

A photograph of a construction worker in 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.

December 31, 2020



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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, 2020. This financial supplement should also be read in conjunction with the Company's financial statements posted on agld.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 December 31,		Year Ended December 31,	
	2020	2019	2020	2019
GAAP Highlights				
Net income (loss)	\$ 37	\$ 60	\$ 121	\$ 154
Gross written premiums (GWP)	5	106	36	105
Effective tax rate on net income	8.3 %	12.4 %	12.4 %	12.4 %
GAAP return on equity (ROE)⁽¹⁾	6.5 %	10.5 %	5.3 %	6.7 %
Non-GAAP Highlights⁽²⁾				
Adjusted operating income (loss) ⁽²⁾	\$ (4)	\$ 48	\$ 65	\$ 163
Present value of new business production (PVP)	4	65	22	99
Gross par written	192	1,136	379	\$ 2,342
Effective tax rate on adjusted operating income	52.8 %	9.6 %	0.6 %	13.1 %
Adjusted operating ROE ⁽¹⁾⁽²⁾	(0.8) %	9.0 %	3.1 %	7.6 %
Effect of refundings and terminations on GAAP measures:				
Net earned premiums, pre-tax	\$ 30	\$ 5	\$ 38	\$ 33
Net change in fair value of credit derivatives, pre-tax	—	—	1	—
Net income effect	25	8	36	35
Effect of refundings and terminations on non-GAAP measures:				
Operating net earned premiums and credit derivative revenues ⁽¹⁾ , pre-tax	30	6	39	34
Adjusted operating income ⁽¹⁾ effect	25	8	36	35

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	
	December 31, 2020	December 31, 2019
Shareholder's equity	\$ 2,265	\$ 2,277
Adjusted operating shareholder's equity ⁽¹⁾	2,032	2,124
Adjusted book value ⁽¹⁾	2,454	2,600
Gain (loss) related to the effect of consolidating financial guaranty VIEs (FG VIE consolidation) included in adjusted operating shareholders' equity	(6)	(3)
Gain (loss) related to FG VIE consolidation included in adjusted book value	(6)	(4)
Exposure		
Financial guaranty net debt service outstanding	\$ 29,466	\$ 34,706
Financial guaranty net par outstanding	19,483	22,612
Claims-paying resources (including Municipal Assurance Corp. (MAC))⁽²⁾	3,100	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	
	December 31, 2020	December 31, 2019
Assets:		
Investment portfolio:		
Fixed-maturity securities, available-for-sale, at fair value	\$ 2,369	\$ 2,566
Short-term investments, at fair value	66	88
Equity method investments	414	391
Other invested assets, at fair value	1	1
Total investment portfolio	2,850	3,046
Loan receivable from parent	88	88
Cash	56	48
Premiums receivable, net of commissions payable	270	255
Ceded unearned premium reserve	200	219
Reinsurance recoverable on unpaid losses	165	125
Salvage and subrogation recoverable	421	306
Financial guaranty variable interest entities' (FG VIEs') assets, at fair value	39	49
Other assets	154	211
Total assets	\$ 4,243	\$ 4,347
Liabilities and shareholders' equity:		
Liabilities:		
Unearned premium reserve	\$ 797	\$ 903
Loss and loss adjustment expense (LAE) reserve	528	414
Reinsurance balances payable, net	139	128
Notes payable to affiliates	300	300
Credit derivative liabilities	97	190
FG VIE liabilities at fair value (with recourse of \$37 and \$47, without recourse of \$1 and \$1)	38	48
Other liabilities	79	87
Total liabilities	1,978	2,070
Shareholders' equity:		
Preferred stock	—	—
Common stock	15	15
Additional paid-in capital	742	742
Retained earnings	1,319	1,364
Accumulated other comprehensive income	189	156
Total shareholders' equity	2,265	2,277
Total liabilities and shareholders' equity	\$ 4,243	\$ 4,347

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

	Three Months Ended December 31,		Year Ended December 31,	
	2020	2019	2020	2019
Revenues:				
Net earned premiums	\$ 49	\$ 26	\$ 121	\$ 125
Net investment income	20	26	98	135
Net realized investment gains (losses)	5	5	9	8
Net change in fair value of credit derivatives	53	18	75	(7)
Other income (loss)	(1)	(4)	11	12
Total revenues	126	71	314	273
Expenses:				
Loss and LAE	77	(12)	138	44
Interest expense on note payable to affiliate	3	3	11	11
Employee compensation and benefit expenses	10	9	36	37
Other operating expenses	6	7	24	27
Total expenses	96	7	209	119
Income (loss) before provision for income taxes and equity in earnings of investees	30	64	105	154
Equity in earnings of investees	6	—	16	1
Income (loss) before income taxes	36	64	121	155
Provision (benefit) for income taxes	3	8	15	19
Equity in after-tax earnings of investee	4	4	15	18
Net income (loss)	\$ 37	\$ 60	\$ 121	\$ 154

