

A photograph of a construction worker in silhouette, wearing a hard hat and safety harness, walking across a steel truss bridge. The worker is holding a tool or equipment. The bridge's complex steel structure is visible against a light sky.

## Financial Supplement

**Assured Guaranty Corp.**

December 31, 2019



**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. This financial supplement should also be read in conjunction with the Company's financial statements posted on [agltd.com/investor-information](http://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 and course of the COVID-19 pandemic and its global consequences; (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 December 31,		Year Ended December 31,	
	2019	2018	2019	2018
<b>GAAP Highlights</b>				
Net income (loss)	\$ 60	\$ 38	\$ 154	\$ 208
Gross written premiums (GWP)	106	4	105	336
Effective tax rate on net income	12.4%	22.8%	12.4%	32.4%
GAAP return on equity (ROE) <sup>(3)</sup>	10.5%	6.5%	6.7%	8.6%
<b>Non-GAAP Highlights<sup>(1)</sup></b>				
Adjusted operating income <sup>(1)</sup>	\$ 48	\$ 29	\$ 163	\$ 143
Present value of new business production (PVP) <sup>(1)</sup>	54	4	82	413
Gross par written	1,136	200	2,342	\$ 12,421
Effective tax rate on adjusted operating income <sup>(2)</sup>	9.6 %	23.5 %	13.1 %	37.3 %
Adjusted operating ROE <sup>(1)(3)</sup>	9.0 %	5.3 %	7.6 %	6.3 %
			As of	
			December 31, 2019	December 31, 2018
<b>Shareholder's equity</b>			\$ 2,277	\$ 2,329
Adjusted operating shareholder's equity <sup>(1)</sup>			2,124	2,173
Adjusted book value <sup>(1)</sup>			2,594	2,691
Gain (loss) related to the effect of consolidating FG VIEs (FG VIE consolidation) included in adjusted operating shareholders' equity			(3)	(8)
Gain (loss) related to FG VIE consolidation included in adjusted book value			(4)	(9)
<b>Exposure</b>				
Financial guaranty net debt service outstanding			\$ 34,706	\$ 40,619
Financial guaranty net par outstanding			22,612	27,412
<b>Claims-paying resources (including MAC)<sup>(4)</sup></b>			<b>3,329</b>	<b>3,659</b>

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

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

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

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

**Assured Guaranty Corp.**  
**Selected Financial Highlights (2 of 2)**  
(dollars in millions)

	<b>Three Months Ended</b>		<b>Year Ended</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Effect of refundings and terminations on GAAP measures:</b>				
Net earned premiums, pre-tax	\$ 5	\$ 13	\$ 33	\$ 50
Net change in fair value of credit derivatives, pre-tax	—	—	—	3
Net income effect	8	12	35	51
<b>Effect of refundings and terminations on non-GAAP measures:</b>				
Operating net earned premiums and credit derivative revenues <sup>(1)</sup> , pre-tax	6	13	34	53
Adjusted operating income <sup>(1)</sup> effect	8	12	35	51

- 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	
	December 31, 2019	December 31, 2018
<b>Assets:</b>		
Investment portfolio:		
Fixed-maturity securities, available-for-sale, at fair value	\$ 2,566	\$ 2,907
Short-term investments, at fair value	88	126
Equity method investments	391	234
Other invested assets	1	2
Total investment portfolio	3,046	3,269
Loan receivable from parent	88	—
Cash	48	31
Premiums receivable, net of commissions payable	255	199
Ceded unearned premium reserve	219	221
Reinsurance recoverable on unpaid losses	125	171
Salvage and subrogation recoverable	306	214
Financial guaranty variable interest entities' (FG VIE) assets, at fair value	49	101
Other assets	211	252
<b>Total assets</b>	<b>\$ 4,347</b>	<b>\$ 4,458</b>
<b>Liabilities and shareholders' equity:</b>		
<b>Liabilities:</b>		
Unearned premium reserve	\$ 903	\$ 982
Loss and loss adjustment expense (LAE) reserve	414	386
Reinsurance balances payable, net	128	86
Notes payable to affiliates	300	300
Credit derivative liabilities	190	182
FG VIE liabilities with recourse, at fair value	47	108
FG VIE liabilities without recourse, at fair value	1	1
Other liabilities	87	84
<b>Total liabilities</b>	<b>2,070</b>	<b>2,129</b>
<b>Shareholders' equity:</b>		
Preferred stock	—	—
Common stock	15	15
Additional paid-in capital	742	842
Retained earnings	1,364	1,333
Accumulated other comprehensive income	156	139
<b>Total shareholders' equity</b>	<b>2,277</b>	<b>2,329</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 4,347</b>	<b>\$ 4,458</b>

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

	<b>Three Months Ended</b>		<b>Year Ended</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Revenues:</b>				
Net earned premiums	\$ 26	\$ 42	\$ 125	\$ 152
Net investment income	26	33	135	128
Net realized investment gains (losses)	5	(1)	8	(5)
Net change in fair value of credit derivatives	18	4	(7)	95
Other income (loss)	(4)	9	12	13
<b>Total revenues</b>	<b>71</b>	<b>87</b>	<b>273</b>	<b>383</b>
<b>Expenses:</b>				
Loss and LAE	(12)	28	44	38
Interest expense on note payable to affiliate	3	3	11	11
Employee compensation and benefit expenses	9	10	37	36
Other expenses	7	3	27	24
<b>Total expenses</b>	<b>7</b>	<b>44</b>	<b>119</b>	<b>109</b>
<b>Income (loss) before provision for income taxes and equity in net earnings of investees</b>	<b>64</b>	<b>43</b>	<b>154</b>	<b>274</b>
Equity in net earnings of investees	—	—	1	(2)
<b>Income (loss) before income taxes</b>	<b>64</b>	<b>43</b>	<b>155</b>	<b>272</b>
Provision (benefit) for income taxes	8	10	19	88
Equity in after-tax net earnings of affiliates	4	5	18	24
<b>Net income (loss)</b>	<b>\$ 60</b>	<b>\$ 38</b>	<b>\$ 154</b>	<b>\$ 208</b>

## 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 December 31, 2019 and December 31, 2018

	Three Months Ended December 31, 2019		Three Months Ended December 31, 2018	
	Adjusted Operating Income Adjustments <sup>(1)</sup>	Effect of FG VIE Consolidation <sup>(2)</sup>	Adjusted Operating Income Adjustments <sup>(1)</sup>	Effect of FG VIE Consolidation <sup>(2)</sup>
<b>Adjustments to revenues:</b>				
Net earned premiums	\$ —	\$ —	\$ —	\$ —
Net investment income	—	—	—	(1)
Net realized investment gains (losses)	5	—	(1)	—
Net change in fair value of credit derivatives	14	—	—	—
Other income (loss)	(7)	1	9	—
<b>Total revenue adjustments</b>	<b>12</b>	<b>1</b>	<b>8</b>	<b>(1)</b>
<b>Adjustments to expenses:</b>				
Loss expense	(3)	(1)	(4)	3
<b>Total expense adjustments</b>	<b>(3)</b>	<b>(1)</b>	<b>(4)</b>	<b>3</b>
<b>Pre-tax adjustments</b>	<b>15</b>	<b>2</b>	<b>12</b>	<b>(4)</b>
Tax effect of adjustments	3	1	3	(1)
Equity in after-tax net earnings of affiliates	—	—	—	—
<b>After-tax adjustments</b>	<b>\$ 12</b>	<b>\$ 1</b>	<b>\$ 9</b>	<b>\$ (3)</b>

