

A photograph of a construction worker in silhouette, wearing a hard hat and safety harness, walking across a steel beam of a bridge under construction. The background shows the complex steel truss structure of the bridge against a clear sky.

Financial Supplement

Assured Guaranty Corp.
September 30, 2020



Assured Guaranty Corp.

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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, June 30, 2020 and September 30, 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 Assured Guaranty Corp. (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, now known as Assured Investment Management LLC (AssuredIM); (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 September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
GAAP Highlights				
Net income (loss)	\$ 35	\$ 31	\$ 84	\$ 94
Gross written premiums (GWP)	1	1	31	(1)
Effective tax rate on net income	15.3 %	5.2 %	14.2 %	12.5 %
GAAP return on equity (ROE) ⁽¹⁾	6.2 %	5.5 %	4.9 %	5.5 %
Non-GAAP Highlights⁽²⁾				
Adjusted operating income ⁽²⁾	\$ 38	\$ 29	\$ 69	\$ 115
Present value of new business production (PVP) ⁽²⁾	—	25	18	34
Gross par written	—	438	187	1,206
Effective tax rate on adjusted operating income ⁽³⁾	15.8 %	4.3 %	12.3 %	14.5 %
Adjusted operating ROE ⁽¹⁾⁽²⁾	7.3 %	5.6 %	4.4 %	7.2 %
Effect of refundings and terminations on GAAP measures:				
Net earned premiums, pre-tax	\$ 1	\$ 15	\$ 8	\$ 28
Net change in fair value of credit derivatives, pre-tax	1	—	1	—
Net income effect	2	13	11	27
Effect of refundings and terminations on non-GAAP measures:				
Operating net earned premiums and credit derivative revenues ⁽⁴⁾ , pre-tax	\$ 2	\$ 15	\$ 9	\$ 28
Adjusted operating income ⁽⁴⁾ effect	2	13	11	27

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) 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.
Selected Financial Highlights (2 of 2)
(dollars in millions)

	As of	
	September 30, 2020	December 31, 2019
Shareholder's equity	\$ 2,252	\$ 2,277
Adjusted operating shareholder's equity ⁽¹⁾	2,072	2,124
Adjusted book value ⁽¹⁾	2,517	2,600
Gain (loss) related to the effect of consolidating FG VIEs (FG VIE consolidation) included in adjusted operating shareholders' equity	(5)	(3)
Gain (loss) related to FG VIE consolidation included in adjusted book value	(6)	(4)
Exposure		
Financial guaranty net debt service outstanding	\$ 31,561	\$ 34,706
Financial guaranty net par outstanding	20,783	22,612
Claims-paying resources (including Municipal Assurance Corp. (MAC))⁽²⁾	3,132	3,365

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

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

	As of	
	September 30,	December 31,
	2020	2019
Assets:		
Investment portfolio:		
Fixed-maturity securities, available-for-sale, at fair value	\$ 2,364	\$ 2,566
Short-term investments, at fair value	104	88
Equity method investments	409	391
Other invested assets, at fair value	1	1
Total investment portfolio	<u>2,878</u>	<u>3,046</u>
Loan receivable from parent	88	88
Cash	12	48
Premiums receivable, net of commissions payable	264	255
Ceded unearned premium reserve	207	219
Reinsurance recoverable on unpaid losses	141	125
Salvage and subrogation recoverable	415	306
Financial guaranty variable interest entities' (FG VIEs') assets, at fair value	51	49
Other assets	186	211
Total assets	<u>\$ 4,242</u>	<u>\$ 4,347</u>
Liabilities and shareholders' equity:		
Liabilities:		
Unearned premium reserve	\$ 849	\$ 903
Loss and loss adjustment expense (LAE) reserve	421	414
Reinsurance balances payable, net	135	128
Notes payable to affiliates	300	300
Credit derivative liabilities	156	190
FG VIE liabilities at fair value (with recourse of \$50 and \$47, without recourse of \$1 and \$1)	51	48
Other liabilities	78	87
Total liabilities	<u>1,990</u>	<u>2,070</u>
Shareholders' equity:		
Preferred stock	—	—
Common stock	15	15
Additional paid-in capital	742	742
Retained earnings	1,324	1,364
Accumulated other comprehensive income	171	156
Total shareholders' equity	<u>2,252</u>	<u>2,277</u>
Total liabilities and shareholders' equity	<u>\$ 4,242</u>	<u>\$ 4,347</u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenues:				
Net earned premiums	\$ 22	\$ 36	\$ 72	\$ 99
Net investment income	24	29	78	109
Net realized investment gains (losses)	3	1	4	3
Net change in fair value of credit derivatives	(2)	5	22	(25)
Fair value gain (loss) on committed capital securities (CCS)	(6)	(6)	7	(1)
Other income (loss)	5	4	5	17
Total revenues	46	69	188	202
Expenses:				
Loss and LAE	(1)	23	61	56
Interest expense on note payable to affiliate	3	3	8	8
Employee compensation and benefit expenses	8	9	26	28
Other operating expenses	5	7	18	20
Total expenses	15	42	113	112
Income (loss) before provision for income taxes and equity in net earnings of investees	31	27	75	90
Equity in net earnings of investees	5	—	10	1
Income (loss) before income taxes	36	27	85	91
Provision (benefit) for income taxes	5	1	12	11
Equity in after-tax net earnings of investee	4	5	11	14
Net income (loss)	\$ 35	\$ 31	\$ 84	\$ 94

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 September 30, 2020 and September 30, 2019