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, 2020 and December 31, 2019

	Three Months Ended December 31, 2020		Three Months Ended December 31, 2019	
	Adjusted Operating Income Adjustments ⁽¹⁾	Effect of FG VIE Consolidation ⁽²⁾	Adjusted Operating Income Adjustments ⁽¹⁾	Effect of FG VIE Consolidation ⁽²⁾
Adjustments to revenues:				
Net earned premiums	\$ —	\$ (1)	\$ —	\$ —
Net investment income	—	—	—	—
Net realized investment gains (losses)	5	—	5	—
Net change in fair value of credit derivatives	51	—	14	—
Other income (loss)	(4)	1	(7)	1
Total revenue adjustments	52	—	12	1
Adjustments to expenses:				
Loss expense	—	1	(3)	(1)
Total expense adjustments	—	1	(3)	(1)
Pre-tax adjustments	52	(1)	15	2
Tax effect of adjustments	11	(1)	3	1
Equity in after-tax earnings of investee	—	—	—	—
After-tax adjustments	\$ 41	\$ —	\$ 12	\$ 1

Adjusted Operating Income Adjustments and Effect of FG VIE Consolidation for the Year Ended December 31, 2020 and December 31, 2019

	Year Ended December 31, 2020		Year Ended December 31, 2019	
	Adjusted Operating Income Adjustments ⁽¹⁾	Effect of FG VIE Consolidation ⁽²⁾	Adjusted Operating Income Adjustments ⁽¹⁾	Effect of FG VIE Consolidation ⁽²⁾
Adjustments to revenues:				
Net earned premiums	\$ —	\$ (1)	\$ —	\$ (1)
Net investment income	—	(1)	—	—
Net realized investment gains (losses)	9	—	8	—
Net change in fair value of credit derivatives	64	—	(21)	—
Other income (loss)	2	—	(9)	10
Total revenue adjustments	75	(2)	(22)	9
Adjustments to expenses:				
Loss expense	4	2	(8)	5
Total expense adjustments	4	2	(8)	5
Pre-tax adjustments	71	(4)	(14)	4
Tax effect of adjustments	15	(1)	(4)	1
Equity in after-tax earnings of investee	—	—	1	—
After-tax adjustments	\$ 56	\$ (3)	\$ (9)	\$ 3

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,	
	2020	2019	2020	2019
Net income (loss)	\$ 37	\$ 60	\$ 121	\$ 154
Less pre-tax adjustments:				
Realized gains (losses) on investments	5	5	9	10
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	51	17	60	(13)
Fair value gains (losses) on committed capital securities (CCS) ⁽¹⁾	(7)	(9)	—	(10)
Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves ⁽¹⁾	3	2	2	1
Total pre-tax adjustments	\$ 52	\$ 15	\$ 71	\$ (12)
Less tax effect on pre-tax adjustments	(11)	(3)	(15)	3
Adjusted operating income (loss)	<u>\$ (4)</u>	<u>\$ 48</u>	<u>\$ 65</u>	<u>\$ 163</u>

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

ROE Reconciliation and Calculation

	As of				
	December 31, 2020	September 30, 2020	December 31, 2019	September 30, 2019	December 31, 2018
Shareholder's equity	\$ 2,265	\$ 2,252	\$ 2,277	\$ 2,265	\$ 2,329
Adjusted operating shareholder's equity	2,032	2,072	2,124	2,112	2,173
Gain (loss) related to FG VIE consolidation included in adjusted operating shareholders' equity	(6)	(5)	(3)	(4)	(8)

	Three Months Ended December 31,		Year Ended December 31,	
	2020	2019	2020	2019
Net income (loss)	\$ 37	\$ 60	\$ 121	\$ 154
Adjusted operating income (loss)	(4)	48	65	163
Average shareholder's equity	\$ 2,259	\$ 2,271	\$ 2,271	\$ 2,303
Average adjusted operating shareholder's equity	2,052	2,118	2,078	2,149
Gain (loss) related to FG VIE consolidation included in average adjusted operating shareholder's equity	(6)	(4)	(5)	(6)
GAAP ROE ⁽¹⁾	6.5 %	10.5 %	5.3 %	6.7 %
Adjusted operating ROE ⁽¹⁾	(0.8) %	9.0 %	3.1 %	7.6 %

1) Quarterly ROE calculations represent annualized returns.

