As of the end of the third quarter of 2026, we had again reached record per-share valuations of:

- $131.99 for adjusted operating shareholders' equity, and
- $192.60 for adjusted book value, reflecting the successful execution of our key strategic initiatives.

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

Question and Answer Session

Operator
[Operator Instructions]
The first question comes from the line of Marissa Lobo with UBS. Your line is open, Marissa. Please go ahead.

Marissa Lobo, *UBS*
Maybe just starting with the municipal market. How are you seeing the muni market evolve following recent volatility? Is the higher yield environment creating increased demand for bond insurance? And any color you can give us on that?

Robert Bailenson
Yes. We're seeing interest rates rise. We still haven't seen credit spreads widen as much as we would like, but we expect that to happen. But we're seeing a lot of opportunities even without that, as you can see from our results, in infrastructure transactions that we did for military housing, significant transactions that we see also in our flow business and also in our secondary markets. So even with this tight spread environment, our financial guarantee is providing a lot of value.

Marissa Lobo
Okay. And just looking at Puerto Rico, seeing mediation was extended again through April 2027. To what extent does the post-election landscape change previous assumptions on your timing process and recovery under the proposed PREPA plan?

Dominic Frederico
I don't think it changes much, to be honest with you. I think the path that they've taken from the perspective of the White House in terms of changing the council is still on path to get done sometime in the early part of next year. Obviously, we're more interested in the court cases and Judge Swain lifting the stay on the administrative expense claim as to what's our revenue or what's our claim on that collateral. The control committee is what it is and we will release, we think, on some sort of a timely basis, probably somewhere in 2027.

Marissa Lobo
Okay. And if I could just ask on capital return. Could you talk about the dividend versus buyback trade-off here? Now dividends have exceeded buybacks. Is there appetite to continue raising the dividend? Or is the preference still to reserve capital for buybacks when the window opens?

Dominic Frederico
We're actually looking at a lot of different alternatives in the capital management market. And as we make progress across those options, we will continue to update you. We maintain a buffer significant to make sure we ensure our ratings are stable. And obviously, that buffer was once again confirmed relative to the affirmation of our ratings at the end of this year by all 3 rating agencies. And when we look forward, though, we like to see

that buffer come out of more soft capital than hard capital to give us more options relative to what we do with hard capital in terms of growth of the business, potential return of the capital depending on what the market looks like at the time.

We believe we're putting on ROEs today on the new business front, which is in target range of our cost of capital and in excess of our cost of capital. And we've got some unique opportunities there that with the buffer have to be concerned about where our level of capital is today. And therefore, as we look to manage more options on the capital, we'll update you by the end of the year and the fourth quarter as we look to change the mix of capital to give us the capital flexibility that we're looking for.

Operator
Your next question comes from the line of Tommy McJoynt with KBW.

Thomas Mcjoynt, *KBW*
The first one here, I appreciate you guys giving sort of an outlook or a guidance for the full year for PVP of $400 million. To the extent that you guys have a sort of line of sight into what next year looks like, do you feel like this year has been unusually strong? Do you feel like the pipeline is sufficient that 2027 could see even an increase in PVP relative to this year, understanding some transactions can be lumpy in terms of whether they fall in one month or the next. But what's your line of sight like into next year and the growth relative to this year?

Dominic Frederico
Tommy, I'll give you a couple of things. One, I'd be disappointed if we end the year at $400 million. So read in between the lines anywhere you like on that. Number two, as we look to next year, we've made a lot of inroads relative to our new products and our new geographies. And we're continuing to get greater relationships and acceptance across a broader base of markets and products. So as we get counterparty relationships signed up, that opens up the opportunity for not only one product or one transaction but multiple transactions. And we're now seeing in the international markets, multiple transactions from the same counterpart.

Number two, the type of business we're writing today is shorter term than our typical municipal business. So you're going to see a heavier contribution to earnings, a heavier contribution to return. And therefore, we look at that as a flow business as we go into 2027, where we typically would have to sit back and wait for large transactions to materialize to have very good production years. We're looking for more flow buildable blocks that will continue to increase over time. And once again, with the company's earnings, lower cap charges, higher earned premium, we think they will have a very positive effect on the ROE of the company as we look to get our ROE up to our cost of capital over the next few years.

Robert Bailenson
Tom, I just want to add to Dominic's point and emphasize the fact that these new counterparty relationships that we're opening up in Europe and Australia are leading to

multiple transactions within each counterparty. And as Dominic said, these transactions, especially in global structured finance are much shorter and the earnings impact is much quicker and the capital is reused much quicker as well. And also in U.S. public finance, we're seeing large infrastructure opportunities building the pipeline into next year as well. So I'm very excited about how we end the year and also going into next year.

Dominic Frederico
The other thing, Tommy, also is remember that as you look at these counterparties, they're obviously very comfortable with the credit of Assured Guaranty as they not only do a transaction, they started expanding the transactions and the size. It is a really good confirmation of how we've managed the company, how we maintain our ratings, the reputation we have in the marketplace.