	Three Months Ended September 30, 2020		Three Months Ended September 30, 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 earned premiums	\$ —	\$ —	\$ —	\$ (1)
Net investment income	—	—	—	—
Net realized investment gains (losses)	3	—	1	—
Net change in fair value of credit derivatives	(5)	—	1	—
Fair value gains (losses) on CCS	(6)	—	(6)	—
Other income (loss)	2	1	(1)	1
Total revenue adjustments	<u>(6)</u>	<u>1</u>	<u>(5)</u>	<u>—</u>
Adjustments to expenses:				
Loss expense	(2)	1	(6)	—
Total expense adjustments	<u>(2)</u>	<u>1</u>	<u>(6)</u>	<u>—</u>
Pre-tax adjustments	(4)	—	1	—
Tax effect of adjustments	(1)	—	(1)	—
Equity in after-tax net earnings of investee	—	—	—	—
After-tax adjustments	<u>\$ (3)</u>	<u>\$ —</u>	<u>\$ 2</u>	<u>\$ —</u>

Adjusted Operating Income Adjustments and Effect of FG VIE Consolidation for the Nine Months Ended September 30, 2020 and September 30, 2019

	Nine Months Ended September 30, 2020		Nine Months Ended September 30, 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 earned premiums	\$ —	\$ —	\$ —	\$ (1)
Net investment income	—	(1)	—	—
Net realized investment gains (losses)	4	—	3	—
Net change in fair value of credit derivatives	13	—	(35)	—
Fair value gains (losses) on CCS	7	—	(1)	—
Other income (loss)	(1)	(1)	(1)	9
Total revenue adjustments	<u>23</u>	<u>(2)</u>	<u>(34)</u>	<u>8</u>
Adjustments to expenses:				
Loss expense	4	1	(5)	6
Total expense adjustments	<u>4</u>	<u>1</u>	<u>(5)</u>	<u>6</u>
Pre-tax adjustments	19	(3)	(29)	2
Tax effect of adjustments	4	—	(7)	—
Equity in after-tax net earnings of investee	—	—	1	—
After-tax adjustments	<u>\$ 15</u>	<u>\$ (3)</u>	<u>\$ (21)</u>	<u>\$ 2</u>

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

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

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

Adjusted Operating Income Reconciliation

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net income (loss)	\$ 35	\$ 31	\$ 84	\$ 94
Less pre-tax adjustments:				
Realized gains (losses) on investments	3	3	4	5
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(3)	7	9	(30)
Fair value gains (losses) on CCS ⁽¹⁾	(6)	(6)	7	(1)
Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves ⁽¹⁾	2	(1)	(1)	(1)
Total pre-tax adjustments	(4)	3	19	(27)
Less tax effect on pre-tax adjustments	1	(1)	(4)	6
Adjusted operating income	<u>\$ 38</u>	<u>\$ 29</u>	<u>\$ 69</u>	<u>\$ 115</u>

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

ROE Reconciliation and Calculation

	As of					
	September 30, 2020	June 30, 2020	December 31, 2019	September 30, 2019	June 30, 2019	December 31, 2018
Shareholder's equity	\$ 2,252	\$ 2,211	\$ 2,277	\$ 2,265	\$ 2,235	\$ 2,329
Adjusted operating shareholder's equity	2,072	2,045	2,124	2,112	2,096	2,173
Gain (loss) related to FG VIE consolidation included in adjusted operating shareholders' equity	(5)	(5)	(3)	(4)	(5)	(8)
	Three Months Ended September 30,		Nine Months Ended September 30,			
	2020	2019	2020	2019		
Net income (loss)	\$ 35	\$ 31	\$ 84	\$ 94		
Adjusted operating income	38	29	69	115		
Average shareholder's equity	\$ 2,232	\$ 2,250	\$ 2,265	\$ 2,297		
Average adjusted operating shareholder's equity	2,059	2,104	2,098	2,143		
Gain (loss) related to FG VIE consolidation included in average adjusted operating shareholder's equity	(5)	(5)	(4)	(6)		
GAAP ROE ⁽¹⁾	6.2 %	5.5 %	4.9 %	5.5 %		
Adjusted operating ROE ⁽¹⁾	7.3 %	5.6 %	4.4 %	7.2 %		

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					
	September 30, 2020	June 30, 2020	December 31, 2019	September 30, 2019	June 30, 2019	December 31, 2018
Reconciliation of shareholder's equity to adjusted book value ⁽¹⁾:						
Shareholder's equity	\$ 2,252	\$ 2,211	\$ 2,277	\$ 2,265	\$ 2,235	\$ 2,329
Less pre-tax reconciling items:						
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(25)	(21)	(33)	(50)	(57)	(20)
Fair value gains (losses) on CCS	35	40	28	36	42	38
Unrealized gain (loss) on investment portfolio	203	177	186	194	177	167
Less taxes	(33)	(30)	(28)	(27)	(23)	(29)
Adjusted operating shareholders' equity	2,072	2,045	2,124	2,112	2,096	2,173
Pre-tax reconciling items:						
Less: Deferred acquisition costs	(22)	(24)	(22)	(9)	(10)	(8)
Plus: Net present value of estimated net future credit derivative revenue	136	138	148	151	155	160
Plus: Net unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed	405	423	432	414	437	495
Plus taxes	(118)	(123)	(126)	(120)	(126)	(139)
Adjusted book value	<u>\$ 2,517</u>	<u>\$ 2,507</u>	<u>\$ 2,600</u>	<u>\$ 2,566</u>	<u>\$ 2,572</u>	<u>\$ 2,697</u>
Gain (loss) related to FG VIE consolidation included in adjusted operating shareholder's equity (net of tax benefit of \$2, \$2, \$1, \$2, \$1 and \$2)	\$ (5)	\$ (5)	\$ (3)	\$ (4)	\$ (5)	\$ (8)
Gain (loss) related to FG VIE consolidation included in adjusted book value (net of tax benefit of \$2, \$2, \$1, \$2, \$1 and \$3)	\$ (6)	\$ (5)	\$ (4)	\$ (5)	\$ (7)	\$ (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 September 30, 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	
	September 30, 2020	December 31, 2019
Claims-paying resources		
Policyholders' surplus	\$ 1,734	\$ 1,775
Contingency reserve ⁽¹⁾	627	621
Qualified statutory capital	2,361	2,396
Unearned premium reserve and net deferred ceding commission income ⁽¹⁾	400	431
Loss and LAE reserves ⁽¹⁾	(18)	151
Total policyholders' surplus and reserves	2,743	2,978
Present value of installment premium ⁽¹⁾⁽⁶⁾	189	187
CCS	200	200
Total claims-paying resources (including proportionate MAC ownership for AGC)	3,132	3,365
Adjustment for MAC ⁽²⁾	235	240
Total claims-paying resources (excluding proportionate MAC ownership for AGC)	\$ 2,897	\$ 3,125
Statutory net par outstanding ⁽³⁾	\$ 21,216	\$ 22,937
Equity method adjustment ⁽²⁾	5,853	7,133
Adjusted statutory net par outstanding ⁽¹⁾	\$ 27,069	\$ 30,070
Net debt service outstanding ⁽³⁾	\$ 32,029	\$ 35,172
Equity method adjustment ⁽²⁾	8,651	10,535
Adjusted net debt service outstanding ⁽¹⁾	\$ 40,680	\$ 45,707
Ratios:		
Adjusted net par outstanding to qualified statutory capital	11 :1	13 :1
Capital ratio ⁽⁴⁾	17 :1	19 :1
Financial resources ratio ⁽⁵⁾	13 :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 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 the first quarter of 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 September 30, 2020 and September 30, 2019 ⁽¹⁾

