Financial Supplement

Assured Guaranty Corp.

March 31, 2020

ASSURED GUARANTY® CORP.

Assured Guaranty Corp.
March 31, 2020
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, 2019 and its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020. 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" shall mean AGC and its consolidated entities.

Cautionary Statement Regarding Forward Looking Statements:

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

Assured Guaranty Corp.

Selected Financial Highlights (1 of 2)

(dollars in millions)

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
GAAP Highlights		
Net income (loss)	**$ (53)**	**$ (6)**
Gross written premiums (GWP)	**22**	**2**
Effective tax rate on net income	**24.4 %**	**32.6 %**
GAAP return on equity (ROE)[1]	**(9.7)%**	**(1.0)%**
Non-GAAP Highlights[2]		
Adjusted operating income[2]	$ (8)	$ 14
Present value of new business production (PVP)[2]	9	5
Gross par written	15	494
Effective tax rate on adjusted operating income[3]	40.9 %	4.6 %
Adjusted operating ROE[1][2]	(1.6)%	2.6 %

	As of March 31, 2020	As of December 31, 2019
Shareholder's equity	**$ 2,077**	**$ 2,277**
Adjusted operating shareholder's equity[2]	2,029	2,124
Adjusted book value[2]	2,499	2,600
Gain (loss) related to the effect of consolidating FG VIEs (FG VIE consolidation) included in adjusted operating shareholders' equity	(4)	(3)
Gain (loss) related to FG VIE consolidation included in adjusted book value	(4)	(4)
Exposure		
Financial guaranty net debt service outstanding	$ 33,194	$ 34,706
Financial guaranty net par outstanding	21,643	22,612
Claims-paying resources (including MAC)[4]	**3,232**	**3,365**

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 and for a description of the changes to the discount rates used in the calculation of non-GAAP financial measure. The prior period has been recast to present these measures at 3%, instead of a 6% discount rate.
3) Represents the ratio of adjusted operating provision for income taxes to adjusted operating income before income taxes.
4) See page 8 for additional detail on claims-paying resources.

Assured Guaranty Corp.

Selected Financial Highlights (2 of 2)

(dollars in millions)

	Three Months Ended March 31,	
	2020	**2019**
Effect of refundings and terminations on GAAP measures:		
Net earned premiums, pre-tax	**$ 2**	**$ 5**
Net income effect	**3**	**6**
Effect of refundings and terminations on non-GAAP measures:		
Operating net earned premiums and credit derivative revenues[1], pre-tax	2	5
Adjusted operating income[1] effect	3	6

1) 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 Corp.

Condensed Consolidated Balance Sheets (unaudited)

(dollars in millions)

	As of	
	March 31, 2020	December 31, 2019
Assets:		
Investment portfolio:		
Fixed-maturity securities, available-for-sale, at fair value	$ 2,440	$ 2,566
Short-term investments, at fair value	59	88
Equity method investments	389	391
Other invested assets	1	1
Total investment portfolio	2,889	3,046
Loan receivable from parent	88	88
Cash	12	48
Premiums receivable, net of commissions payable	261	255
Ceded unearned premium reserve	221	219
Reinsurance recoverable on unpaid losses	130	125
Salvage and subrogation recoverable	320	306
Financial guaranty variable interest entities' (FG VIE) assets, at fair value	44	49
Other assets	265	211
Total assets	**$ 4,230**	**$ 4,347**
Liabilities and shareholders' equity:		
Liabilities:		
Unearned premium reserve	$ 899	$ 903
Loss and loss adjustment expense (LAE) reserve	451	414
Reinsurance balances payable, net	132	128
Notes payable to affiliates	300	300
Credit derivative liabilities	260	190
FG VIE liabilities with recourse, at fair value	41	47
FG VIE liabilities without recourse, at fair value	1	1
Other liabilities	69	87
Total liabilities	**2,153**	**2,070**
Shareholders' equity:		
Preferred stock	—	—
Common stock	15	15
Additional paid-in capital	742	742
Retained earnings	1,226	1,364
Accumulated other comprehensive income	94	156
Total shareholders' equity	**2,077**	**2,277**
Total liabilities and shareholders' equity	**$ 4,230**	**$ 4,347**

Assured Guaranty Corp.

Condensed Consolidated Statements of Operations (unaudited)

(dollars in millions)

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Revenues:		
Net earned premiums	$ 25	$ 30
Net investment income	26	34
Net realized investment gains (losses)	(1)	—
Net change in fair value of credit derivatives	(67)	(18)
Fair value gains (losses) on committed capital securities	25	(4)
Other income (loss)	(3)	4
Total revenues	**5**	**46**
Expenses:		
Loss and LAE	54	41
Interest expense on note payable to affiliate	3	3
Employee compensation and benefit expenses	11	10
Other operating expenses	5	8
Total expenses	**73**	**62**
Income (loss) before provision for income taxes and equity in net earnings of investees	**(68)**	**(16)**
Equity in net earnings of investees	—	1
Income (loss) before income taxes	**(68)**	**(15)**
Provision (benefit) for income taxes	(16)	(5)
Equity in after-tax net earnings of affiliates	(1)	4
Net income (loss)	**$ (53)**	**$ (6)**

Assured Guaranty 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, 2020 and March 31, 2019

	Three Months Ended March 31, 2020		Three Months Ended March 31, 2019	
	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 realized investment gains (losses)	(1)	—	—	—
Net change in fair value of credit derivatives	(70)	—	(22)	—
Fair value gains (losses) on committed capital securities	25	—	(4)	—
Other income (loss)	(4)	(2)	1	1
Total revenue adjustments	(50)	(2)	(25)	1
Adjustments to expenses:				
Loss expense	7	1	1	1
Total expense adjustments	7	1	1	1
Pre-tax adjustments	(57)	(3)	(26)	—
Tax effect of adjustments	(12)	—	(6)	—
Equity in after-tax net earnings of affiliates	—	—	—	—
After-tax adjustments	$ (45)	$ (3)	$ (20)	$ —

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 Corp.