#### Adjusted Operating Income Adjustments and Effect of FG VIE Consolidation for the Year Ended December 31, 2019 and December 31, 2018

	Year Ended December 31, 2019		Year Ended December 31, 2018	
	Adjusted Operating Income Adjustments <sup>(1)</sup>	Effect of FG VIE Consolidation <sup>(2)</sup>	Adjusted Operating Income Adjustments <sup>(1)</sup>	Effect of FG VIE Consolidation <sup>(2)</sup>
<b>Adjustments to revenues:</b>				
Net earned premiums	\$ —	\$ (1)	\$ —	\$ (1)
Net investment income	—	—	—	(1)
Net realized investment gains (losses)	8	—	(5)	—
Net change in fair value of credit derivatives	(21)	—	78	—
Other income (loss)	(9)	10	6	4
<b>Total revenue adjustments</b>	<b>(22)</b>	<b>9</b>	<b>79</b>	<b>2</b>
<b>Adjustments to expenses:</b>				
Loss expense	(8)	5	(4)	5
<b>Total expense adjustments</b>	<b>(8)</b>	<b>5</b>	<b>(4)</b>	<b>5</b>
<b>Pre-tax adjustments</b>	<b>(14)</b>	<b>4</b>	<b>83</b>	<b>(3)</b>
Tax effect of adjustments	(4)	1	18	(1)
Equity in after-tax net earnings of affiliates	1	—	—	—
<b>After-tax adjustments</b>	<b>\$ (9)</b>	<b>\$ 3</b>	<b>\$ 65</b>	<b>\$ (2)</b>

- 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 December 31,		Year Ended December 31,	
	2019	2018	2019	2018
<b>Net income (loss)</b>	<b>\$ 60</b>	<b>\$ 38</b>	<b>\$ 154</b>	<b>\$ 208</b>
Less pre-tax adjustments:				
Realized gains (losses) on investments	5	(1)	10	(5)
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	17	5	(13)	83
Fair value gains (losses) on committed capital securities (CCS) <sup>(1)</sup>	(9)	9	(10)	7
Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves <sup>(1)</sup>	2	(1)	1	(2)
Total pre-tax adjustments	\$ 15	\$ 12	\$ (12)	\$ 83
Less tax effect on pre-tax adjustments	(3)	(3)	3	(18)
<b>Adjusted operating income</b>	<b>\$ 48</b>	<b>\$ 29</b>	<b>\$ 163</b>	<b>\$ 143</b>

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

**ROE Reconciliation and Calculation**

	As of				
	December 31, 2019	September 30, 2019	December 31, 2018	September 30, 2018	December 31, 2017
<b>Shareholder's equity</b>	<b>\$ 2,277</b>	<b>\$ 2,265</b>	<b>\$ 2,329</b>	<b>\$ 2,338</b>	<b>\$ 2,518</b>
Adjusted operating shareholder's equity	2,124	2,112	2,173	2,186	2,367
<b>Gain (loss) related to FG VIE consolidation included in adjusted operating shareholders' equity</b>	<b>(3)</b>	<b>(4)</b>	<b>(8)</b>	<b>(6)</b>	<b>(7)</b>

  

	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
<b>Net income (loss)</b>	<b>\$ 60</b>	<b>\$ 38</b>	<b>\$ 154</b>	<b>\$ 208</b>
Adjusted operating income	48	29	163	143
<b>Average shareholder's equity</b>	<b>\$ 2,271</b>	<b>\$ 2,334</b>	<b>\$ 2,303</b>	<b>\$ 2,424</b>
Average adjusted operating shareholder's equity	2,118	2,180	2,149	2,270
<b>Gain (loss) related to FG VIE consolidation included in average adjusted operating shareholder's equity</b>	<b>(4)</b>	<b>(7)</b>	<b>(6)</b>	<b>(8)</b>
<b>GAAP ROE <sup>(1)</sup></b>	<b>10.5%</b>	<b>6.5%</b>	<b>6.7%</b>	<b>8.6%</b>
Adjusted operating ROE <sup>(1)</sup>	9.0%	5.3%	7.6%	6.3%

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				
	December 31, 2019	September 30, 2019	December 31, 2018	September 30, 2018	December 31, 2017
<b>Reconciliation of shareholder's equity to adjusted book value:</b>					
<b>Shareholder's equity</b>	<b>\$ 2,277</b>	<b>\$ 2,265</b>	<b>\$ 2,329</b>	<b>\$ 2,338</b>	<b>\$ 2,518</b>
Less pre-tax reconciling items:					
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(33)	(50)	(20)	(25)	(103)
Fair value gains (losses) on CCS	28	36	38	29	31
Unrealized gain (loss) on investment portfolio	186	194	167	176	249
Less taxes	(28)	(27)	(29)	(28)	(26)
Adjusted operating shareholders' equity	2,124	2,112	2,173	2,186	2,367
Pre-tax reconciling items:					
Less: Deferred acquisition costs	(22)	(9)	(8)	(12)	4
Plus: Net present value of estimated net future credit derivative revenue	141	144	152	156	95
Plus: Net unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed	432	414	495	535	504
Plus taxes	(125)	(119)	(137)	(147)	(125)
Adjusted book value	<u>\$ 2,594</u>	<u>\$ 2,560</u>	<u>\$ 2,691</u>	<u>\$ 2,742</u>	<u>\$ 2,837</u>
<b>Gain (loss) related to FG VIE consolidation included in adjusted operating shareholder's equity (net of tax benefit of \$1, \$2, \$2, \$2 and \$2)</b>	<b>\$ (3)</b>	<b>\$ (4)</b>	<b>\$ (8)</b>	<b>\$ (6)</b>	<b>\$ (7)</b>
<b>Gain (loss) related to FG VIE consolidation included in adjusted book value (net of tax benefit of \$1, \$2, \$3, \$3 and \$2)</b>	<b>\$ (4)</b>	<b>\$ (5)</b>	<b>\$ (9)</b>	<b>\$ (7)</b>	<b>\$ (9)</b>