	Three Months Ended September 30, 2020					Three Months Ended September 30, 2019				
	Public Finance		Structured Finance		Total	Public Finance		Structured Finance		Total
	U.S.	Non-U.S.	U.S.	Non-U.S.		U.S.	Non-U.S.	U.S.	Non-U.S.	
Total GWP	\$ —	\$ —	\$ 1	\$ —	\$ 1	\$ 1	\$ 1	\$ —	\$ (1)	\$ 1
Less: Installment GWP and other GAAP adjustments ⁽²⁾	—	—	1	—	1	1	1	—	(1)	1
Upfront GWP	—	—	—	—	—	—	—	—	—	—
Plus: Installment premium PVP	—	—	—	—	—	—	—	25	—	25
Total PVP	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 25</u>	<u>\$ —</u>	<u>\$ 25</u>
Gross par written	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 438	\$ —	\$ 438

Reconciliation of GWP to PVP for the Nine Months Ended September 30, 2020 and September 30, 2019 ⁽¹⁾

	Nine Months Ended September 30, 2020					Nine Months Ended September 30, 2019				
	Public Finance		Structured Finance		Total	Public Finance		Structured Finance		Total
	U.S.	Non-U.S.	U.S.	Non-U.S.		U.S.	Non-U.S.	U.S.	Non-U.S.	
Total GWP	\$ —	\$ 23	\$ 9	\$ (1)	\$ 31	\$ (1)	\$ (1)	\$ 2	\$ (1)	\$ (1)
Less: Installment GWP and other GAAP adjustments ⁽²⁾	—	23	9	(1)	31	(2)	(1)	1	(1)	(3)
Upfront GWP	—	—	—	—	—	1	—	1	—	2
Plus: Installment premium PVP	—	9	9	—	18	—	—	32	—	32
Total PVP	<u>\$ —</u>	<u>\$ 9</u>	<u>\$ 9</u>	<u>\$ —</u>	<u>\$ 18</u>	<u>\$ 1</u>	<u>\$ —</u>	<u>\$ 33</u>	<u>\$ —</u>	<u>\$ 34</u>
Gross par written	\$ —	\$ —	\$ 187	\$ —	\$ 187	\$ 47	\$ —	\$ 1,159	\$ —	\$ 1,206

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 September 30, 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

Sector	Three Months Ended September 30, 2020		Nine Months Ended September 30, 2020	
	Gross Par Written	Avg. Internal Rating	Gross Par Written	Avg. Internal Rating
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:				
Insurance Securitization	—	—	140	AA
Structured credit	—	—	47	BBB
Total U.S. structured finance	—	—	187	A+
Non-U.S. structured finance:				
Total non-U.S. structured finance	—	—	—	—
Total structured finance	—	—	187	A+
Total gross par written	<u>\$ —</u>	—	<u>\$ 187</u>	A+

Assured Guaranty Corp.
Fixed-Maturity Securities, Short-Term Investments and Cash
As of September 30, 2020
(dollars in millions)

	Amortized Cost	Allowance for Credit Losses	Pre-Tax Book Yield	After-Tax Book Yield	Fair Value	Annualized Investment Income ⁽¹⁾
Fixed-maturity securities:						
Obligations of state and political subdivisions ⁽²⁾⁽³⁾	\$ 1,328	\$ (11)	3.79 %	3.41 %	\$ 1,453	\$ 51
U.S. government and agencies	53	—	3.83	3.02	54	2
Corporate securities	322	—	3.34	2.64	352	11
Mortgage-backed securities:						
Residential mortgage-backed securities (RMBS) ⁽³⁾	39	(1)	4.94	3.90	41	2
Commercial mortgage-backed securities (CMBS)	30	—	3.52	2.78	33	1
Asset-backed securities (ABS):						
Collateralized loan obligations	50	—	2.45	1.94	50	1
Other ABS ⁽³⁾	369	(6)	7.39	5.84	381	27
Total fixed-maturity securities	2,191	(18)	4.32	3.66	2,364	95
Short-term investments	104	—	0.17	0.14	104	—
Cash ⁽⁴⁾	12	—	—	—	12	—
Total	\$ 2,307	(18)	4.13 %	3.50 %	\$ 2,480	\$ 95

Ratings ⁽⁵⁾:	Fair Value	% of Portfolio
U.S. government and agencies	\$ 54	2.3 %
AAA/Aaa	197	8.3
AA/Aa	957	40.5
A/A	454	19.2
BBB	256	10.8
Below investment grade (BIG) ⁽⁶⁾	393	16.7
Not rated	53	2.2
Total fixed-maturity securities, available-for-sale	\$ 2,364	100.0 %

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

4.9

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 \$523 million in par with carrying value of \$393 million.