Selected Financial Highlights

GAAP to Non-GAAP Reconciliations (1 of 2)

(dollars in millions)

Adjusted Operating Income Reconciliation

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Net income (loss)	**$ (53)**	**$ (6)**
Less pre-tax adjustments:		
Realized gains (losses) on investments	(1)	—
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(77)	(23)
Fair value gains (losses) on committed capital securities (CCS)[1]	25	(4)
Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves[1]	(4)	1
Total pre-tax adjustments	(57)	(26)
Less tax effect on pre-tax adjustments	12	6
Adjusted operating income	$ (8)	$ 14

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

ROE Reconciliation and Calculation

	As of March 31, 2020	As of December 31, 2019	As of March 31, 2019	As of December 31, 2018
Shareholder's equity	**$ 2,077**	**$ 2,277**	**$ 2,316**	**$ 2,329**
Adjusted operating shareholder's equity	2,029	2,124	2,146	2,173
Gain (loss) related to FG VIE consolidation included in adjusted operating shareholders' equity	**(4)**	**(3)**	**(8)**	**(8)**

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Net income (loss)	**$ (53)**	**$ (6)**
Adjusted operating income	(8)	14
Average shareholder's equity	**$ 2,177**	**$ 2,323**
Average adjusted operating shareholder's equity	2,077	2,160
Gain (loss) related to FG VIE consolidation included in average adjusted operating shareholder's equity	**(4)**	**(8)**
GAAP ROE [1]	**(9.7)%**	**(1.0)%**
Adjusted operating ROE[1]	(1.6)%	2.6 %

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 Corp.

Selected Financial Highlights

GAAP to Non-GAAP Reconciliations (2 of 2)

(dollars in millions)

	As of			
	March 31, 2020	December 31, 2019	March 31, 2019	December 31, 2018
Reconciliation of shareholder's equity to adjusted book value [1]:				
Shareholder's equity	**$ 2,077**	**$ 2,277**	**$ 2,316**	**$ 2,329**
Less pre-tax reconciling items:				
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(110)	(33)	(42)	(20)
Fair value gains (losses) on CCS	52	28	33	38
Unrealized gain (loss) on investment portfolio	105	186	210	167
Less taxes	1	(28)	(31)	(29)
Adjusted operating shareholders' equity	2,029	2,124	2,146	2,173
Pre-tax reconciling items:				
Less: Deferred acquisition costs	(25)	(22)	(10)	(8)
Plus: Net present value of estimated net future credit derivative revenue	141	148	156	160
Plus: Net unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed	429	432	466	495
Plus taxes	(125)	(126)	(132)	(139)
Adjusted book value	$ 2,499	$ 2,600	$ 2,646	$ 2,697
Gain (loss) related to FG VIE consolidation included in adjusted operating shareholder's equity (net of tax benefit of $1, $1, $2 and $2)	**$ (4)**	**$ (3)**	**$ (8)**	**$ (8)**
Gain (loss) related to FG VIE consolidation included in adjusted book value (net of tax benefit of $1, $1, $3 and $3)	**$ (4)**	**$ (4)**	**$ (9)**	**$ (9)**

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

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

Assured Guaranty Corp.

Claims-Paying Resources

(dollars in millions)

	As of	
	March 31, 2020	December 31, 2019
Claims-paying resources		
Policyholders' surplus	$ 1,668	$ 1,775
Contingency reserve (1)	623	621
Qualified statutory capital	**2,291**	**2,396**
Unearned premium reserve and net deferred ceding commission income (1)	423	431
Loss and LAE reserves (1)	130	151
Total policyholders' surplus and reserves	**2,844**	**2,978**
Present value of installment premium (1)(6)	188	187
CCS	200	200
Total claims-paying resources (including proportionate MAC ownership for AGC)	**3,232**	**3,365**
Adjustment for MAC (2)	239	240
Total claims-paying resources (excluding proportionate MAC ownership for AGC)	**$ 2,993**	**$ 3,125**
Statutory net par outstanding (3)	$ 22,082	$ 22,937
Equity method adjustment (2)	6,830	7,133
Adjusted statutory net par outstanding (1)	$ 28,912	$ 30,070
Net debt service outstanding (3)	$ 33,729	$ 35,172
Equity method adjustment (2)	10,078	10,535
Adjusted net debt service outstanding (1)	$ 43,807	$ 45,707
Ratios:		
Adjusted net par outstanding to qualified statutory capital	13:1	13:1
Capital ratio (4)	19:1	19:1
Financial resources ratio (5)	14:1	14:1
Adjusted statutory net par outstanding to claims-paying resources (including MAC adjustment for AGC)	9:1	9:1

1) The numbers shown for AGC have been adjusted to include its indirect share of Municipal Assurance Corp. (MAC). Assured Guaranty Municipal Corp. (AGM) and AGC own 60.7% and 39.3%, respectively, of the outstanding stock of Municipal Assurance Holdings Inc., which owns 100% of the outstanding common stock of MAC.
2) Represents adjustment for AGC's interest and indirect ownership of MAC.
3) Net par outstanding and net debt service outstanding are presented on a statutory basis.
4) The capital ratio is calculated by dividing adjusted net debt service outstanding by qualified statutory capital.
5) The financial resources ratio is calculated by dividing adjusted net debt service outstanding by total claims-paying resources (including MAC adjustment for AGC).
6) Discount rate was changed from 6% to 3% in first quarter 2020. Prior periods have been updated to reflect the change.

Assured Guaranty Corp.

New Business Production

(dollars in millions)

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

	Three Months Ended March 31, 2020					Three Months Ended March 31, 2019				
	Public Finance		Structured Finance			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	**$ —**	**$ 21**	**$ 1**	**$ —**	**$ 22**	**$ (1)**	**$ (2)**	**$ 5**	**$ —**	**$ 2**
Less: Installment GWP and other GAAP adjustments(2)	—	21	1	—	22	(1)	(2)	4	—	1
Upfront GWP	—	—	—	—	—	—	—	1	—	1
Plus: Installment premium PVP	—	9	—	—	9	—	—	4	—	4
Total PVP	$ —	$ 9	$ —	$ —	$ 9	$ —	$ —	$ 5	$ —	$ 5
Gross par written	**$ —**	**$ —**	**$ 15**	**$ —**	**$ 15**	**$ —**	**$ —**	**$ 494**	**$ —**	**$ 494**

1) See Non-GAAP Financial Measures set forth at the end of this Financial Supplement for a description of the changes to the discount rates used in the calculation of non-GAAP financial measure. The discount rate used for PVP as of March 31, 2020 is 3%. Prior period has been recast to present PVP discounted at 3% instead of 6%. There was no material impact on prior period presented.

2) Includes present value of new business on installment policies discounted at the prescribed GAAP discount rates, GWP adjustments on existing installment policies due to changes in assumptions, any cancellations of assumed reinsurance contracts, and other GAAP adjustments.