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	
	December 31, 2019	December 31, 2018
<b>Claims-paying resources</b>		
Policyholders' surplus	\$ 1,775	\$ 1,793
Contingency reserve <sup>(1)</sup>	621	629
<b>Qualified statutory capital</b>	<b>2,396</b>	<b>2,422</b>
Unearned premium reserve and net deferred ceding commission income <sup>(1)</sup>	431	484
Loss and LAE reserves <sup>(1)</sup>	151	236
<b>Total policyholders' surplus and reserves</b>	<b>2,978</b>	<b>3,142</b>
Present value of installment premium <sup>(1)</sup>	151	137
CCS	200	200
Excess of loss reinsurance facility <sup>(2)</sup>	—	180
<b>Total claims-paying resources (including proportionate MAC ownership for AGC)</b>	<b>3,329</b>	<b>3,659</b>
Adjustment for MAC <sup>(3)</sup>	240	281
<b>Total claims-paying resources (excluding proportionate MAC ownership for AGC)</b>	<b>\$ 3,089</b>	<b>\$ 3,378</b>
Statutory net par outstanding <sup>(4)</sup>	\$ 22,937	\$ 26,263
Equity method adjustment <sup>(3)</sup>	7,133	9,283
<b>Adjusted statutory net par outstanding <sup>(1)</sup></b>	<b>\$ 30,070</b>	<b>\$ 35,546</b>
Net debt service outstanding <sup>(4)</sup>	\$ 35,172	\$ 39,473
Equity method adjustment <sup>(3)</sup>	10,535	13,740
<b>Adjusted net debt service outstanding <sup>(1)</sup></b>	<b>\$ 45,707</b>	<b>\$ 53,213</b>
<b>Ratios:</b>		
Adjusted net par outstanding to qualified statutory capital	13:1	15:1
Capital ratio <sup>(5)</sup>	19:1	22:1
Financial resources ratio <sup>(6)</sup>	14:1	15:1
Adjusted statutory net par outstanding to claims-paying resources (including MAC adjustment for AGC)	9:1	10:1

- 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) The excess of loss reinsurance facility represented the \$180 million portion placed with an unaffiliated reinsurer of a \$400 million aggregate excess-of-loss reinsurance facility for the benefit of AGC, AGM and MAC, which became effective January 1, 2018. The facility terminated on January 1, 2020.
- 3) Represents adjustment for AGC's interest and indirect ownership of MAC.
- 4) Net par outstanding and net debt service outstanding are presented on a statutory basis.
- 5) The capital ratio is calculated by dividing adjusted net debt service outstanding by qualified statutory capital.
- 6) The financial resources ratio is calculated by dividing adjusted net debt service outstanding by total claims-paying resources (including MAC adjustment for AGC).

# Assured Guaranty Corp.

## New Business Production

(dollars in millions)

### Reconciliation of GWP to PVP for the Three Months Ended December 31, 2019 and December 31, 2018

	Three Months Ended December 31, 2019					Three Months Ended December 31, 2018				
	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.	
<b>Total GWP</b>	\$ 9	\$ 44	\$ 53	\$ —	\$ 106	\$ (1)	\$ 5	\$ —	\$ —	\$ 4
Less: Installment GWP and other GAAP adjustments	—	44	53	—	97	(1)	5	(1)	—	3
Upfront GWP	9	—	—	—	9	—	—	1	—	1
Plus: Installment premium PVP	1	27	17	—	45	—	—	—	3	3
<b>Total PVP</b>	<u>\$ 10</u>	<u>\$ 27</u>	<u>\$ 17</u>	<u>\$ —</u>	<u>\$ 54</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1</u>	<u>\$ 3</u>	<u>\$ 4</u>
<b>Gross par written</b>	\$ 476	\$ 238	\$ 422	\$ —	\$ 1,136	\$ —	\$ —	\$ 25	\$ 175	\$ 200

### Reconciliation of GWP to PVP for the Year Ended December 31, 2019 and December 31, 2018

	Year Ended December 31, 2019					Year Ended December 31, 2018				
	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.	
<b>Total GWP</b>	\$ 8	\$ 43	\$ 55	\$ (1)	\$ 105	\$ 112	\$ 58	\$ 165	\$ 1	\$ 336
Less: Installment GWP and other GAAP adjustments <sup>(1)</sup>	(2)	43	54	(1)	94	11	35	6	1	53
Upfront GWP	10	—	1	—	11	101	23	159	—	283
Plus: Installment premium PVP <sup>(2)</sup>	1	27	43	—	71	85	35	7	3	130
<b>Total PVP</b>	<u>\$ 11</u>	<u>\$ 27</u>	<u>\$ 44</u>	<u>\$ —</u>	<u>\$ 82</u>	<u>\$ 186</u>	<u>\$ 58</u>	<u>\$ 166</u>	<u>\$ 3</u>	<u>\$ 413</u>
<b>Gross par written</b>	\$ 523	\$ 238	\$ 1,581	\$ —	\$ 2,342	\$ 7,608	\$ 3,716	\$ 902	\$ 195	\$ 12,421

1) 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.

2) Includes PVP of credit derivatives assumed in the Syncora Guarantee Inc. (SGI) transaction in 2018.

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 December 31, 2019		Year Ended December 31, 2019	
	Gross Par Written	Avg. Internal Rating	Gross Par Written	Avg. Internal Rating
<b>U.S. public finance</b>				
Transportation	\$ 399	BBB+	\$ 399	BBB+
Municipal utilities	77	BBB+	77	BBB+
Infrastructure finance	—	--	5	BBB+
Other public finance	—	--	42	A
Total U.S. public finance	<u>476</u>	BBB+	<u>523</u>	BBB+
<b>Non-U.S. public finance:</b>				
Regulated utilities	<u>238</u>	AA	<u>238</u>	AA
Total non-U.S. public finance	<u>238</u>	AA	<u>238</u>	AA
<b>Total public finance</b>	<u>714</u>	A	<u>761</u>	A
<b>U.S. structured finance:</b>				
Life insurance transactions	365	AA-	985	AA-
Pooled corporate obligations	—	--	465	A+
Structured credit	57	BBB	105	BBB
Other structured finance	—	--	26	A-
Total U.S. structured finance	<u>422</u>	A+	<u>1,581</u>	A+
<b>Non-U.S. structured finance</b>	<u>—</u>	--	<u>—</u>	--
<b>Total structured finance</b>	<u>422</u>	A+	<u>1,581</u>	A+
<b>Total gross par written</b>	<u>\$ 1,136</u>	A	<u>\$ 2,342</u>	A+

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

**Assured Guaranty Corp.**  
Investment Portfolio and Cash  
As of December 31, 2019  
(dollars in millions)

	Amortized Cost	Pre-Tax Book Yield	After-Tax Book Yield	Fair Value	Annualized Investment Income <sup>(1)</sup>
<b>Investment portfolio:</b>					
Fixed-maturity securities:					
Obligations of state and political subdivisions <sup>(2)(3)</sup>	\$ 1,518	3.74 %	3.37 %	\$ 1,641	\$ 57
U.S. government and agencies	52	3.91	3.09	53	2
Corporate securities	326	3.43	2.71	341	11
Mortgage-backed securities (MBS):					
Residential MBS (RMBS) <sup>(3)</sup>	55	4.39	3.47	57	3
Commercial MBS (CMBS)	38	3.36	2.65	40	1
Asset-backed securities <sup>(3)</sup>	399	6.56	5.18	434	26
Total fixed-maturity securities	2,388	4.18	3.57	2,566	100
Short-term investments	88	1.65	1.30	88	1
Cash <sup>(4)</sup>	48	—	—	48	—
<b>Total</b>	<b>\$ 2,524</b>	<b>4.09%</b>	<b>3.49%</b>	<b>\$ 2,702</b>	<b>\$ 101</b>

<b>Ratings <sup>(5)</sup>:</b>	<b>Fair Value</b>	<b>% of Portfolio</b>
U.S. government and agencies	\$ 53	2.1 %
AAA/Aaa	243	9.5
AA/Aa	1,167	45.5
A/A	430	16.7
BBB	215	8.4
Below investment grade (BIG) <sup>(6)</sup>	401	15.6
Not rated	57	2.2
<b>Total fixed-maturity securities, available-for-sale</b>	<b>\$ 2,566</b>	<b>100.0%</b>

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

**5.1**

**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 represented by the lower of the 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 \$534 million in par with carrying value of \$401 million.