Assured Guaranty Corp.

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

	Financial Guaranty Insurance ⁽²⁾					Future Credit Derivative Revenues
	Estimated Net Debt Service Amortization ⁽¹⁾	Estimated Ending Net Debt Service Outstanding ⁽¹⁾	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 September 30)		\$ 31,561				
2020 Q4	\$ 596	30,965	\$ 19	\$ 1	\$ —	\$ 3
2021	2,651	28,314	70	3	—	9
2022	2,062	26,252	63	3	1	9
2023	1,524	24,728	57	2	—	8
2024	1,409	23,319	53	2	1	8
2020-2024	8,242	23,319	262	11	2	37
2025-2029	7,320	15,999	202	8	1	35
2030-2034	5,689	10,310	127	5	1	29
2035-2039	5,119	5,191	55	2	—	22
After 2039	5,191	—	40	2	—	18
Total	\$ 31,561		\$ 686	\$ 28	\$ 4	\$ 141

1) Represents the future expected amortization of current debt service outstanding (principal and interest), assuming no advance refundings, as of September 30, 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 September 30, 2020

	Net Expected Loss to be Paid (Recovered) as of June 30, 2020	Economic Loss Development (Benefit) During 3Q-20	(Paid) Recovered Losses During 3Q-20	Net Expected Loss to be Paid (Recovered) as of September 30, 2020
Public Finance:				
U.S. public finance ⁽²⁾	\$ 266	\$ 16	\$ (138)	\$ 144
Non-U.S public finance	3	—	—	3
Public Finance	<u>269</u>	<u>16</u>	<u>(138)</u>	<u>147</u>
Structured Finance:				
U.S. RMBS ⁽³⁾	77	(2)	(2)	73
Other structured finance	(27)	(17)	(3)	(47)
Structured Finance	<u>50</u>	<u>(19)</u>	<u>(5)</u>	<u>26</u>
Total	<u>\$ 319</u>	<u>\$ (3)</u>	<u>\$ (143)</u>	<u>\$ 173</u>

Rollforward of Net Expected Loss and LAE to be Paid⁽¹⁾ for the Nine Months Ended September 30, 2020

	Net Expected Loss to be Paid (Recovered) as of December 31, 2019	Economic Loss Development (Benefit) During 2020	(Paid) Recovered Losses During 2020	Net Expected Loss to be Paid (Recovered) as of September 30, 2020
Public Finance:				
U.S. public finance ⁽²⁾	\$ 247	\$ 66	\$ (169)	\$ 144
Non-U.S public finance	2	1	—	3
Public Finance	<u>249</u>	<u>67</u>	<u>(169)</u>	<u>147</u>
Structured Finance:				
U.S. RMBS ⁽³⁾	91	(27)	9	73
Other structured finance	(28)	(17)	(2)	(47)
Structured Finance	<u>63</u>	<u>(44)</u>	<u>7</u>	<u>26</u>
Total	<u>\$ 312</u>	<u>\$ 23</u>	<u>\$ (162)</u>	<u>\$ 173</u>

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 \$366 million as of September 30, 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 \$9 million as of September 30, 2020 and \$11 million as of December 31, 2019.

Assured Guaranty Corp.

Loss Measures

As of September 30, 2020

(dollars in millions)

		Three Months Ended September 30, 2020			Nine Months Ended September 30, 2020		
	Total Net Par Outstanding for BIG Transactions	GAAP Loss and LAE (1)	Loss and LAE Included in Adjusted Operating Income (2)	Effect of FG VIE Consolidation (3)	GAAP Loss and LAE (1)	Loss and LAE Included in Adjusted Operating Income (2)	Effect of FG VIE Consolidation (3)
Public finance:							
U.S. public finance	\$ 1,560	\$ 21	\$ 21	\$ —	\$ 82	\$ 82	\$ —
Non-U.S public finance	117	—	—	—	—	—	—
Public finance	1,677	21	21	—	82	82	—
Structured finance:							
U.S. RMBS	478	1	1	1	—	(7)	1
Other structured finance	52	(23)	(21)	—	(21)	(19)	—
Structured finance	530	(22)	(20)	1	(21)	(26)	1
Total	\$ 2,207	\$ (1)	\$ 1	\$ 1	\$ 61	\$ 56	\$ 1

1) Includes loss expense related to contracts that are accounted for as insurance contracts.

2) Includes loss expense related to contracts that are accounted for as insurance contracts and credit derivatives.

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

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

Assured Guaranty Corp.
Net Expected Loss to be Expensed⁽¹⁾
As of September 30, 2020
(dollars in millions)

	<u>GAAP</u>
2020 Q4	\$ 7
2021	28
2022	28
2023	27
2024	24
2020-2024	<u>114</u>
2025-2029	105
2030-2034	68
2035-2039	23
After 2039	<u>4</u>
Total expected present value of net expected loss to be expensed⁽²⁾	314
Future accretion	42
Total expected future loss and LAE	<u>\$ 356</u>