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

Assured Guaranty Corp.

Gross Par Written

(dollars in millions)

Gross Par Written by Asset Type

	Three Months Ended March 31, 2020	
	Gross Par Written	Avg. Internal Rating
Sector		
U.S. public finance		
Total U.S. public finance	$ —	--
Non-U.S. public finance:		
Total non-U.S. public finance	—	--
Total public finance	**—**	--
U.S. structured finance:		
Structured credit	15	BBB
Total U.S. structured finance	15	BBB
Non-U.S. structured finance:		
Total non-U.S. structured finance	—	
Total structured finance	**15**	**BBB**
Total gross par written	**$ 15**	**BBB**

Assured Guaranty Corp.

Investment Portfolio and Cash

As of March 31, 2020

(dollars in millions)

	Amortized Cost	Allowance for Credit Losses	Pre-Tax Book Yield	After-Tax Book Yield	Fair Value	Annualized Investment Income [1]
Investment portfolio:						
Fixed-maturity securities:						
Obligations of state and political subdivisions[2][3]	$ 1,484	$ (11)	3.69 %	3.32 %	$ 1,579	$ 55
U.S. government and agencies	52	—	3.91	3.09	54	2
Corporate securities	326	—	3.35	2.65	326	11
Mortgage-backed securities (MBS):						
Residential MBS (RMBS)[3]	52	—	4.75	3.75	54	2
Commercial MBS (CMBS)	38	—	3.36	2.66	39	1
Asset-backed securities[3]	408	(7)	6.87	5.42	388	28
Total fixed-maturity securities	2,360	(18)	4.21	3.59	2,440	99
Short-term investments	59	—	0.25	0.20	59	—
Cash [4]	12	—	—	—	12	—
Total	**$ 2,431**	**(18)**	**4.11%**	**3.50%**	**$ 2,511**	**$ 99**

Ratings [5]:	Fair Value	% of Portfolio
U.S. government and agencies	$ 54	2.2 %
AAA/Aaa	228	9.3
AA/Aa	1,139	46.7
A/A	419	17.2
BBB	193	8.0
Below investment grade (BIG) [6]	357	14.6
Not rated	50	2.0
Total fixed-maturity securities, available-for-sale	**$ 2,440**	**100.0%**

Duration of fixed-maturity securities and short-term investments (in years):	**5.0**
Average ratings of 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 BBB, 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).
3) Includes securities purchased or obtained for loss mitigation purposes.
4) Cash is not included in the yield calculation.
5) Ratings are the lower of Moody's or S&P classifications except for bonds purchased for loss mitigation (loss mitigation securities) or other risk management strategies which use internal ratings classifications.
6) Includes below investment grade securities that were purchased or obtained as part of loss mitigation or other risk management strategies of $528 million in par with carrying value of $353 million.

Assured Guaranty Corp.

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

(dollars in millions)

	Estimated Net Debt Service Amortization(1)	Estimated Ending Net Debt Service Outstanding(1)	Financial Guaranty Insurance (2)			Future Credit Derivative Revenues
			Expected PV Net Earned Premiums	Accretion of Discount	Effect of FG VIE Consolidation on Expected PV Net Earned Premiums and Accretion of Discount	
2020 (as of March 31)		$ 33,194				
2020 Q2	$ 593	32,601	$ 20	$ 1	$ —	$ 3
2020 Q3	730	31,871	19	1	—	3
2020 Q4	603	31,268	19	1	—	2
2021	2,604	28,664	69	3	—	9
2022	2,097	26,567	62	3	(1)	9
2023	1,606	24,961	56	2	—	8
2024	1,477	23,484	51	2	(1)	8
2020-2024	9,710	23,484	296	13	(2)	42
2025-2029	7,395	16,089	201	8	(1)	35
2030-2034	5,784	10,305	130	5	(1)	30
2035-2039	5,115	5,190	56	2	(1)	22
After 2039	5,190	—	41	1	—	18
Total	**$ 33,194**		**$ 724**	**$ 29**	**$ (5)**	**$ 147**

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

2) See page 15 for ‘‘Net Expected Loss to be Expensed.’’

Assured Guaranty 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, 2020

	Net Expected Loss to be Paid (Recovered) as of December 31, 2019	Economic Loss Development (Benefit) During 1Q-20	(Paid) Recovered Losses During 1Q-20	Net Expected Loss to be Paid (Recovered) as of March 31, 2020
Public Finance:				
U.S. public finance [2]	$ 247	$ 43	$ (30)	$ 260
Non-U.S public finance	2	1	—	3
Public Finance	249	44	(30)	263
Structured Finance:				
U.S. RMBS [3]	91	(19)	6	78
Other structured finance	(28)	6	1	(21)
Structured Finance	63	(13)	7	57
Total	**$ 312**	**$ 31**	**$ (23)**	**$ 320**

1) Includes expected loss to be paid, economic loss development and paid (recovered) losses for all contracts (i.e. those accounted for as insurance, credit derivatives and FG VIEs).

2) The total net expected loss for troubled U.S. public finance exposures is net of a credit of $341 million as of March 31, 2020 and $313 million as of December 31, 2019 for estimated future recoveries of claims already paid.

3) Includes future net representations and warranties (R&W) receivable of $7 million as of March 31, 2020 and $11 million as of December 31, 2019.

Assured Guaranty Corp.

Loss Measures

As of March 31, 2020

(dollars in millions)

		Three Months Ended March 31, 2020		
	Total Net Par Outstanding for BIG Transactions	**Loss and LAE**	**Loss and LAE included in Adjusted Operating Income (1)**	**Effect of FG VIE Consolidation (2)**
Public finance:				
U.S. public finance	$ 1,679	**$ 49**	$ 49	$ —
Non-U.S public finance	116	**—**	—	—
Public finance	1,795	**49**	49	—
Structured finance:				
U.S. RMBS	507	**1**	(6)	1
Other structured finance	17	**4**	4	—
Structured finance	524	**5**	(2)	1
Total	**$ 2,319**	**$ 54**	$ 47	$ 1

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

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

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

Assured Guaranty Corp.