**Assured Guaranty Corp.**  
Estimated Net Exposure Amortization<sup>(1)</sup> and Estimated Future Net Premium  
and Credit Derivative Revenues  
(dollars in millions)

	Estimated Net Debt Service Amortization <sup>(1)</sup>	Estimated Ending Net Debt Service Outstanding <sup>(1)</sup>	Financial Guaranty Insurance <sup>(2)</sup>			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	
2019 (as of December 31)		\$ 34,706				
2020 Q1	\$ 671	34,035	\$ 20	\$ 1	\$ —	\$ 3
2020 Q2	635	33,400	20	1	—	3
2020 Q3	743	32,657	19	1	—	3
2020 Q4	613	32,044	19	1	—	2
2021	2,659	29,385	69	3	1	10
2022	2,119	27,266	62	3	1	9
2023	1,669	25,597	56	2	—	8
2024	1,515	24,082	51	2	—	8
2020-2024	10,624	24,082	316	14	2	46
2025-2029	7,566	16,516	200	8	1	36
2030-2034	5,895	10,621	130	4	1	30
2035-2039	5,286	5,335	55	2	1	22
After 2039	5,335	—	37	1	—	20
<b>Total</b>	<b>\$ 34,706</b>		<b>\$ 738</b>	<b>\$ 29</b>	<b>\$ 5</b>	<b>\$ 154</b>

1) Represents the future expected amortization of current debt service outstanding (principal and interest), assuming no advance refundings, as of December 31, 2019. 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<sup>(1)</sup> for the Three Months Ended December 31, 2019**

	Net Expected Loss to be Paid (Recovered) as of September 30, 2019	Economic Loss Development (Benefit) During 4Q-19	(Paid) Recovered Losses During 4Q-19	Net Expected Loss to be Paid (Recovered) as of December 31, 2019
Public Finance:				
U.S. public finance	\$ 248	\$ 1	\$ (2)	\$ 247
Non-U.S public finance	3	(1)	—	2
Public Finance	251	—	(2)	249
Structured Finance:				
U.S. RMBS <sup>(2)</sup>	90	(2)	3	91
Other structured finance	(27)	—	(1)	(28)
Structured Finance	63	(2)	2	63
Total	<b>\$ 314</b>	<b>\$ (2)</b>	<b>\$ —</b>	<b>\$ 312</b>

**Rollforward of Net Expected Loss and LAE to be Paid<sup>(1)</sup> for the Year Ended December 31, 2019**

	Net Expected Loss to be Paid (Recovered) as of December 31, 2018	Economic Loss Development (Benefit) During 2019	(Paid) Recovered Losses During 2019	Net Expected Loss to be Paid (Recovered) as of December 31, 2019
Public Finance:				
U.S. public finance	\$ 314	\$ 75	\$ (142)	\$ 247
Non-U.S public finance	4	(2)	—	2
Public Finance	318	73	(142)	249
Structured Finance:				
U.S. RMBS <sup>(2)</sup>	123	(60)	28	91
Other structured finance	(87)	—	59	(28)
Structured Finance	36	(60)	87	63
Total	<b>\$ 354</b>	<b>\$ 13</b>	<b>\$ (55)</b>	<b>\$ 312</b>

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) Includes future net representations and warranties (R&W) receivable of \$11 million as of December 31, 2019 and \$25 million as of December 31, 2018.

# Assured Guaranty Corp.

## Loss Measures

As of December 31, 2019

(dollars in millions)

	Total Net Par Outstanding for BIG Transactions	Three Months Ended December 31, 2019			Year Ended December 31, 2019		
		Loss and LAE	Loss and LAE included in Adjusted Operating Income (1)	Effect of FG VIE Consolidation (2)	Loss and LAE	Loss and LAE included in Adjusted Operating Income (1)	Effect of FG VIE Consolidation (2)
Public finance:							
U.S. public finance	\$ 1,698	\$ (5)	\$ (5)	\$ —	\$ 87	\$ 87	\$ —
Non-U.S public finance	121	—	—	—	—	—	—
Public finance	1,819	(5)	(5)	—	87	87	—
Structured finance:							
U.S. RMBS	520	(2)	(1)	(1)	(35)	(36)	5
Other structured finance	18	(5)	(3)	—	(8)	1	—
Structured finance	538	(7)	(4)	(1)	(43)	(35)	5
<b>Total</b>	<b>\$ 2,357</b>	<b>\$ (12)</b>	<b>\$ (9)</b>	<b>\$ (1)</b>	<b>\$ 44</b>	<b>\$ 52</b>	<b>\$ 5</b>

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<sup>(1)</sup>  
As of December 31, 2019  
(dollars in millions)

	<u>GAAP</u>
2020 Q1	\$ 7
2020 Q2	8
2020 Q3	7
2020 Q4	7
2021	28
2022	27
2023	26
2024	27
2020-2024	<u>137</u>
2025-2029	110
2030-2034	72
2035-2039	24
After 2039	4
<b>Total expected present value of net expected loss to be expensed<sup>(2)</sup></b>	<u>347</u>
Future accretion	88
<b>Total expected future loss and LAE</b>	<u><u>\$ 435</u></u>

1) The present value of net expected loss to be paid is discounted using risk-free rates ranging from 0.00% to 2.45% 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 December 31, 2019		As of December 31, 2018	
	Net Par Outstanding	Avg. Internal Rating	Net Par Outstanding	Avg. Internal Rating
<b>U.S. public finance:</b>				
Tax backed	\$ 3,059	BBB-	\$ 4,168	BBB-
Transportation	2,393	A-	2,255	A-
General obligation	2,336	BBB+	3,777	BBB+
Infrastructure finance	1,994	A+	2,051	A
Municipal utilities	1,443	BBB	1,905	BBB
Healthcare	662	BBB+	1,371	A-
Investor-owned utilities	344	A-	492	A
Higher education	334	A-	585	A-
Renewable energy	130	BBB+	134	BBB+
Housing revenue	109	BBB-	145	BBB
Other public finance	917	A-	994	A-
Total U.S. public finance	13,721	BBB+	17,877	BBB+
<b>Non-U.S. public finance:</b>				
Regulated utilities	1,918	BBB+	2,203	BBB+
Infrastructure finance	1,622	BBB	1,462	BBB
Pooled infrastructure	708	AAA	687	AAA
Sovereign and sub-sovereign	283	A-	292	A-
Renewable energy	255	BBB+	261	BBB
Total non-U.S. public finance	4,786	A-	4,905	A-
<b>Total public finance</b>	<b>18,507</b>	<b>BBB+</b>	<b>22,782</b>	<b>BBB+</b>
<b>U.S. structured finance:</b>				
RMBS	1,158	BBB	1,399	BBB-
Pooled corporate obligations	1,081	AA-	1,015	AA-
Life insurance transactions	563	AA-	510	AA
Consumer receivables	534	A+	720	A+
Other structured finance	416	BBB	414	BBB+
Total U.S. structured finance	3,752	A	4,058	A
<b>Non-U.S. structured finance:</b>				
RMBS	210	AA-	215	A+
Pooled corporate obligations	3	BBB+	47	AA
Other structured finance	140	BBB	310	A-
Total non-U.S. structured finance	353	A	572	A
<b>Total structured finance</b>	<b>4,105</b>	<b>A</b>	<b>4,630</b>	<b>A</b>
<b>Total</b>	<b>\$ 22,612</b>	<b>A-</b>	<b>\$ 27,412</b>	<b>BBB+</b>