1) The present value of net expected loss to be paid is discounted using risk-free rates ranging from 0.00% to 1.52% 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 September 30, 2020		As of December 31, 2019	
	Net Par Outstanding	Avg. Internal Rating	Net Par Outstanding	Avg. Internal Rating
U.S. public finance:				
Tax backed	\$ 2,796	BBB-	\$ 3,059	BBB-
Transportation	2,393	A-	2,393	A-
General obligation	1,986	BBB+	2,336	BBB+
Infrastructure finance	1,959	A+	1,994	A+
Municipal utilities	1,259	BBB	1,443	BBB
Healthcare	390	BBB	662	BBB+
Investor-owned utilities	338	A-	344	A-
Higher education	245	A-	334	A-
Renewable energy	128	A-	130	BBB+
Housing revenue	105	BBB-	109	BBB-
Other public finance	841	A-	917	A-
Total U.S. public finance	12,440	BBB+	13,721	BBB+
Non-U.S. public finance:				
Regulated utilities	1,716	BBB+	1,918	BBB+
Infrastructure finance	1,526	BBB	1,622	BBB
Pooled infrastructure	687	AAA	708	AAA
Sovereign and sub-sovereign	283	A	283	A-
Renewable energy	251	BBB+	255	BBB+
Total non-U.S. public finance	4,463	A-	4,786	A-
Total public finance	16,903	BBB+	18,507	BBB+
U.S. structured finance:				
Pooled corporate obligations	1,002	AA-	1,081	AA-
RMBS	992	BBB	1,158	BBB
Life insurance transactions	737	AA-	563	AA-
Consumer receivables	453	A+	534	A+
Other structured finance	405	BBB	416	BBB
Total U.S. structured finance	3,589	A	3,752	A
Non-U.S. structured finance:				
RMBS	184	A+	210	AA-
Pooled corporate obligations	2	BBB+	3	BBB+
Other structured finance	105	BBB	140	BBB
Total non-U.S. structured finance	291	A	353	A
Total structured finance	3,880	A	4,105	A
Total	\$ 20,783	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 September 30, 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	\$ 17	0.2 %	\$ 785	17.6 %	\$ 434	12.1 %	\$ 50	17.2 %	\$ 1,286	6.2 %
AA	2,647	21.3	193	4.3	1,598	44.5	9	3.1	4,447	21.4
A	3,784	30.4	388	8.7	594	16.5	130	44.7	4,896	23.6
BBB	4,432	35.6	2,980	66.8	433	12.1	102	35.0	7,947	38.2
BIG	1,560	12.5	117	2.6	530	14.8	—	—	2,207	10.6
Net Par Outstanding⁽¹⁾	\$ 12,440	100.0 %	\$ 4,463	100.0 %	\$ 3,589	100.0 %	\$ 291	100.0 %	\$ 20,783	100.0 %

1) As of September 30, 2020, excludes \$551 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	\$ 11,429	99.8 %
Non-affiliated reinsurers	26	0.2 %
Total	\$ 11,455	100.0 %

1) Of the total par ceded to non-affiliates, none is rated BIG.

2) There was no collateral posted by third party reinsurers and \$201 million posted by affiliated reinsurers as of September 30, 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 September 30, 2020
(dollars in millions)

Geographic Distribution of Financial Guaranty Portfolio

	<u>Net Par Outstanding</u>	<u>% of Total</u>
U.S.:		
U.S. public finance:		
California	\$ 3,195	15.4 %
Puerto Rico	1,400	6.7
Texas	1,088	5.2
New Jersey	1,047	5.0
New York	773	3.7
Illinois	656	3.2
District of Columbia	591	2.9
Virginia	448	2.2
Florida	430	2.1
Georgia	253	1.2
Other	2,559	12.3
Total U.S. public finance	12,440	59.9
U.S. structured finance:	3,589	17.3
Total U.S.	16,029	77.2
Non-U.S.:		
United Kingdom	2,996	14.4
Australia	566	2.7
New Zealand	215	1.0
Mexico	166	0.8
Chile	146	0.7
Other	665	3.2
Total non-U.S.	4,754	22.8
Total net par outstanding	\$ 20,783	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 September 30, 2020
(dollars in millions)

Exposure to Puerto Rico

	Gross Par Outstanding	Net Par Outstanding	Gross Debt Service Outstanding	Net Debt Service Outstanding
Total	<u>\$ 1,712</u>	<u>\$ 1,400</u>	<u>\$ 2,874</u>	<u>\$ 2,324</u>

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⁾	\$ 185	\$ 216
Puerto Rico Public Buildings Authority (PBA) ⁽²⁾	134	135
Public Corporations - Certain Revenues Potentially Subject to Clawback		
Puerto Rico Highways and Transportation Authority (PRHTA) (Transportation revenue) ⁽²⁾	472	596
PRHTA (Highways revenue) ⁽²⁾	63	66
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	120
Puerto Rico Aqueduct and Sewer Authority (PRASA) ⁽³⁾	284	373
Puerto Rico Municipal Finance Agency (MFA) ⁽³⁾	23	37
University of Puerto Rico (U of PR) ⁽³⁾	1	1
Total exposure to Puerto Rico	<u>\$ 1,400</u>	<u>\$ 1,712</u>

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 September 30, 2020
(dollars in millions)

Amortization Schedule of Net Par Outstanding of Puerto Rico

	2020 (4Q)	2021 (1Q)	2021 (2Q)	2021 (3Q)	2021 (4Q)	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	\$ —	\$ —	\$ —	\$ 15	\$ —	\$ 13	\$ 8	\$ 9	\$ 8	\$ 16	\$ 23	\$ 7	\$ 38	\$ 40	\$ 8	\$ —	\$ —	\$ 185
PBA	—	—	—	13	—	—	7	—	7	11	40	—	—	38	18	—	—	134
Public Corporations - Certain Revenues Potentially Subject to Clawback																		
PRHTA (Transportation revenue)	—	—	—	5	—	14	19	4	21	17	8	12	21	106	201	44	—	472
PRHTA (Highway revenue)	—	—	—	12	—	—	—	—	1	—	—	1	2	37	10	—	—	63
PRCCDA	—	—	—	—	—	—	—	—	—	—	19	—	—	76	57	—	—	152
PRIFA	—	—	—	—	—	—	2	—	—	—	—	—	—	—	6	7	—	15
Other Public Corporations																		
PREPA	—	—	—	1	—	1	1	1	1	20	17	17	1	11	—	—	—	71
PRASA	—	—	—	—	—	—	—	2	19	19	21	22	—	—	2	15	184	284
MFA	—	—	—	8	—	7	3	—	—	2	1	1	1	—	—	—	—	23
U of PR	—	—	—	—	—	—	—	—	—	—	—	—	—	1	—	—	—	1
Total	\$ —	\$ —	\$ —	\$ 54	\$ —	\$ 35	\$ 40	\$ 16	\$ 57	\$ 85	\$ 129	\$ 60	\$ 63	\$ 309	\$ 302	\$ 66	\$ 184	\$ 1,400