Net Expected Loss to be Expensed[(1)]

As of March 31, 2020

(dollars in millions)

		GAAP
2020 Q2	$	**7**
2020 Q3		**7**
2020 Q4		**7**
2021		**28**
2022		**28**
2023		**27**
2024		**24**
2020-2024		**128**
2025-2029		**106**
2030-2034		**72**
2035-2039		**24**
After 2039		**4**
Total expected present value of net expected loss to be expensed[(2)]		**334**
Future accretion		**46**
Total expected future loss and LAE	**$**	**380**

1) The present value of net expected loss to be paid is discounted using risk-free rates ranging from 0.00% to 1.39% for U.S. dollar denominated obligations.

2) Excludes $3 million related to FG VIEs, which are eliminated in consolidation.

Assured Guaranty Corp.

Financial Guaranty Profile (1 of 3)

(dollars in millions)

Net Par Outstanding and Average Rating by Asset Type

	As of March 31, 2020		As of December 31, 2019	
	Net Par Outstanding	Avg. Internal Rating	Net Par Outstanding	Avg. Internal Rating
U.S. public finance:				
Tax backed	$ 2,901	BBB-	$ 3,059	BBB-
Transportation	2,398	A-	2,393	A-
General obligation	2,253	BBB+	2,336	BBB+
Infrastructure finance	1,967	A+	1,994	A+
Municipal utilities	1,411	BBB	1,443	BBB
Healthcare	532	BBB+	662	BBB+
Investor-owned utilities	343	A-	344	A-
Higher education	301	A-	334	A-
Renewable energy	128	A-	130	BBB+
Housing revenue	109	BBB-	109	BBB-
Other public finance	908	A-	917	A-
Total U.S. public finance	13,251	BBB+	13,721	BBB+
Non-U.S. public finance:				
Regulated utilities	1,799	BBB+	1,918	BBB+
Infrastructure finance	1,446	BBB	1,622	BBB
Pooled infrastructure	663	AAA	708	AAA
Sovereign and sub-sovereign	280	A-	283	A-
Renewable energy	238	BBB+	255	BBB+
Total non-U.S. public finance	4,426	A-	4,786	A-
Total public finance	**17,677**	**BBB+**	**18,507**	**BBB+**
U.S. structured finance:				
RMBS	1,107	BBB	1,158	BBB
Pooled corporate obligations	1,041	AA-	1,081	AA-
Life insurance transactions	575	AA-	563	AA-
Consumer receivables	504	A+	534	A+
Other structured finance	410	BBB	416	BBB
Total U.S. structured finance	3,637	A	3,752	A
Non-U.S. structured finance:				
RMBS	196	AA-	210	AA-
Pooled corporate obligations	3	BBB+	3	BBB+
Other structured finance	130	BBB	140	BBB
Total non-U.S. structured finance	329	A	353	A
Total structured finance	**3,966**	**A**	**4,105**	**A**
Total	**$ 21,643**	**A-**	**$ 22,612**	**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 Corp.

Financial Guaranty Profile (2 of 3)

As of March 31, 2020

(dollars in millions)

Distribution by Ratings of Financial Guaranty Portfolio

	Public Finance - U.S.		Public Finance - Non-U.S.		Structured Finance - U.S.		Structured Finance - Non-U.S.		Total	
Ratings:	**Net Par Outstanding**	**%**	**Net Par Outstanding**	**%**	**Net Par Outstanding**	**%**	**Net Par Outstanding**	**%**	**Net Par Outstanding**	**%**
AAA	$ 19	0.1 %	$ 759	17.2 %	$ 508	14.0 %	$ 73	22.2 %	$ 1,359	6.3 %
AA	2,716	20.5	188	4.2	1,501	41.3	10	3.0	4,415	20.4
A	4,237	32.0	760	17.2	631	17.3	125	38.0	5,753	26.6
BBB	4,600	34.7	2,603	58.8	473	13.0	121	36.8	7,797	36.0
BIG	1,679	12.7	116	2.6	524	14.4	—	—	2,319	10.7
Net Par Outstanding[1]	**$ 13,251**	**100.0%**	**$ 4,426**	**100.0%**	**$ 3,637**	**100.0%**	**$ 329**	**100.0%**	**$ 21,643**	**100.0%**

1) As of March 31, 2020, excludes $564 million of net par attributable to loss mitigation strategies, including loss mitigation securities held in the investment portfolio, which are primarily BIG.

Ceded Par Outstanding

	Ceded Par Outstanding[(1)(2)]	% of Total
Affiliated reinsurers	$ 12,216	99.8 %
Non-affiliated reinsurers	26	0.2 %
Total	**$ 12,242**	**100.0%**

1) Of the total ceded par to reinsurers, none is rated BIG.
2) There was no collateral posted by third party reinsurers and $189 million posted by affiliated reinsurers as of March 31, 2020.

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 Corp.

Financial Guaranty Profile (3 of 3)

As of March 31, 2020

(dollars in millions)

Geographic Distribution of Financial Guaranty Portfolio

	Net Par Outstanding	% of Total
U.S.:		
U.S. public finance:		
California	$ 3,295	15.2 %
Puerto Rico	1,518	7.0
Texas	1,124	5.2
New Jersey	1,064	4.9
New York	839	3.9
Illinois	668	3.1
District of Columbia	620	2.9
Florida	474	2.2
Virginia	459	2.1
Georgia	288	1.3
Other	2,902	13.4
Total U.S. public finance	13,251	61.2
U.S. structured finance:	3,637	16.8
Total U.S.	**16,888**	**78.0**
Non-U.S.:		
United Kingdom	3,069	14.2
Australia	487	2.3
New Zealand	194	0.9
Mexico	171	0.8
Chile	152	0.7
Other	682	3.1
Total non-U.S.	**4,755**	**22.0**
Total net par outstanding	**$ 21,643**	**100.0%**

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

Assured Guaranty Corp.