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

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

	As of				
	December 31, 2020	September 30, 2020	December 31, 2019	September 30, 2019	December 31, 2018
Reconciliation of shareholder's equity to adjusted book value:					
Shareholder's equity	\$ 2,265	\$ 2,252	\$ 2,277	\$ 2,265	\$ 2,329
Less pre-tax reconciling items:					
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	26	(25)	(33)	(50)	(20)
Fair value gains (losses) on CCS	28	35	28	36	38
Unrealized gain (loss) on investment portfolio	226	203	186	194	167
Less taxes	(47)	(33)	(28)	(27)	(29)
Adjusted operating shareholders' equity	2,032	2,072	2,124	2,112	2,173
Pre-tax reconciling items:					
Less: Deferred acquisition costs	(22)	(22)	(22)	(9)	(8)
Plus: Net present value of estimated net future credit derivative revenue	134	136	148	151	160
Plus: Net unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed	379	405	432	414	495
Plus taxes	(113)	(118)	(126)	(120)	(139)
Adjusted book value	<u>\$ 2,454</u>	<u>\$ 2,517</u>	<u>\$ 2,600</u>	<u>\$ 2,566</u>	<u>\$ 2,697</u>
Gain (loss) related to FG VIE consolidation included in adjusted operating shareholder's equity (net of tax benefit of \$1, \$2, \$1, \$2 and \$2)	\$ (6)	\$ (5)	\$ (3)	\$ (4)	\$ (8)
Gain (loss) related to FG VIE consolidation included in adjusted book value (net of tax benefit of \$1, \$2, \$1, \$2 and \$3)	\$ (6)	\$ (6)	\$ (4)	\$ (5)	\$ (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 December 31, 2020 is 3%. The prior periods have been recast to present the net present value of net future revenues discounted at 3% instead of 6%.

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

Assured Guaranty Corp.
Claims-Paying Resources
(dollars in millions)

	As of	
	December 31, 2020	December 31, 2019
Claims-paying resources		
Policyholders' surplus	\$ 1,717	\$ 1,775
Contingency reserve ⁽¹⁾	617	621
Qualified statutory capital	2,334	2,396
Unearned premium reserve and net deferred ceding commission income ⁽¹⁾	363	431
Loss and LAE reserves ⁽¹⁾	13	151
Total policyholders' surplus and reserves	2,710	2,978
Present value of installment premium ⁽¹⁾⁽⁶⁾	190	187
CCS	200	200
Total claims-paying resources (including proportionate MAC ownership for AGC)	3,100	3,365
Adjustment for MAC ⁽²⁾	235	240
Total claims-paying resources (excluding proportionate MAC ownership for AGC)	\$ 2,865	\$ 3,125
Statutory net par outstanding ⁽³⁾	\$ 19,948	\$ 22,937
Equity method adjustment ⁽²⁾	5,430	7,133
Adjusted statutory net par outstanding ⁽¹⁾	\$ 25,378	\$ 30,070
Net debt service outstanding ⁽³⁾	\$ 29,966	\$ 35,172
Equity method adjustment ⁽²⁾	8,049	10,535
Adjusted net debt service outstanding ⁽¹⁾	\$ 38,015	\$ 45,707
Ratios:		
Adjusted net par outstanding to qualified statutory capital	11 :1	13 :1
Capital ratio ⁽⁴⁾	16 :1	19 :1
Financial resources ratio ⁽⁵⁾	12 :1	14 :1
Adjusted statutory net par outstanding to claims-paying resources (including MAC adjustment for AGC)	8:1	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. On February 24, 2021, AGM and AGC received the last regulatory approval required to execute a multi-step transaction to merge MAC with and into AGM, with AGM as the surviving company. The steps leading up to the merger of MAC with and into AGM, with AGM as the surviving company, are expected to be effective April 1, 2021, and include (i) the reassumption by AGM and AGC of their respective remaining cessions to MAC, (ii) distributing MAC's earned surplus to AGM and AGC in accordance with their respective 60.7% and 39.3% direct ownership interests in MAC Holdings, and (iii) AGM's purchase of AGC's 39.3% interest in MAC Holdings.
- 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 December 31, 2020 and December 31, 2019⁽¹⁾