Assured Guaranty Corp.
Exposure to Puerto Rico (3 of 3)
As of September 30, 2020
(dollars in millions)

Amortization Schedule of Net Debt Service Outstanding of Puerto Rico

	2020 (4Q)	2021 (1Q)	2021 (2Q)	2021 (3Q)	2021 (4Q)	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	\$ —	\$ 5	\$ —	\$ 19	\$ —	\$ 22	\$ 16	\$ 17	\$ 15	\$ 23	\$ 29	\$ 12	\$ 42	\$ 50	\$ 8	\$ —	\$ —	\$ 258
PBA	—	3	—	16	—	6	13	6	13	17	45	3	4	49	20	—	—	195
Public Corporations - Certain Revenues Potentially Subject to Clawback																		
PRHTA (Transportation revenue)	—	12	—	18	—	38	43	27	44	38	28	32	40	194	237	47	—	798
PRHTA (Highway revenue)	—	2	—	13	—	3	3	3	3	3	3	3	4	46	10	—	—	96
PRCCDA	—	3	—	4	—	7	7	7	7	7	26	6	6	103	61	—	—	244
PRIFA	—	—	—	1	—	1	2	1	—	1	1	1	1	2	10	8	—	29
Other Public Corporations																		
PREPA	—	2	—	3	—	4	5	4	5	22	19	18	2	12	—	—	—	96
PRASA	—	8	—	7	—	15	15	16	33	33	33	33	10	52	54	67	204	580
MFA	—	1	—	8	—	8	3	1	1	2	1	1	1	—	—	—	—	27
U of PR	—	—	—	—	—	—	—	—	—	—	—	—	—	1	—	—	—	1
Total	\$ —	\$ 36	\$ —	\$ 89	\$ —	\$ 104	\$ 107	\$ 82	\$ 121	\$ 146	\$ 185	\$ 109	\$ 110	\$ 509	\$ 400	\$ 122	\$ 204	\$ 2,324

Assured Guaranty Corp.
Direct Pooled Corporate Obligations Profile
As of September 30, 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	\$ 114	12.0 %	47.2 %	75.4 %
AA	583	61.5	41.7	53.2
A	188	19.8	43.2	46.9
BBB	64	6.7	35.3	36.4
Total exposures	\$ 949	100.0 %	42.2 %	53.5 %

Distribution of Direct Pooled Corporate Obligations by Asset Class

	Net Par Outstanding	% of Total	Avg. Initial Credit Enhancement	Avg. Current Credit Enhancement	Number of Transactions	Avg. Rating
Asset class:						
Trust preferred						
Banks and insurance	\$ 498	52.5 %	44.4 %	59.8 %	14	AA
U.S. mortgage and real estate investment trusts	79	8.3 %	47.4	64.7	4	A
Collateralized loan obligations	372	39.2 %	38.2	42.7	3	A+
Total exposures	\$ 949	100.0 %	42.2 %	53.5 %	21	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 September 30, 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	\$ 4	\$ 49	\$ 9	\$ 219	\$ 1	\$ 282
AA	22	65	—	17	—	104
A	—	23	—	21	15	59
BBB	4	—	1	—	64	69
BIG	20	74	11	324	49	478
Total exposures	\$ 50	\$ 211	\$ 21	\$ 581	\$ 129	\$ 992

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	\$ 15	\$ 1	\$ —	\$ 81	\$ 18	\$ 115
2005	28	57	9	94	26	214
2006	7	1	6	165	13	192
2007	—	152	6	241	72	471
Total exposures	\$ 50	\$ 211	\$ 21	\$ 581	\$ 129	\$ 992

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 September 30, 2020
(dollars in millions)

Distribution of Credit Derivative Net Par Outstanding by Rating

Rating	Net Par Outstanding	% of Total
AAA	\$ 882	25.5 %
AA	1,460	42.3
A	330	9.5
BBB	679	19.7
BIG	104	3.0
Total credit derivative net par outstanding	\$ 3,455	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	\$ 1,122	AA
Non-U.S. public finance	1,282	AA-
Total public finance	2,404	AA-
U.S. structured finance:		
Pooled corporate obligations	511	AA-
RMBS	328	A+
Consumer receivables	83	A+
Total U.S. structured finance	922	A+
Non-U.S. structured finance:		
RMBS	129	A
Total non-U.S. structured finance	129	A
Total structured finance	1,051	A+
Total credit derivative net par outstanding	\$ 3,455	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	
	September 30, 2020	December 31, 2019
U.S. public finance:		
Tax backed	\$ 730	\$ 762
Municipal utilities	373	374
General obligation	365	461
Higher education	34	36
Healthcare	27	30
Housing revenue	17	17
Transportation	14	14
Infrastructure finance	—	2
Renewable energy	—	2
Total U.S. public finance	1,560	1,698
Non-U.S. public finance:		
Infrastructure finance	41	45
Renewable energy	39	40
Sovereign and sub-sovereign	37	36
Total non-U.S. public finance	117	121
Total public finance	1,677	1,819
U.S. structured finance:		
RMBS	478	520
Life insurance transactions	7	7
Consumer receivables	3	4
Other structured finance	42	7
Total U.S. structured finance	530	538
Non-U.S. structured finance:		
Total non-U.S. structured finance	—	—
Total structured finance	530	538
Total BIG net par outstanding	\$ 2,207	\$ 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	
	September 30, 2020	December 31, 2019
BIG Category 1		
U.S. public finance	\$ 174	\$ 200
Non-U.S. public finance	117	121
U.S. structured finance	120	87
Non-U.S. structured finance	—	—
Total BIG Category 1	411	408
BIG Category 2		
U.S. public finance	294	294
Non-U.S. public finance	—	—
U.S. structured finance	23	28
Non-U.S. structured finance	—	—
Total BIG Category 2	317	322
BIG Category 3		
U.S. public finance	1,092	1,204
Non-U.S. public finance	—	—
U.S. structured finance	387	423
Non-U.S. structured finance	—	—
Total BIG Category 3	1,479	1,627
BIG Total	\$ 2,207	\$ 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 September 30, 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	\$ 535	CCC
Puerto Rico, General Obligation, Appropriations and Guarantees of the Commonwealth	334	CCC
Puerto Rico Aqueduct & Sewer Authority	284	CCC
Puerto Rico Convention Center District Authority	152	CCC
Puerto Rico Electric Power Authority	71	CCC
Subtotal U.S. public finance	1,376	
Non-U.S. public finance:		
Subtotal non-U.S. public finance	—	
U.S. structured finance		
RMBS:		
Option One Mortgage Loan Trust 2007-HL1	108	CCC
Argent Securities Inc. 2005-W4	93	CCC
Subtotal RMBS	201	
Non-RMBS:		
Subtotal non-RMBS	—	
Subtotal U.S. structured finance	201	
Total	\$ 1,577	