Exposure to Puerto Rico (1 of 3)

As of March 31, 2020

(dollars in millions)

Exposure to Puerto Rico

	Gross Par Outstanding	Net Par Outstanding	Gross Debt Service Outstanding	Net Debt Service Outstanding
Total	$ 1,854	$ 1,518	$ 3,063	$ 2,480

Exposure to Puerto Rico by Risk[1]

	Net Par Outstanding[2]	Gross Par Outstanding
Commonwealth Constitutionally Guaranteed		
Commonwealth of Puerto Rico - General Obligation Bonds[2]	$ 268	$ 311
Puerto Rico Public Buildings Authority (PBA)[2]	140	140
Public Corporations - Certain Revenues Potentially Subject to Clawback		
Puerto Rico Highways and Transportation Authority (PRHTA) (Transportation revenue)[2]	480	609
PRHTA (Highways revenue)[2]	74	77
Puerto Rico Convention Center District Authority (PRCCDA)	152	152
Puerto Rico Infrastructure Financing Authority (PRIFA)	15	16
Other Public Corporations		
Puerto Rico Electric Power Authority (PREPA)[2]	71	121
Puerto Rico Aqueduct and Sewer Authority (PRASA)[3]	284	373
Puerto Rico Municipal Finance Agency (MFA)[3]	33	54
University of Puerto Rico (U of PR) [3]	1	1
Total exposure to Puerto Rico	$ 1,518	$ 1,854

1) The general obligation bonds of Puerto Rico and various obligations of its related authorities and public corporations are rated BIG.

2) As of the date of this filing, the seven-member financial oversight board established by the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) has certified a filing under Title III of PROMESA for these exposures.

3) As of the date of this filing, the Company has not paid claims on these credits.

Assured Guaranty Corp.

Exposure to Puerto Rico (2 of 3)

As of March 31, 2020

(dollars in millions)

Amortization Schedule of Net Par Outstanding of Puerto Rico

	2020 (2Q)	2020 (3Q)	2020 (4Q)	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030-2034	2035-2039	2040-2044	2045-2047	Total
Commonwealth Constitutionally Guaranteed																	
Commonwealth of Puerto Rico - General Obligation Bonds	$ —	$ 84	$ —	$ 15	$ 13	$ 8	$ 9	$ 8	$ 16	$ 23	$ 7	$ 38	$ 40	$ 7	$ —	$ —	$ 268
PBA	—	5	—	13	—	7	—	7	11	40	—	—	38	19	—	—	140
Public Corporations - Certain Revenues Potentially Subject to Clawback																	
PRHTA (Transportation revenue)	—	8	—	5	14	19	4	21	17	8	12	21	106	201	44	—	480
PRHTA (Highway revenue)	—	11	—	12	—	—	—	1	—	—	1	2	37	10	—	—	74
PRCCDA	—	—	—	—	—	—	—	—	—	19	—	—	76	57	—	—	152
PRIFA	—	—	—	—	—	2	—	—	—	—	—	—	—	6	7	—	15
Other Public Corporations																	
PREPA	—	1	—	1	1	1	1	1	19	17	17	1	11	—	—	—	71
PRASA	—	—	—	—	—	—	2	19	19	21	22	—	—	2	15	184	284
MFA	—	9	—	8	7	3	1	—	2	1	1	1	—	—	—	—	33
U of PR	—	—	—	—	—	—	—	—	—	—	—	0	1	—	—	—	1
Total	$ —	$ 118	$ —	$ 54	$ 35	$ 40	$ 17	$ 57	$ 84	$ 129	$ 60	$ 63	$ 309	$ 302	$ 66	$ 184	$ 1,518

Assured Guaranty Corp.

Exposure to Puerto Rico (3 of 3)

As of March 31, 2020

(dollars in millions)

Amortization Schedule of Net Debt Service Outstanding of Puerto Rico

	2020 (2Q)	2020 (3Q)	2020 (4Q)	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030-2034	2035-2039	2040-2044	2045-2047	Total
Commonwealth Constitutionally Guaranteed																	
Commonwealth of Puerto Rico - General Obligation Bonds	$ —	$ 91	$ —	$ 24	$ 22	$ 16	$ 17	$ 15	$ 23	$ 29	$ 12	$ 42	$ 50	$ 8	$ —	$ —	$ 349
PBA	—	9	—	19	6	13	6	13	17	45	3	4	49	20	—	—	204
Public Corporations - Certain Revenues Potentially Subject to Clawback																	
PRHTA (Transportation revenue)	—	20	—	30	38	43	27	44	38	28	32	40	194	237	47	—	818
PRHTA (Highway revenue)	—	13	—	15	3	3	3	3	3	3	3	4	46	10	—	—	109
PRCCDA	—	3	—	7	7	7	7	7	7	26	6	6	103	61	—	—	247
PRIFA	—	—	—	1	1	2	1	—	1	1	1	1	2	10	8	—	29
Other Public Corporations																	
PREPA	—	2	—	5	4	5	4	5	22	19	18	2	12	—	—	—	98
PRASA	—	8	—	15	15	15	16	33	33	33	33	10	52	54	67	204	588
MFA	—	10	—	9	8	3	1	1	2	1	1	1	—	—	—	—	37
U of PR	—	—	—	—	—	—	—	—	—	—	—	—	1	—	—	—	1
Total	$ —	$ 156	$ —	$ 125	$ 104	$ 107	$ 82	$ 121	$ 146	$ 185	$ 109	$ 110	$ 509	$ 400	$ 122	$ 204	$ 2,480

Assured Guaranty Corp.

Direct Pooled Corporate Obligations Profile

As of March 31, 2020

(dollars in millions)

Distribution of Direct Pooled Corporate Obligations by Ratings

	Net Par Outstanding	% of Total	Avg. Initial Credit Enhancement	Avg. Current Credit Enhancement
Ratings:				
AAA	$ 117	11.8 %	47.2 %	75.1 %
AA	618	62.6	41.1	51.7
A	188	19.0	43.2	46.8
BBB	65	6.6	35.3	35.7
Total exposures	**$ 988**	**100.0%**	**41.9%**	**52.5%**

Distribution of Direct Pooled Corporate Obligations by Asset Class

	Net Par Outstanding	% of Total	Avg. Initial Credit Enhancement	Avg. Current Credit Enhancement	Avg. Rating
Asset class:					
CBOs/CLOs	$ 400	40.5 %	37.6 %	41.4 %	A+
Trust preferred					
Banks and insurance	505	51.1	44.4	59.3	AA
U.S. mortgage and real estate investment trusts	83	8.4	47.4	64.4	A
Total exposures	**$ 988**	**100.0%**	**41.9%**	**52.5%**	**AA-**

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

Assured Guaranty Corp.
U.S. RMBS Profile
As of March 31, 2020
(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	$ 11	$ 53	$ 11	$ 275	$ —	$ 350
AA	24	71	1	19	1	116
A	—	24	—	21	18	63
BBB	—	—	—	—	71	71
BIG	22	88	12	330	55	507
Total exposures	**$ 57**	**$ 236**	**$ 24**	**$ 645**	**$ 145**	**$ 1,107**

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	$ 18	$ 1	$ 1	$ 87	$ 21	$ 128
2005	32	70	10	94	30	236
2006	7	1	6	212	15	241
2007	—	164	7	252	79	502
Total exposures	**$ 57**	**$ 236**	**$ 24**	**$ 645**	**$ 145**	**$ 1,107**

1) AGC 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 Corp.