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 December 31, 2019  
(dollars in millions)

**Distribution by Ratings of Financial Guaranty Portfolio**

Ratings:	Public Finance - U.S.			Public Finance - Non-U.S.			Structured Finance - U.S.			Structured Finance - Non-U.S.			Total	
	Net Par Outstanding	%		Net Par Outstanding	%		Net Par Outstanding	%		Net Par Outstanding	%		Net Par Outstanding	%
AAA	\$ 20	0.1 %		\$ 804	16.8 %		\$ 535	14.3 %		\$ 78	22.1 %		\$ 1,437	6.4 %
AA	2,807	20.5		195	4.1		1,537	41.0		11	3.1		4,550	20.1
A	4,477	32.6		815	17.0		619	16.5		133	37.7		6,044	26.7
BBB	4,719	34.4		2,851	59.6		523	13.9		131	37.1		8,224	36.4
BIG	1,698	12.4		121	2.5		538	14.3		—	—		2,357	10.4
<b>Net Par Outstanding<sup>(1)</sup></b>	<b>\$ 13,721</b>	<b>100.0%</b>		<b>\$ 4,786</b>	<b>100.0%</b>		<b>\$ 3,752</b>	<b>100.0%</b>		<b>\$ 353</b>	<b>100.0%</b>		<b>\$ 22,612</b>	<b>100.0%</b>

- 1) As of December 31, 2019, excludes \$571 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 <sup>(1)(2)</sup>	% of Total
Affiliated reinsurers	\$ 13,107	99.2 %
Non-affiliated reinsurers	100	0.8 %
<b>Total</b>	<b>\$ 13,207</b>	<b>100.0%</b>

- 1) Of the total ceded par to reinsurers rated BIG or not rated, none is rated BIG.

- 2) There was no collateral posted by third party reinsurers and \$186 million posted by affiliated reinsurers as of December 31, 2019.

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 December 31, 2019  
(dollars in millions)

**Geographic Distribution of Financial Guaranty Portfolio**

	<b>Net Par Outstanding</b>	<b>% of Total</b>
<b>U.S.:</b>		
U.S. public finance:		
California	\$ 3,356	14.8 %
Puerto Rico	1,518	6.7
Texas	1,119	5.0
New Jersey	1,118	4.9
New York	848	3.8
Illinois	694	3.1
District of Columbia	620	2.7
Florida	527	2.3
Virginia	463	2.0
Georgia	294	1.3
Other	3,164	14.0
Total U.S public finance	13,721	60.6
U.S. structured finance:	3,752	16.6
<b>Total U.S.</b>	<b>17,473</b>	<b>77.2</b>
<b>Non-U.S.:</b>		
United Kingdom	3,309	14.6
Australia	559	2.5
New Zealand	219	1.0
Chile	176	0.8
Mexico	176	0.8
Other	700	3.1
<b>Total non-U.S.</b>	<b>5,139</b>	<b>22.8</b>
<b>Total net par outstanding</b>	<b>\$ 22,612</b>	<b>100.0%</b>

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 December 31, 2019  
(dollars in millions)

**Exposure to Puerto Rico**

	<b>Gross Par Outstanding</b>	<b>Net Par Outstanding</b>	<b>Gross Debt Service Outstanding</b>	<b>Net Debt Service Outstanding</b>
Total	<u>\$ 1,854</u>	<u>\$ 1,518</u>	<u>\$ 3,110</u>	<u>\$ 2,519</u>

**Exposure to Puerto Rico by Risk<sup>(1)</sup>**

	<b>Net Par Outstanding<sup>(2)</sup></b>	<b>Gross Par Outstanding</b>
<b>Commonwealth Constitutionally Guaranteed</b>		
Commonwealth of Puerto Rico - General Obligation Bonds <sup>(2)</sup>	\$ 268	\$ 311
Puerto Rico Public Buildings Authority (PBA) <sup>(2)</sup>	140	140
<b>Public Corporations - Certain Revenues Potentially Subject to Clawback</b>		
Puerto Rico Highways and Transportation Authority (PRHTA) (Transportation revenue) <sup>(2)</sup>	480	609
PRHTA (Highways revenue) <sup>(2)</sup>	74	77
Puerto Rico Convention Center District Authority (PRCCDA)	152	152
Puerto Rico Infrastructure Financing Authority (PRIFA)	15	16
<b>Other Public Corporations</b>		
Puerto Rico Electric Power Authority (PREPA) <sup>(2)</sup>	71	121
Puerto Rico Aqueduct and Sewer Authority (PRASA) <sup>(3)</sup>	284	373
Puerto Rico Municipal Finance Agency (MFA) <sup>(3)</sup>	33	54
University of Puerto Rico (U of PR) <sup>(3)</sup>	1	1
Total exposure to Puerto Rico	<u>\$ 1,518</u>	<u>\$ 1,854</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 December 31, 2019  
(dollars in millions)

**Amortization Schedule of Net Par Outstanding of Puerto Rico**

	2020 (Q1)	2020 (Q2)	2020 (Q3)	2020 (Q4)	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030- 2034	2035- 2039	2040- 2044	2045- 2047	Total
<b>Commonwealth Constitutionally Guaranteed</b>																		
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
<b>Public Corporations - Certain Revenues Potentially Subject to Clawback</b>																		
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
<b>Other Public Corporations</b>																		
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	—	—	—	—	—	—	—	—	—	—	—	—	—	1	—	—	—	1
<b>Total</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 118</b>	<b>\$ —</b>	<b>\$ 54</b>	<b>\$ 35</b>	<b>\$ 40</b>	<b>\$ 17</b>	<b>\$ 57</b>	<b>\$ 84</b>	<b>\$ 129</b>	<b>\$ 60</b>	<b>\$ 63</b>	<b>\$ 309</b>	<b>\$ 302</b>	<b>\$ 66</b>	<b>\$ 184</b>	<b>\$1,518</b>