	Three Months Ended December 31, 2020					Three Months Ended December 31, 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	\$ (2)	\$ (1)	\$ 7	\$ 1	\$ 5	\$ 9	\$ 44	\$ 53	\$ —	\$ 106
Less: Installment GWP and other GAAP adjustments	(2)	(1)	7	1	5	—	44	53	—	97
Upfront GWP	—	—	—	—	—	9	—	—	—	9
Plus: Installment premium PVP	—	—	4	—	4	1	35	20	—	56
Total PVP	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4</u>	<u>\$ —</u>	<u>\$ 4</u>	<u>\$ 10</u>	<u>\$ 35</u>	<u>\$ 20</u>	<u>\$ —</u>	<u>\$ 65</u>
Gross par written	\$ —	\$ —	\$ 192	\$ —	\$ 192	\$ 476	\$ 238	\$ 422	\$ —	\$ 1,136

Reconciliation of GWP to PVP for the Year Ended December 31, 2020 and December 31, 2019⁽¹⁾

	Year Ended December 31, 2020					Year Ended December 31, 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	\$ (2)	\$ 22	\$ 16	\$ —	\$ 36	\$ 8	\$ 43	\$ 55	\$ (1)	\$ 105
Less: Installment GWP and other GAAP adjustments ⁽¹⁾	(2)	22	16	—	36	(2)	43	54	(1)	94
Upfront GWP	—	—	—	—	—	10	—	1	—	11
Plus: Installment premium PVP ⁽²⁾	—	9	13	—	22	1	35	52	—	88
Total PVP	<u>\$ —</u>	<u>\$ 9</u>	<u>\$ 13</u>	<u>\$ —</u>	<u>\$ 22</u>	<u>\$ 11</u>	<u>\$ 35</u>	<u>\$ 53</u>	<u>\$ —</u>	<u>\$ 99</u>
Gross par written	\$ —	\$ —	\$ 379	\$ —	\$ 379	\$ 523	\$ 238	\$ 1,581	\$ —	\$ 2,342

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 December 31, 2020 is 3%. Prior period has been recast to present PVP discounted at 3% instead of 6%. There was no material impact on prior period presented.

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

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

Assured Guaranty Corp.

Gross Par Written
(dollars in millions)

Gross Par Written by Asset Type

	Three Months Ended December 31, 2020		Year Ended December 31, 2020	
	Gross Par Written	Avg. Internal Rating	Gross Par Written	Avg. Internal Rating
Sector				
U.S. public finance				
Total U.S. public finance	\$ —	—	\$ —	—
Non-U.S. public finance:				
Total non-U.S. public finance	—	—	—	—
Total public finance	—	—	—	—
U.S. structured finance:				
Life insurance transactions	181	AA-	321	AA-
Structured credit	—	—	47	BBB
Other structured finance	11	BBB+	11	BBB+
Total U.S. structured finance	192	AA-	379	AA-
Non-U.S. structured finance:				
Total non-U.S. structured finance	—	—	—	—
Total structured finance	192	AA-	379	AA-
Total gross par written	\$ 192	AA-	\$ 379	AA-

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

Assured Guaranty Corp.
Fixed-Maturity Securities, Short-Term Investments and Cash
As of December 31, 2020
(dollars in millions)

	Amortized Cost	Allowance for Credit Losses	Pre-Tax Book Yield	After-Tax Book Yield	Fair Value	Annualized Investment Income ⁽¹⁾
Fixed-maturity securities:						
Obligations of state and political subdivisions ⁽²⁾⁽³⁾	\$ 1,308	\$ (11)	3.75 %	3.36 %	\$ 1,443	\$ 49
U.S. government and agencies	40	—	2.63	2.08	41	1
Corporate securities	339	—	3.30	2.60	373	11
Mortgage-backed securities:						
Residential mortgage-backed securities (RMBS) ⁽³⁾	35	(1)	5.02	3.97	37	2
Commercial mortgage-backed securities (CMBS)	30	—	3.51	2.77	33	1
Asset-backed securities (ABS) ⁽³⁾						
Collateralized loan obligations	55	—	2.33	1.84	55	1
Other ABS ⁽³⁾	366	(6)	6.19	4.89	387	23
Total fixed-maturity securities	2,173	(18)	4.05	3.44	2,369	88
Short-term investments	66	—	0.03	0.02	66	—
Cash ⁽⁴⁾	56	—	—	—	56	—
Total	\$ 2,295	(18)	3.93 %	3.34 %	\$ 2,491	\$ 88