Credit Derivative Net Par Outstanding Profile

As of March 31, 2020

(dollars in millions)

Distribution of Credit Derivative Net Par Outstanding by Rating

Rating	Net Par Outstanding	% of Total
AAA	$ 910	25.0 %
AA	1,475	40.5
A	514	14.2
BBB	633	17.4
BIG	107	2.9
Total credit derivative net par outstanding	**$ 3,639**	**100.0%**

Distribution of Credit Derivative Net Par Outstanding by Sector and Average Rating

	Net Par Outstanding	Average Internal Rating
Public finance		
U.S. public finance	$ 1,142	AA
Non-U.S. public finance	1,376	AA-
Total public finance	**2,518**	**AA-**
U.S. structured finance:		
Pooled corporate obligations	520	AA-
RMBS	386	A+
Consumer receivables	91	A+
Total U.S. structured finance	997	AA-
Non-U.S. structured finance:		
RMBS	124	A
Total non-U.S. structured finance	124	A
Total structured finance	**1,121**	**A+**
Total credit derivative net par outstanding	**$ 3,639**	**AA-**

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

Assured Guaranty Corp.

Below Investment Grade Exposures (1 of 3)

(dollars in millions)

BIG Exposures by Asset Exposure Type

	As of	
	March 31, 2020	December 31, 2019
U.S. public finance:		
Tax backed	$ 759	$ 762
General obligation	449	461
Municipal utilities	374	374
Higher education	34	36
Healthcare	30	30
Housing revenue	17	17
Transportation	14	14
Infrastructure finance	2	2
Renewable energy	—	2
Total U.S. public finance	1,679	1,698
Non-U.S. public finance:		
Infrastructure finance	41	45
Renewable energy	39	40
Sovereign and sub-sovereign	36	36
Total non-U.S. public finance	116	121
Total public finance	**1,795**	**1,819**
U.S. structured finance:		
RMBS	507	520
Life insurance transactions	6	7
Consumer receivables	4	4
Other structured finance	7	7
Total U.S. structured finance	524	538
Non-U.S. structured finance:		
Total non-U.S. structured finance	—	—
Total structured finance	**524**	**538**
Total BIG net par outstanding	**$ 2,319**	**$ 2,357**

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 Corp.

Below Investment Grade Exposures (2 of 3)

(dollars in millions)

Net Par Outstanding by BIG Category(1)

	As of	
	March 31, 2020	**December 31, 2019**
BIG Category 1		
U.S. public finance	$ 181	$ 200
Non-U.S. public finance	116	121
U.S. structured finance	103	87
Non-U.S. structured finance	—	—
Total BIG Category 1	400	408
BIG Category 2		
U.S. public finance	294	294
Non-U.S. public finance	—	—
U.S. structured finance	27	28
Non-U.S. structured finance	—	—
Total BIG Category 2	321	322
BIG Category 3		
U.S. public finance	1,204	1,204
Non-U.S. public finance	—	—
U.S. structured finance	394	423
Non-U.S. structured finance	—	—
Total BIG Category 3	1,598	1,627
BIG Total	**$ 2,319**	**$ 2,357**

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

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

Assured Guaranty Corp.

Below Investment Grade Exposures (3 of 3)

As of March 31, 2020

(dollars in millions)

BIG Exposures with Revenue Sources Greater Than $50 Million

Name or description	Net Par Outstanding	Internal Rating(1)
U.S. public finance:		
Puerto Rico Highways & Transportation Authority	$ 554	CCC
Puerto Rico, General Obligation, Appropriations and Guarantees of the Commonwealth	423	CCC
Puerto Rico Aqueduct & Sewer Authority (PRASA)	284	CCC
Puerto Rico Convention Center District Authority	152	CCC
Puerto Rico Electric Power Authority	71	CCC
Subtotal U.S. public finance	**1,484**	
Non-U.S. public finance:		
Subtotal non-U.S. public finance	—	
U.S. structured finance		
RMBS:		
Option One Mortgage Loan Trust 2007-HL1	110	CCC
Argent Securities Inc., Asset Backed Pass Through Certificates 2005-W4	93	CCC
Subtotal RMBS	**203**	
Non-RMBS:		
Subtotal non-RMBS	—	
Subtotal U.S. structured finance	**203**	
Total	**$ 1,687**	

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.

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

Assured Guaranty Corp.

Largest Exposures by Sector (1 of 3)

As of March 31, 2020

(dollars in millions)

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

Credit Name	Net Par Outstanding	Internal Rating(1)
New Jersey (State of)	$ 975	BBB
San Diego Family Housing, LLC	944	AA
North Texas Tollway Authority	671	A
Puerto Rico Highways & Transportation Authority	554	CCC
LCOR Alexandria LLC	434	BBB+
Puerto Rico, General Obligation, Appropriations and Guarantees of the Commonwealth	423	CCC
Alameda Corridor Transportation Authority, California	373	BBB+
Metro Washington Airports Authority (Dulles Toll Road)	334	BBB+
Puerto Rico Aqueduct & Sewer Authority (PRASA)	284	CCC
DOT Headquarters II Lease-Backed Mortgage Finance Trust	259	A
Yankee Stadium LLC New York City Industrial Development Authority	217	BBB
California (State of)	215	AA-
Dallas (City of) Civic Center Convention Complex, Texas	210	A+
San Joaquin Hills Transportation, California	189	BBB-
Dodger Tickets LLC	178	BBB
Puerto Rico Convention Center District Authority	152	CCC
Denver (City & County) Airport System, Colorado	151	A+
Duke Energy Florida	149	A
Miami-Dade County, Florida	141	AA-
New York Metropolitan Transportation Authority	140	BBB+
New York (City of), New York	134	AA
Navy Midwest Family Housing LLC	125	A
San Francisco Airports Commission (San Francisco International Airport), California	120	A+
Natural Gas Acquisition Corporation of Clarksville, Tennessee	112	A
Southern California Logistic Airport, California	111	BBB-
Washington Water Power (Avista Project)	107	A-
Covenant Health	106	A
San Diego County, California	106	AA-
Chicago-O'Hare International Airport, Illinois	97	A-
Offutt Air Force Base, Nebraska - America First Communities, LLC	92	A+
Municipal Gas Authority of Georgia	91	A+
St. Louis, Missouri	87	BBB+
Ohana Military Communities, LLC	85	A-
San Bernardino County, California	84	A+
Piedmont Municipal Power Authority, South Carolina	81	A-
Massachusetts State College Building Authority	80	AA-
Aurora Military Housing I & II (Elmendorf Air Force Base), LLC	77	AA
North Oaks Health System	74	BBB-
Puerto Rico Electric Power Authority	71	CCC
Georgia Board of Regents	71	A
Long Beach Bond Financing Authority (Natural Gas Prepayment Transaction), California	70	A
Chicago Water, Illinois	69	BBB+
Fort Benning Family Communities LLC	68	A-
E-470 Public Highway Authority, Colorado	68	A-
Duke Energy Ohio	67	A-
Houston Water and Sewer Authority, Texas	66	AA-
Maine (State of)	60	A
Mets Queens Ballpark	60	BBB-
ACTS Retirement Life Communities, Pennsylvania	58	BBB+
BMC Special Care Facilities Financing Authority, Alabama	58	BBB+
Total top 50 U.S. public finance exposures	**$ 9,548**	