Robert Bailenson
And to emphasize the fact, these are large transactions, these counterparties are taking down, especially in structured finance.

Thomas Mcjoynt
Okay. Got it. Appreciate all that. And actually, just to clarify, since some of the contracts are shorter duration, historically, we had always looked at the UPR on the balance sheet as a, sort of, way to assess growth in the business. But with the shorter duration, does that mean that metric might not be the best one to look to when we think about your sort of future production numbers?

Robert Bailenson
I'll say something and then Ben probably can jump in as well. I'll say that you have to look at both. I think UPR is a strong metric for what we look at is for future earnings, but you also should start, especially in structured finance, looking at the earnings in that because that is actually increasing significantly as we continue to open up these new counterparties and multiple transactions in fund finance, core lending portfolios of banks. So that's going to become much more, a very important metric for you to look at as well.

Benjamin Rosenblum
I would echo what Rob said. I mean our unearned premium is obviously our lifeblood. We have a little over $3.8 billion in deferred premium revenue, and that's great. But you'll see that while our deferred premium revenue stayed relatively stable over the last couple of quarters, our earned premium has continued to increase quarter-over-quarter. And that's really a reflection that Rob is right, that the structured finance deals are impacting our bottom line faster while the – even though the unearned premium isn't really going up, the earned premium is.

Dominic Frederico
Yes. We look at scheduled earned premiums as one of the barometers of growth and successful growth. As long as that's increasing, it might not be adding to the UPR number on the balance sheet, which we still expect to rise as well because these contracts are being renewed and further extended and then new relationships with more contracts. So

we think that's going to be a really good source of both earned premium and unearned premium reserve.

Thomas Mcjoynt
Okay. I appreciate that. And then going back to the capital discussion. Certainly, I think you guys well communicated the slowdown in the cadence of buybacks back in the early summer as you sort of seek out these growth opportunities. But just can you talk about how you sort of weigh that against the stock now is trading at sub-60% book value, sub-55% book value ex-AOCI. So how does the valuation of the stock fit into your sort of thesis around how you think about deploying capital given the accretion you could get from buybacks?

Dominic Frederico
We realize that, that is an outstanding transaction that the company could do. But we have our strategy in terms of new business, buffer relative to the rating and the composition of the capital. We anticipate making inroads on the composition of capital through the end of the year and continuing into next year, at which point in time, we'll then have the flexibility. Right now, our buffer and the reserve for new business is made up of hard capital. As we switch that to soft capital and let the hard capital then be there for either growth or return, I think you'll see a very different analysis being done.

But we've got some issues we're dealing with relative to opportunities and obviously, as we work through things like Brightline, which we are very pleased with the outcome that we expected that some creditors to put more equity into the deal. We're happy with our position. And as that now runs its way through bankruptcy court, we'll look at once again, capital over and over again. Each quarter, we take a hard look at it and see where we want to go and what our opportunities are. The Life Re business is going to take some capital as well, which we're very happy with. And as that runs its course through 2027 and towards the end of this year, you'll get a very clear insight as to where the capital is going and where we're using it for.

Operator
Your next question comes from the line of Geoffrey Dunn with Dowling & Partners.

Geoffrey Dunn, *Dowling & Partners*
With Brightline, what should we be watching for that would justify that exposure coming off the BIG list and getting upgraded internally?

Dominic Frederico
Geoff, internally, it could take a little bit of a while. But what you should look for is, a, them exiting bankruptcy and therefore, solidifying the amount of new capital we've got. And then back to the actual performance of the railroad, the growth in revenues, the ability to not only pay operating expenses and debt service. Remember, the debt service is significantly less than it was before. And we are at the top of the stack. Therefore, we think that this has got real opportunity to cure all their problems, and it already went in our

books from BIG 2 to BIG 1. So we're telling you that it's being more remote from us ever having to think about paying a loss.

Robert Bailenson
Yes. So we've already recognized that benefit coming from BIG 2 to BIG 1.

Geoffrey Dunn
Right. And then with respect to the shorter duration deals and the faster premium recognition, can you give a rough mix shift idea of what kind of mix of your earned premium were those type of deals maybe 2 years ago? Where are we today? And given the growth, can you give like a 5% band of where you think it's going to go? I'm trying to gauge the speed at which we can see that impact over the next couple of years.

Robert Bailenson
Yes. Rough numbers, I'll tell you, Geoff, I mean, 2 years ago, it was probably down 5%. Now it's up – really up to 27% year-to-date. So that shorter duration business in structured finance is roughly 27% to 30% of the total. And I expect as we continue to grow that business, I think it's going to be even higher. So the fund finance business really was really, really made that go much faster, and we continue to grow in the fund finance business. So like I said, it's 30% of structured finance now, and I expect that to grow – it could grow up 30% to 40%.

Dominic Frederico
Adding into the supplement an analysis of where the earned premium comes from. So you can see kind of the impact this new product type in structured finance is going to have on earned premium.

Robert Bailenson
But it is growing. It's going to be a larger percentage of the total.

Operator
This concludes the question-and-answer session. I would now like to turn the conference back 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.