**Assured Guaranty Corp.**  
Exposure to Puerto Rico (3 of 3)  
As of December 31, 2019  
(dollars in millions)

**Amortization Schedule of Net Debt Service Outstanding of Puerto Rico**

	2020 (Q1)	2020 (Q2)	2020 (Q3)	2020 (Q4)	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030- 2034	2035- 2039	2040- 2044	2045- 2047	Total
<b>Commonwealth Constitutionally Guaranteed</b>																		
Commonwealth of Puerto Rico - General Obligation Bonds	\$ 7	\$ —	\$ 91	\$ —	\$ 24	\$ 22	\$ 16	\$ 17	\$ 15	\$ 23	\$ 29	\$ 12	\$ 42	\$ 50	\$ 8	\$ —	\$ —	\$ 356
PBA	3	—	9	—	19	6	13	6	13	17	45	3	4	49	20	—	—	207
<b>Public Corporations - Certain Revenues Potentially Subject to Clawback</b>																		
PRHTA (Transportation revenue)	13	—	20	—	30	38	43	27	44	38	28	32	40	194	237	47	—	831
PRHTA (Highway revenue)	2	—	13	—	15	3	3	3	3	3	3	3	4	46	10	—	—	111
PRCCDA	3	—	3	—	7	7	7	7	7	7	26	6	6	103	61	—	—	250
PRIFA	—	—	—	—	1	1	2	1	1	1	1	1	1	2	10	8	—	30
<b>Other Public Corporations</b>																		
PREPA	2	—	2	—	5	4	5	4	5	22	19	18	2	12	—	—	—	100
PRASA	7	—	8	—	15	15	15	16	33	33	33	33	10	52	54	67	204	595
MFA	1	—	10	—	9	8	3	1	1	2	1	1	1	—	—	—	—	38
U of PR	—	—	—	—	—	—	—	—	—	—	—	—	—	1	—	—	—	1
<b>Total</b>	<b>\$ 38</b>	<b>\$ —</b>	<b>\$ 156</b>	<b>\$ —</b>	<b>\$ 125</b>	<b>\$ 104</b>	<b>\$ 107</b>	<b>\$ 82</b>	<b>\$ 122</b>	<b>\$ 146</b>	<b>\$ 185</b>	<b>\$ 109</b>	<b>\$ 110</b>	<b>\$ 509</b>	<b>\$ 400</b>	<b>\$ 122</b>	<b>\$ 204</b>	<b>\$2,519</b>

**Assured Guaranty Corp.**  
Direct Pooled Corporate Obligations Profile  
As of December 31, 2019  
(dollars in millions)

**Distribution of Direct Pooled Corporate Obligations by Ratings**

	<b>Net Par Outstanding</b>	<b>% of Total</b>	<b>Avg. Initial Credit Enhancement</b>	<b>Avg. Current Credit Enhancement</b>
<b>Ratings:</b>				
AAA	\$ 124	12.1 %	47.2%	74.2%
AA	646	63.1	40.8	50.5
A	188	18.4	43.3	46.6
BBB	66	6.4	35.2	35.2
<b>Total exposures</b>	<b>\$ 1,024</b>	<b>100.0%</b>	<b>41.6%</b>	<b>51.7%</b>

**Distribution of Direct Pooled Corporate Obligations by Asset Class**

	<b>Net Par Outstanding</b>	<b>% of Total</b>	<b>Avg. Initial Credit Enhancement</b>	<b>Avg. Current Credit Enhancement</b>	<b>Avg. Rating</b>
<b>Asset class:</b>					
CBOs/CLOs	\$ 421	41.1 %	37.2 %	40.2 %	AA-
Trust preferred					
Banks and insurance	517	50.5	44.3	59.0	AA
U.S. mortgage and real estate investment trusts	86	8.4	47.3	63.8	A
<b>Total exposures</b>	<b>\$ 1,024</b>	<b>100.0%</b>	<b>41.6%</b>	<b>51.7%</b>	<b>AA-</b>

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



# Assured Guaranty Corp.

## U.S. RMBS Profile

As of December 31, 2019

(dollars in millions)

### Distribution of U.S. RMBS by Rating and Type of Exposure <sup>(1)</sup>

Ratings:	Prime First Lien	Alt-A First Lien	Option ARMs	Subprime First Lien	Second Lien	Total Net Par Outstanding
AAA	\$ 16	\$ 56	\$ 12	\$ 284	\$ —	\$ 368
AA	12	76	1	30	1	120
A	10	—	—	21	—	31
BBB	—	26	—	—	93	119
BIG	23	92	13	334	58	520
<b>Total exposures</b>	<b>\$ 61</b>	<b>\$ 250</b>	<b>\$ 26</b>	<b>\$ 669</b>	<b>\$ 152</b>	<b>\$ 1,158</b>

### 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	\$ 19	\$ 1	\$ 1	\$ 92	\$ 22	\$ 135
2005	34	74	10	94	31	243
2006	8	1	7	225	16	257
2007	—	174	8	258	83	523
<b>Total exposures</b>	<b>\$ 61</b>	<b>\$ 250</b>	<b>\$ 26</b>	<b>\$ 669</b>	<b>\$ 152</b>	<b>\$ 1,158</b>

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 December 31, 2019  
(dollars in millions)

**Distribution of Credit Derivative Net Par Outstanding by Rating**

<b>Rating</b>	<b>Net Par Outstanding</b>	<b>% of Total</b>
AAA	\$ 961	25.3 %
AA	1,492	39.3
A	525	13.8
BBB	707	18.7
BIG	110	2.9
<b>Total credit derivative net par outstanding</b>	<b>\$ 3,795</b>	<b>100.0%</b>

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

	<b>Net Par Outstanding</b>	<b>Average Internal Rating</b>
<b>Public finance</b>		
U.S. public finance	\$ 1,120	AA
Non-U.S. public finance	1,507	A+
<b>Total public finance</b>	<b>2,627</b>	<b>AA-</b>
<b>U.S. structured finance:</b>		
Pooled corporate obligations	529	AA-
RMBS	410	A+
Consumer receivables	96	A+
Other structured finance	—	BBB
<b>Total U.S. structured finance</b>	<b>1,035</b>	<b>AA-</b>
<b>Non-U.S. structured finance:</b>		
RMBS	133	A
<b>Total non-U.S. structured finance</b>	<b>133</b>	<b>A</b>
<b>Total structured finance</b>	<b>1,168</b>	<b>A+</b>
<b>Total credit derivative net par outstanding</b>	<b>\$ 3,795</b>	<b>AA-</b>

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	
	December 31, 2019	December 31, 2018
<b>U.S. public finance:</b>		
Tax backed	\$ 762	\$ 815
General obligation	461	524
Municipal utilities	374	375
Higher education	36	41
Healthcare	30	55
Housing revenue	17	18
Transportation	14	5
Renewable energy	2	4
Infrastructure finance	2	2
Total U.S. public finance	<u>1,698</u>	<u>1,839</u>
<b>Non-U.S. public finance:</b>		
Infrastructure finance	45	53
Renewable energy	40	46
Sovereign and sub-sovereign	36	38
Total non-U.S. public finance	<u>121</u>	<u>137</u>
<b>Total public finance</b>	<u><b>1,819</b></u>	<u><b>1,976</b></u>
<b>U.S. structured finance:</b>		
RMBS	520	724
Life insurance transactions	7	—
Consumer receivables	4	4
Other structured finance	7	8
Total U.S. structured finance	<u>538</u>	<u>736</u>
<b>Non-U.S. structured finance:</b>		
Pooled corporate obligations	—	—
Total non-U.S. structured finance	<u>—</u>	<u>—</u>
<b>Total structured finance</b>	<u><b>538</b></u>	<u><b>736</b></u>
<b>Total BIG net par outstanding</b>	<u><b>\$ 2,357</b></u>	<u><b>\$ 2,712</b></u>