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

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

Assured Guaranty Corp.

Largest Exposures by Sector (2 of 3)

As of March 31, 2020

(dollars in millions)

25 Largest U.S. Structured Finance Exposures

Credit Name	Net Par Outstanding	Internal Rating(1)
SLM Private Credit Student Trust 2007-A	$ 336	A+
Fortress Credit Opportunities VII CLO Limited	167	AA-
Private US Insurance Securitization	151	AA-
Private US Insurance Securitization	150	AA
Private US Insurance Securitization	150	AA-
SLM Private Credit Student Loan Trust 2006-C	136	AA-
ABPCI Direct Lending Fund CLO I Ltd	135	A
Private US Insurance Securitization	112	AA-
Option One Mortgage Loan Trust 2007-HL1	109	CCC
Brightwood Fund III Static 2018-1, LLC	98	AA
Argent Securities Inc., Asset Backed Pass Through Certificates 2005-W4	93	CCC
Soundview Home Equity Loan Trust 2006-OPT1	83	AAA
New Century Home Equity Loan Trust 2006-1	83	AAA
Preferred Term Securities XXIV, Ltd.	79	AA-
CWALT Alternative Loan Trust 2007-HY9	75	A+
OwnIt Mortgage Loan ABS Certificates 2006-3	70	AAA
ALESCO Preferred Funding XIII, Ltd.	68	AA
Structured Asset Investment Loan Trust 2006-1	62	AAA
Private Balloon Note Guarantee	59	BBB
Preferred Term Securities XXIII	58	AA
CAPCO - Excess SIPC Excess of Loss Reinsurance	54	BBB
Alesco Preferred Funding XVI, Ltd.	48	BBB-
ALESCO Preferred Funding XII, Ltd.	47	AA
Countrywide Home Equity Loan Trust 2007-D	47	BBB-
IMPAC CMB Trust Series 2007-A	46	AAA
Total top 25 U.S. structured finance exposures	**$ 2,516**	

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

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

Assured Guaranty Corp.

Largest Exposures by Sector (3 of 3)

As of March 31, 2020

(dollars in millions)

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

Credit Name	Country	Net Par Outstanding	Internal Rating
Thames Water Utility Finance PLC	United Kingdom	$ 333	A-
South Lanarkshire Schools	United Kingdom	320	BBB
International Infrastructure Pool	United Kingdom	221	AAA
International Infrastructure Pool	United Kingdom	221	AAA
International Infrastructure Pool	United Kingdom	221	AAA
BBI (DBCT) Finance Pty Limited	Australia	206	BBB
National Grid Gas PLC	United Kingdom	174	BBB+
Comision Federal De Electricidad (CFE) El Cajon Project	Mexico	170	BBB-
Dali Capital PLC-Northumbrian Water	United Kingdom	129	BBB+
Mighty River Power, New Zealand	New Zealand	128	BBB+
Regione Lazio	Italy	127	BBB-
Sydney Airport Finance Company	Australia	125	BBB+
Private International Residential Mortgage Transaction	United Kingdom	124	A
Wessex Water Services Finance plc	United Kingdom	119	AA
M77 - Glasgow Southern Orbital PFI Road Project	United Kingdom	110	BBB-
Private Other Structured Finance Transaction	Guatemala	108	BBB-
Channel Link Enterprises Finance PLC	France, United Kingdom	105	BBB
Verbund (Lease and Sublease of Hydro-Electric equipment)	Austria	95	AAA
Anglian Water Services Financing PLC	United Kingdom	95	A-
National Grid Company PLC	United Kingdom	85	BBB+
United Utilities Water PLC	United Kingdom	80	BBB+
Yorkshire Water Services Finance Plc	United Kingdom	80	A-
Southern Gas Networks PLC	United Kingdom	78	BBB
Vespucio Sur Chilean Toll Road	Chile	77	BBB
Orange and Associated Health ServicesAncora (OAHS) Pty Ltd.	Australia	76	BBB
Quebec Province	Canada	71	AA-
Envestra Limited	Australia	66	A-
Vector Limited	New Zealand	66	BBB+
Southern Water Services Limited	United Kingdom	62	A-
Dwr Cymru Financing Limited (Welsh Water Plc)	United Kingdom	60	A-
Chillan-Collipulli Chilean Toll Road	Chile	56	BBB-
Societe des Autoroutes du Nord et de l'Est de France S.A.	France	54	BBB+
Capital Hospitals (Issuer) PLC	United Kingdom	45	BBB-
Electricity North West Ltd (f/k/a United Utilities Group PLC)	United Kingdom	44	BBB+
Breeze Finance S.A.	Germany	39	B-
ALBA 2005-1 PLC	United Kingdom	35	AAA
Valencia Fair	Spain	34	BB+
Severn Trent Water Utilities Finance Plc	United Kingdom	33	BBB+
Newcastle Hospitals PFI Project	United Kingdom	32	BB+
Southern Electric Power Distribution Plc	United Kingdom	25	BBB+
Derby Healthcare PLC	United Kingdom	23	BBB
Western Power Distribution (South Wales) PLC	United Kingdom	21	BBB+
Private Commercial Receivable Transaction	Refer to Note 1	20	AAA
Western Power Distribution (SW) PLC	United Kingdom	19	BBB+
Verdun Participations 2 S.A.S.	France	19	BBB-
ALBA 2006-1	United Kingdom	16	AAA
NewHospitals (St Helens & Knowsley) Finance PLC	United Kingdom	15	BBB
Autolink Concessionaires (M6)	United Kingdom	15	A+
Northern Counties Housing Association Limited	United Kingdom	15	A
Scotland Gas Networks plc	United Kingdom	15	BBB
Total top 50 non-U.S. exposures		**$ 4,507**	

1) Primarily United Kingdom, Canada, Brazil, Aruba, and Iceland

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

Assured Guaranty Corp.