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 September 30, 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)	\$ 972	BBB
San Diego Family Housing, LLC	938	AA
North Texas Tollway Authority	687	A
Puerto Rico Highways & Transportation Authority	535	CCC
LCOR Alexandria LLC	425	BBB+
Alameda Corridor Transportation Authority, California	384	BBB+
Metro Washington Airports Authority (Dulles Toll Road)	340	BBB+
Puerto Rico, General Obligation, Appropriations and Guarantees of the Commonwealth	334	CCC
Puerto Rico Aqueduct & Sewer Authority	284	CCC
DOT Headquarters II Lease-Backed Mortgage Finance Trust	252	A
Yankee Stadium LLC New York City Industrial Development Authority	221	BBB
California (State of)	214	AA-
Dallas (City of) Civic Center Convention Complex, Texas	203	A+
San Joaquin Hills Transportation, California	194	BBB-
Dodger Tickets LLC	178	BBB
Puerto Rico Convention Center District Authority	152	CCC
Duke Energy Florida	149	A
Miami-Dade County, Florida	144	AA-
New York Metropolitan Transportation Authority	144	BBB+
New York (City of), New York	134	AA
Denver (City & County) Airport System, Colorado	125	A+
Navy Midwest Family Housing LLC	125	AA-
Southern California Logistic Airport, California	111	BBB-
Washington Water Power (Avista Project)	107	A-
San Diego County, California	106	AA-
San Francisco Airports Commission (San Francisco International Airport), California	103	A+
Chicago-O'Hare International Airport, Illinois	97	A-
Offutt Air Force Base, Nebraska - America First Communities, LLC	91	A+
Municipal Gas Authority of Georgia	91	A+
St. Louis, Missouri	85	BBB+
Ohana Military Communities, LLC	84	A
Piedmont Municipal Power Authority, South Carolina	82	A-
Natural Gas Acquisition Corporation of Clarksville, Tennessee	77	A
Aurora Military Housing I & II (Elmendorf Air Force Base), LLC	76	AA
North Oaks Health System	74	BBB-
Massachusetts State College Building Authority	73	AA-
Puerto Rico Electric Power Authority	71	CCC
Long Beach Bond Financing Authority (Natural Gas Prepayment Transaction), California	70	A
Chicago Water, Illinois	69	BBB+
Fort Benning Family Communities LLC	68	A-
Duke Energy Ohio	67	A-
E-470 Public Highway Authority, Colorado	64	A-
Maine (State of)	61	A
Mets Queens Ballpark	60	BBB-
San Bernardino County, California	60	A+
ACTS Retirement Life Communities, Pennsylvania	58	BBB+
BMC Special Care Facilities Financing Authority, Alabama	58	BBB+
Chicago Public Schools, Illinois	56	BBB-
Fairfield Water, California	54	AA-
Jets Stadium Development, LLC	49	BBB
Total top 50 U.S. public finance exposures	\$ 9,256	

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 September 30, 2020
(dollars in millions)

25 Largest U.S. Structured Finance Exposures

Credit Name	Net Par Outstanding	Internal Rating(1)
SLM Student Loan Trust 2007-A	\$ 305	A+
Fortress Credit Opportunities VII CLO Limited	167	AA-
Private US Insurance Securitization	155	AA-
Private US Insurance Securitization	150	AA
Private US Insurance Securitization	150	AA-
ABPCI Direct Lending Fund CLO I Ltd	135	A
SLM Student Loan Trust 2006-C	119	AA-
Private US Insurance Securitization	117	AA
Private US Insurance Securitization	117	AA-
Option One Mortgage Loan Trust 2007-HL1	108	CCC
Argent Securities Inc. 2005-W4	93	CCC
New Century Home Equity Loan Trust 2006-1	83	AAA
Preferred Term Securities XXIV, Ltd.	78	AA-
Soundview Home Equity Loan Trust 2006-OPT1	72	AAA
Brightwood Fund III Static 2018-1, LLC	70	AA
CWALT Alternative Loan Trust 2007-HY9	70	A+
ALESCO Preferred Funding XIII, Ltd.	68	AA
OwnIt Mortgage Loan ABS Certificates 2006-3	65	AAA
Private Balloon Note Guarantee	60	BBB
Structured Asset Investment Loan Trust 2006-1	57	AAA
Preferred Term Securities XXIII	54	AA
CAPCO - Excess SIPC Excess of Loss Reinsurance	54	BBB
Alesco Preferred Funding XVI, Ltd.	47	BBB-
ALESCO Preferred Funding XII, Ltd.	46	AA
IMPAC CMB Trust Series 2007-A	43	AAA
Total top 25 U.S. structured finance exposures	\$ 2,483	

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 September 30, 2020
(dollars in millions)