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<sup>(1)</sup>**

	As of	
	December 31, 2019	December 31, 2018
<b>BIG Category 1</b>		
U.S. public finance	\$ 200	\$ 252
Non-U.S. public finance	121	89
U.S. structured finance	87	85
Non-U.S. structured finance	—	—
Total BIG Category 1	<u>408</u>	<u>426</u>
<b>BIG Category 2</b>		
U.S. public finance	294	305
Non-U.S. public finance	—	48
U.S. structured finance	28	171
Non-U.S. structured finance	—	—
Total BIG Category 2	<u>322</u>	<u>524</u>
<b>BIG Category 3</b>		
U.S. public finance	1,204	1,282
Non-U.S. public finance	—	—
U.S. structured finance	423	480
Non-U.S. structured finance	—	—
Total BIG Category 3	<u>1,627</u>	<u>1,762</u>
<b>BIG Total</b>	<u><u>\$ 2,357</u></u>	<u><u>\$ 2,712</u></u>

- 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 December 31, 2019  
(dollars in millions)

**BIG Exposures with Revenue Sources Greater Than \$50 Million**

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

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 December 31, 2019**  
(dollars in millions)

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

<b>Credit Name</b>	<b>Net Par Outstanding</b>	<b>Internal Rating (1)</b>
New Jersey (State of)	\$ 1,028	BBB
San Diego Family Housing, LLC Military Housing	951	AA
North Texas Tollway Authority	663	A
Puerto Rico Highways & Transportation Authority	554	CCC
LCOR Alexandria LLC	439	BBB+
Puerto Rico, General Obligation, Appropriations and Guarantees of the Commonwealth	423	CCC
Alameda Corridor Transportation Authority, California	366	BBB+
Metro Washington Airports Authority (Dulles Toll Road)	331	BBB+
Puerto Rico Aqueduct & Sewer Authority	284	CCC
DOT Headquarters II Lease-Backed Mortgage Finance Trust	262	A
California (State of)	226	AA-
Yankee Stadium LLC New York City Industrial Development Authority	223	BBB
Dallas (City of) Civic Center Convention Complex, Texas	210	A+
Dodger Tickets LLC	189	BBB
San Joaquin Hills Transportation, California	188	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	139	AA-
New York Metropolitan Transportation Authority	139	BBB+
New York (City of), New York	134	AA
Clarksville Natural Gas Acquisition Corporation, Tennessee	131	A
Navy Midwest Family Housing LLC	126	A
San Francisco Airports Commission (San Francisco International Airport), California	120	A+
Southern California Logistic Airport, California	111	BBB-
Washington Water Power (Avista Project) First Mortgage Bonds	107	A-
Covenant Health	106	A
San Diego County, California	106	AA-
Chicago-O'Hare International Airport, Illinois	98	A-
Essentia Health	94	A-
Offutt Air Force Base, Nebraska	92	A+
Municipal Gas Authority of Georgia	91	A+
St. Louis, Missouri	87	BBB+
Piedmont Municipal Power Authority, South Carolina	86	A-
Ohana Military Communities, LLC	85	A-
San Bernardino County, California	84	A+
Massachusetts State College Building Authority	79	AA-
Aurora Military Housing, 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), California	70	A
Chicago (City of), Illinois Water	69	BBB+
Fort Benning Family Communities, LLC	69	A-
Duke Energy, Ohio	67	A-
E-470 Public Highway Authority, Colorado	67	A-
Mets Queens Ballpark	61	BBB-
Maine (State of)	61	A
Houston Water & Sewer Authority, Texas	60	AA-
ACTS Retirement Life, Pennsylvania	58	BBB+
<b>Total top 50 U.S. public finance exposures</b>	<b>\$ 9,679</b>	

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 December 31, 2019**  
(dollars in millions)

**25 Largest U.S. Structured Finance Exposures**

<b>Credit Name</b>	<b>Net Par Outstanding</b>	<b>Internal Rating (1)</b>
SLM Private Credit Student Trust 2007-A	\$ 354	A+
Fortress Credit Opportunities VII CLO Limited	167	AA-
Private US Insurance Securitization	150	AA-
Private US Insurance Securitization	150	AA
Private US Insurance Securitization	146	AA-
SLM Private Credit Student Loan Trust 2006-C	145	AA-
ABPCI Direct Lending Fund CLO I Ltd	135	A
Brightwood Fund III Static 2018-1, LLC	119	AA
Option One Mortgage Loan Trust 2007-HL1	110	CCC
Private US Insurance Securitization	107	AA-
Argent Securities Inc., Asset Backed Pass Through Certificates 2005-W4	93	CCC
New Century Home Equity Loan Trust 2006-1	83	AAA
Soundview Home Equity Loan Trust 2006-OPT1	83	AAA
CWALT Alternative Loan Trust 2007-HY9	81	A+
Preferred Term Securities XXIV, Ltd.	79	AA-
OwnIt Mortgage Loan ABS Certificates 2006-3	72	AAA
ALESCO Preferred Funding XIII, Ltd.	68	AA
Structured Asset Investment Loan Trust 2006-1	65	AAA
Private Balloon Note Guarantee	60	BBB
Preferred Term Securities XXIII	59	AA
CAPCO - Excess SIPC Excess of Loss Reinsurance	54	BBB
ALESCO Preferred Funding XII, Ltd.	53	AA
IMPAC CMB Trust Series 2007-A	49	AAA
Alesco Preferred Funding XVI, Ltd.	49	BBB-
Countrywide Home Equity Loan Trust 2007-D	48	BBB-
<b>Total top 25 U.S. structured finance exposures</b>	<b>\$ 2,579</b>	

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 December 31, 2019**  
(dollars in millions)

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

<b>Credit Name</b>	<b>Country</b>	<b>Net Par Outstanding</b>	<b>Internal Rating</b>
Thames Water Utility Finance PLC	United Kingdom	\$ 354	A-
InspirED Education (South Lanarkshire) PLC	United Kingdom	349	BBB
International Infrastructure Pool	United Kingdom	236	AAA
International Infrastructure Pool	United Kingdom	236	AAA
International Infrastructure Pool	United Kingdom	236	AAA
BBi (DBCT) Finance Property Limited	Australia	236	BBB
National Grid Gas PLC	United Kingdom	184	BBB+
Comision Federal De Electricidad (CFE) El Cajon Project	Mexico	175	BBB-
Mighty River Power, New Zealand	New Zealand	145	BBB+
Sydney Airport Finance Company	Australia	143	BBB+
Dali Capital (Northumbrian Water) PLC	United Kingdom	137	BBB+
Private International Residential Mortgage Transaction	United Kingdom	133	A
Regione Lazio	Italy	129	BBB-
Wessex Water Services Finance PLC	United Kingdom	126	AA
M77 - Glasgow Southern Orbital PFI Road Project	United Kingdom	120	BBB-
Titularizadora Centroamericana De DPRs	Guatemala	118	BBB-
Channel Link Enterprises Finance PLC	France, United Kingdom	109	BBB
Anglian Water Services Financing	United Kingdom	102	A-
Verbund - Lease and Sublease of Hydro-Electric equipment	Austria	95	AAA
National Grid Company PLC	United Kingdom	91	BBB+
Orange and Associated Health Services Ancora (OAHS) Pty Ltd.	Australia	88	BBB
Vespucio Sur Chilean Toll Road Sociedad Concesionaria Autopista Vespucio Sur, S.A.	Chile	86	BBB
Yorkshire Water Services Finance PLC	United Kingdom	85	A-
United Utilities Water PLC	United Kingdom	85	BBB+
Southern Gas Networks PLC	United Kingdom	83	BBB
Envestra Limited	Australia	76	A-
Capital Hospitals (Barts)	United Kingdom	75	BBB-
Vector Limited	New Zealand	75	BBB+
Chillan-Collipulli Chilean Toll Road	Chile	71	BBB-
Hydro-Quebec, Province of Quebec	Canada	71	AA-
Southern Water Services Limited	United Kingdom	66	A-
Welsh Water PLC	United Kingdom	64	A-
Societe des Autoroutes du Nord et de l'Est de France S.A.	France	54	BBB+
Electricity North West Ltd	United Kingdom	47	BBB+
Breeze Finance S.A.	Germany	40	B-
ALBA 2005-1 A3	United Kingdom	38	AAA
Valencia Fair	Spain	35	BB+
Newcastle Hospitals PFI Project	United Kingdom	35	BB+
Severn Trent Water Utilities Finance PLC	United Kingdom	35	BBB+
Southern Electric Power PLC	United Kingdom	27	BBB+
Derby Healthcare PLC	United Kingdom	24	BBB
Western Power Distribution (South Wales) PLC	United Kingdom	22	BBB+
Western Power Distribution (SW) PLC	United Kingdom	20	BBB+
Private Commercial Receivable Transaction	Refer to Note 1	20	AAA
Verdun Participations 2 S.A.S.	France	19	BBB-
ALBA 2006-1 A3b	United Kingdom	18	AAA
NewHospitals (St Helens & Knowsley) Finance PLC	United Kingdom	17	BBB
Autolink Concessionaires (M6)	United Kingdom	16	A-
Northern Counties Housing Association Limited	United Kingdom	16	A
MPC Funding Limited	Australia	16	BBB+
<b>Total top 50 non-U.S. exposures</b>		<b>\$ 4,878</b>	