Summary of Statutory Financial and Statistical Data

(dollars in millions)

	As of and for Three Months Ended March 31,	As of and for Year Ended December 31,			
	2020	**2019**	**2018**	**2017**	**2016**
Claims-Paying Resources[1]					
Policyholders' surplus	$ 1,668	$ 1,775	$ 1,793	$ 2,073	$ 1,896
Contingency reserve	623	621	629	642	772
Qualified statutory capital	**2,291**	**2,396**	**2,422**	**2,715**	**2,668**
Unearned premium reserve and net deferred ceding commission income	423	431	484	354	498
Loss and LAE reserves	130	151	236	135	140
Total policyholders' surplus and reserves	**2,844**	**2,978**	**3,142**	**3,204**	**3,306**
Present value of installment premium [3]	188	187	167	153	189
CCS	200	200	200	200	200
Excess of loss reinsurance facility	—	—	180	180	360
Total claims-paying resources (including proportionate MAC ownership for AGC)	**3,232**	**3,365**	**3,689**	**3,737**	**4,055**
Adjustment for MAC	239	240	281	292	425
Total claims-paying resources (excluding proportionate MAC ownership for AGC)	**$ 2,993**	**$ 3,125**	**$ 3,408**	**$ 3,445**	**$ 3,630**
Ratios:					
Net par outstanding to qualified statutory capital	13:1	13:1	15:1	13:1	19:1
Capital ratio	19:1	19:1	22:1	20:1	28:1
Financial resources ratio	14:1	14:1	14:1	14:1	19:1
Adjusted statutory net par outstanding to claims-paying resources (including MAC adjustment for AGC)	9:1	9:1	10:1	10:1	13:1
Other Financial Information (Statutory Basis)[2]					
Net debt service outstanding (end of period)	$ 43,807	$ 45,707	$ 53,213	$ 53,437	$ 75,532
Gross debt service outstanding (end of period)	57,815	60,496	70,087	67,865	97,249
Net par outstanding (end of period)	28,912	30,070	35,546	35,743	50,965
Gross par outstanding (end of period)	38,477	40,158	47,202	45,664	65,503
Ceded to Assured Guaranty affiliates	9,539	9,989	11,556	9,846	13,905
Gross debt service written:					
Public finance - U.S.	$ —	$ 923	$ 10,932	$ 15	$ 1
Public finance - non-U.S.	—	664	6,370	—	—
Structured finance - U.S.	19	1,703	1,191	56	105
Structured finance - non-U.S.	—	—	230	—	30
Total gross debt service written	$ 19	$ 3,290	$ 18,723	$ 71	$ 136

1) See page 8 for additional detail on claims-paying resources and exposure.

2) The National Association of Insurance Commissioners Annual Statements for U.S. Domiciled Insurance Companies are prepared on a stand-alone basis.

3) Discount rate was changed from 6% to 3% in first quarter 2020. Prior periods have been updated to reflect the change.

Please refer to the 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:

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

Sectors

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

Public Finance:

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

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

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

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

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

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

Infrastructure Finance 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.

Glossary (continued)

***Sectors* (continued)**

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

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

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.

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

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

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

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

Structured Finance:

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

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

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

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

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

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

Non-GAAP Financial Measures

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

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

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

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

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

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

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

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

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

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

1) Elimination of realized gains (losses) on the Company’s investments, except for gains and losses on securities classified as trading. The timing of realized gains and losses, which depends largely on market credit cycles, can vary considerably across periods. The timing of sales is largely subject to the Company’s discretion and influenced by market opportunities, as well as the Company’s tax and capital profile.

2) Elimination of non-credit-impairment unrealized fair value gains (losses) on credit derivatives that are recognized in net income, which is the amount of unrealized fair value gains (losses) in excess of the present value of the expected estimated economic credit losses, and non-economic payments. Such fair value adjustments are heavily affected by, and in part fluctuate with, changes in market interest rates, the Company's credit spreads, and other market factors and are not expected to result in an economic gain or loss.

3) Elimination of fair value gains (losses) on the Company's CCS that are recognized in net income. Such amounts are affected by changes in market interest rates, the Company's credit spreads, price indications on the Company's publicly traded debt, and other market factors and are not expected to result in an economic gain or loss.

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

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

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

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

1) Elimination of non-credit-impairment unrealized fair value gains (losses) on credit derivatives, which is the amount of unrealized fair value gains (losses) in excess of the present value of the expected estimated economic credit losses, and non-economic payments. Such fair value adjustments are heavily affected by, and in part fluctuate with, changes in market interest rates, credit spreads and other market factors and are not expected to result in an economic gain or loss.

2) Elimination of fair value gains (losses) on the Company's CCS. Such amounts are affected by changes in market interest rates, the Company's credit spreads, price indications on the Company's publicly traded debt, and other market factors and are not expected to result in an economic gain or loss.

3) Elimination of unrealized gains (losses) on the Company's investments that are recorded as a component of accumulated other comprehensive income (AOCI) (excluding foreign exchange remeasurement). The AOCI component of the fair value adjustment on the investment portfolio is not deemed economic because the Company generally holds these investments to maturity and therefore should not recognize an economic gain or loss.

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

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

1) Elimination of deferred acquisition costs, net. These amounts represent net deferred expenses that have already been paid or accrued and will be expensed in future accounting periods.

2) Addition of the net present value of estimated net future revenue. See below.

3) Addition of the deferred premium revenue on financial guaranty contracts in excess of expected loss to be expensed, net of reinsurance. This amount represents the present value of the expected future net earned premiums, net of the present value of expected losses to be expensed, which are not reflected in GAAP equity.

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

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

Non-GAAP Financial Measures (continued)

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

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

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

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

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

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

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