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

Credit Name	Country	Net Par Outstanding	Internal Rating
South Lanarkshire Schools	United Kingdom	\$ 327	BBB
BBi (DBCT) Finance Pty Limited	Australia	241	BBB
International Infrastructure Pool	United Kingdom	229	AAA
International Infrastructure Pool	United Kingdom	229	AAA
International Infrastructure Pool	United Kingdom	229	AAA
Thames Water Utility Finance PLC	United Kingdom	185	BBB
National Grid Gas PLC	United Kingdom	181	BBB+
Comision Federal De Electricidad (CFE) El Cajon Project	Mexico	165	BBB-
Sydney Airport Finance Company	Australia	146	BBB+
Mighty River Power, New Zealand	New Zealand	142	BBB+
Dali Capital PLC-Northumbrian Water	United Kingdom	134	BBB+
Private International Residential Mortgage Transaction	United Kingdom	129	A
Regione Lazio	Italy	126	BBB-
Wessex Water Services Finance Plc	United Kingdom	124	AA
M77 - Glasgow Southern Orbital PFI Road Project	United Kingdom	113	BBB-
Channel Link Enterprises Finance PLC	France, United Kingdom	109	BBB
Anglian Water Services Financing PLC	United Kingdom	100	A-
Verbund, Lease and Sublease of Hydro-Electric Equipment	Austria	98	AAA
Private Other Structured Finance Transaction	Guatemala	89	BBB-
National Grid Company PLC	United Kingdom	88	BBB+
Ancora (OAHS) Pty Ltd.	Australia	86	BBB
Yorkshire Water Services Finance Plc	United Kingdom	84	A-
United Utilities Water PLC	United Kingdom	84	BBB+
Southern Gas Networks PLC	United Kingdom	82	BBB
Sociedad Concesionaria Autopista Vespucio Sur S.A., Chile	Chile	79	BBB
Envestra Limited	Australia	77	A-
Vector Limited	New Zealand	73	BBB+
Quebec Province	Canada	71	AA-
Southern Water Services Limited	United Kingdom	65	BBB
Dwr Cymru Financing Limited (Welsh Water Plc)	United Kingdom	63	A-
Societe des Autoroutes du Nord et de l'Est de France S.A.	France	57	BBB+
Sociedad Concesionaria Autopista del Bosque S.A., Chile	Chile	50	BBB-
Electricity North West Ltd	United Kingdom	46	BBB+
Capital Hospitals (Issuer) PLC	United Kingdom	46	BBB-
Breeze Finance S.A.	Germany	38	B-
Valencia Fair	Spain	36	BB+
Severn Trent Water Utilities Finance Plc	United Kingdom	34	BBB+
ALBA 2005-1 PLC	United Kingdom	34	AAA
Newcastle Hospitals PFI Project	United Kingdom	33	BB+
Southern Electric Power Distribution Plc	United Kingdom	26	BBB+
Derby Healthcare PLC	United Kingdom	23	BBB
Western Power Distribution (South Wales) PLC	United Kingdom	22	BBB+
Western Power Distribution (South West) PLC	United Kingdom	20	BBB+
Verdun Participations 2 S.A.S.	France	20	BBB-
NewHospitals (St Helens & Knowsley) Finance PLC	United Kingdom	16	BBB+
MPC Funding Limited	Australia	16	BBB+
Northern Counties Housing Association Limited	United Kingdom	15	A
Scotland Gas Networks plc	United Kingdom	15	BBB
South Tees	United Kingdom	14	BBB+
Private Commercial Receivable Transaction	Refer to Note 1	14	AAA
Total top 50 non-U.S. exposures		\$ 4,523	

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

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 Nine Months Ended September 30,	As of and for Year Ended December 31,			
	2020	2019	2018	2017	2016
Claims-Paying Resources⁽¹⁾					
Policyholders' surplus	\$ 1,734	\$ 1,775	\$ 1,793	\$ 2,073	\$ 1,896
Contingency reserve	627	621	629	642	772
Qualified statutory capital	2,361	2,396	2,422	2,715	2,668
Unearned premium reserve and net deferred ceding commission income	400	431	484	354	498
Loss and LAE reserves	(18)	151	236	135	140
Total policyholders' surplus and reserves	2,743	2,978	3,142	3,204	3,306
Present value of installment premium ⁽³⁾	189	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)	3,132	3,365	3,689	3,737	4,055
Adjustment for MAC	235	240	281	292	425
Total claims-paying resources (excluding proportionate MAC ownership for AGC)	\$ 2,897	\$ 3,125	\$ 3,408	\$ 3,445	\$ 3,630
Ratios:					
Net par outstanding to qualified statutory capital	11 :1	13:1	15:1	13:1	19:1
Capital ratio	17 :1	19:1	22:1	20:1	28:1
Financial resources ratio	13 :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)	\$ 40,680	\$ 45,707	\$ 53,213	\$ 53,437	\$ 75,532
Gross debt service outstanding (end of period)	54,117	60,496	70,087	67,865	97,249
Net par outstanding (end of period)	27,069	30,070	35,546	35,743	50,965
Gross par outstanding (end of period)	36,310	40,158	47,202	45,664	65,503
Ceded to Assured Guaranty affiliates	9,217	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.	315	1,703	1,191	56	105
Structured finance - non-U.S.	—	—	230	—	30
Total gross debt service written	\$ 315	\$ 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 the first quarter of 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 obligations 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 obligations, such as bonds for airports, ports, tunnels, municipal parking facilities, toll roads and toll bridges.

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

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

Infrastructure Bonds include obligations issued by a variety of entities engaged in the financing of infrastructure projects, such as roads, airports, ports, social infrastructure and other physical assets delivering essential services supported by long-term concession arrangements with a public sector entity.

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 obligations 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 Obligations primarily include obligations of local, municipal, regional or national governmental authorities or agencies outside of the United States.

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

Structured Finance:

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 is 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 adjusted book value 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.

Non-GAAP Financial Measures (continued)

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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