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)

	Year Ended December 31,				
	2019	2018	2017	2016	2015
<b>Claims-Paying Resources<sup>(1)</sup></b>					
Policyholders' surplus	\$ 1,775	\$ 1,793	\$ 2,073	\$ 1,896	\$ 1,365
Contingency reserve	621	629	642	772	906
<b>Qualified statutory capital</b>	<b>2,396</b>	<b>2,422</b>	<b>2,715</b>	<b>2,668</b>	<b>2,271</b>
Unearned premium reserve and net deferred ceding commission income	431	484	354	498	663
Loss and LAE reserves	151	236	135	140	224
<b>Total policyholders' surplus and reserves</b>	<b>2,978</b>	<b>3,142</b>	<b>3,204</b>	<b>3,306</b>	<b>3,158</b>
Present value of installment premium	151	137	126	156	215
CCS	200	200	200	200	200
Excess of loss reinsurance facility	—	180	180	360	360
<b>Total claims-paying resources (including proportionate MAC ownership for AGC)</b>	<b>3,329</b>	<b>3,659</b>	<b>3,710</b>	<b>4,022</b>	<b>3,933</b>
Adjustment for MAC	240	281	292	425	544
<b>Total claims-paying resources (excluding proportionate MAC ownership for AGC)</b>	<b>\$ 3,089</b>	<b>\$ 3,378</b>	<b>\$ 3,418</b>	<b>\$ 3,597</b>	<b>\$ 3,389</b>
Ratios:					
Net par outstanding to qualified statutory capital	13:1	15:1	13:1	19:1	31:1
Capital ratio	19:1	22:1	20:1	28:1	46:1
Financial resources ratio	14:1	15:1	14:1	19:1	26:1
Adjusted statutory net par outstanding to claims-paying resources (including MAC adjustment for AGC)	9:1	10:1	10:1	13:1	18:1
<b>Other Financial Information (Statutory Basis)<sup>(2)</sup></b>					
Net debt service outstanding (end of period)	\$ 45,707	\$ 53,213	\$ 53,437	\$ 75,532	\$ 103,862
Gross debt service outstanding (end of period)	60,496	70,087	67,865	97,249	137,292
Net par outstanding (end of period)	30,070	35,546	35,743	50,965	69,766
Gross par outstanding (end of period)	40,158	47,202	45,664	65,503	92,273
Ceded to Assured Guaranty affiliates	9,989	11,556	9,846	13,905	21,448
Gross debt service written:					
Public finance - U.S.	\$ 923	\$ 10,932	\$ 15	\$ 1	\$ 38
Public finance - non-U.S.	664	6,370	—	—	—
Structured finance - U.S.	1,703	1,191	56	105	349
Structured finance - non-U.S.	—	230	—	30	63
<b>Total gross debt service written</b>	<b>\$ 3,290</b>	<b>\$ 18,723</b>	<b>\$ 71</b>	<b>\$ 136</b>	<b>\$ 450</b>

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.

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 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 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, along with the effect of VIE consolidation, provides information that is necessary for analysts to calculate their estimates of Assured Guaranty's financial results in their research reports on Assured Guaranty and for investors, analysts and the financial news media to evaluate Assured Guaranty's financial results.

GAAP requires the Company to consolidate certain FG VIEs and investment vehicles. The Company does not own such FG VIEs and its exposure is limited to its obligation under the financial guaranty insurance contract, which is captured in the Insurance segment results. The economic effect of its consolidated investment vehicles is also captured in its Insurance segment results through the insurance subsidiaries' economic interest in such vehicles. Management and the Board of Directors use non-GAAP financial measures further adjusted to remove 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 these core financial measures in its decision making process and in its calculation of certain components of management compensation. Wherever possible, the Company has separately disclosed the effect of VIE consolidation.

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.

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 and financial condition of the Company and presents the results of operations of the Company excluding the fair value adjustments on credit derivatives and CCS that are not expected to result in economic gain or loss, as well as other adjustments described below. Management further adjusts adjusted operating income by removing VIE consolidation to arrive at its core operating income measure. 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.

## Non-GAAP Financial Measures (continued)

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

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

**Adjusted Operating Shareholders' Equity and Adjusted Book Value:** Management believes that adjusted operating shareholders' equity is a useful measure because it presents the equity of the Company excluding the fair value adjustments on investments, credit derivatives and CCS that are not expected to result in economic gain or loss, along with other adjustments described below. Management further adjusts adjusted operating shareholders' equity by removing VIE consolidation to arrive at its core operating shareholders' equity and core adjusted book value.

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 expected future net earned premiums, net 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 future estimated revenue for contracts other than financial guaranty insurance contracts (such as specialty insurance and reinsurance contracts and credit derivatives). There is no corresponding GAAP financial measure. This amount represents the present value of estimated future revenue from these contracts, net of reinsurance, ceding commissions and premium taxes, for contracts without expected economic losses, and is discounted at 6%. Estimated net future revenue may change from period to period 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.

**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 premium supplements and additional installment premium on existing contracts as to which the issuer has the right to call the insured obligation but has not exercised such right, whether in insurance or credit derivative contract form, which management believes GAAP gross written premiums and the net credit derivative premiums received and receivable portion of net realized gains and other settlements on credit derivatives (Credit Derivative Realized Gains (Losses)) 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, discounted, in each case, at 6%. 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 future earned or written premiums and Credit Derivative Realized Gains (Losses) may differ from PVP 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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