Ratings ⁽⁵⁾:

	Fair Value	% of Portfolio
U.S. government and agencies	\$ 41	1.7 %
AAA/Aaa	198	8.4
AA/Aa	949	40.0
A/A	438	18.5
BBB	288	12.2
Below investment grade (BIG) ⁽⁶⁾	404	17.0
Not rated	51	2.2
Total fixed-maturity securities, available-for-sale	\$ 2,369	100.0 %

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

5.2

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 \$520 million in par with carrying value of \$404 million.

Assured Guaranty Corp.

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

	Estimated Net Debt Service Amortization ⁽¹⁾	Estimated Ending Net Debt Service Outstanding ⁽¹⁾	Financial Guaranty Insurance ⁽²⁾			Future Credit Derivative Revenues
			Expected PV Net Earned Premiums	Accretion of Discount	Effect of FG VIE Consolidation on Expected PV Net Earned Premiums and Accretion of Discount	
2020 (as of December 31)		\$ 29,466				
2021 Q1	\$ 620	28,846	\$ 18	\$ 1	\$ —	\$ 2
2021 Q2	423	28,423	18	1	—	2
2021 Q3	747	27,676	17	1	—	2
2021 Q4	702	26,974	16	1	—	2
2022	1,889	25,085	61	3	1	9
2023	1,468	23,617	55	2	1	8
2024	1,350	22,267	51	2	—	8
2025	1,504	20,763	47	2	—	8
2021-2025	8,703	20,763	283	13	2	41
2026-2030	6,585	14,178	177	7	1	34
2031-2035	5,315	8,863	109	4	1	29
2036-2040	4,622	4,241	38	2	—	19
After 2040	4,241	—	29	1	—	16
Total	\$ 29,466		\$ 636	\$ 27	\$ 4	\$ 139

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

2) See page 15 for “Net Expected Loss to be Expensed.”

Assured Guaranty Corp.

Rollforward of Net Expected Loss and LAE to be Paid (dollars in millions)

Rollforward of Net Expected Loss and LAE to be Paid⁽¹⁾ for the Three Months Ended December 31, 2020

	Net Expected Loss to be Paid (Recovered) as of September 30, 2020	Economic Loss Development (Benefit) During 4Q-20	(Paid) Recovered Losses During 4Q-20	Net Expected Loss to be Paid (Recovered) as of December 31, 2020
Public Finance:				
U.S. public finance ⁽²⁾	\$ 144	\$ 55	\$ —	\$ 199
Non-U.S public finance	3	—	—	3
Public Finance	147	55	—	202
Structured Finance:				
U.S. RMBS ⁽³⁾	73	(3)	4	74
Other structured finance	(47)	—	9	(38)
Structured Finance	26	(3)	13	36
Total	<u>\$ 173</u>	<u>\$ 52</u>	<u>\$ 13</u>	<u>\$ 238</u>

Rollforward of Net Expected Loss and LAE to be Paid⁽¹⁾ for the Year Ended December 31, 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 December 31, 2020
Public Finance:				
U.S. public finance ⁽²⁾	\$ 247	\$ 121	\$ (169)	\$ 199
Non-U.S public finance	2	1	—	3
Public Finance	249	122	(169)	202
Structured Finance:				
U.S. RMBS ⁽³⁾	91	(30)	13	74
Other structured finance	(28)	(17)	7	(38)
Structured Finance	63	(47)	20	36
Total	<u>\$ 312</u>	<u>\$ 75</u>	<u>\$ (149)</u>	<u>\$ 238</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 \$432 million as of December 31, 2020 and \$313 million as of December 31, 2019 for estimated future recoveries of claims already paid.
- 3) Includes future net representations and warranties (R&W) receivable of \$8 million as of December 31, 2020 and \$11 million as of December 31, 2019.

Assured Guaranty Corp.

Loss Measures

As of December 31, 2020

(dollars in millions)

	Total Net Par Outstanding for BIG Transactions	Three Months Ended December 31, 2020			Year Ended December 31, 2020		
		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	\$ 1,320	\$ 81	\$ 81	\$ —	\$ 163	\$ 163	\$ —
Non-U.S public finance	119	—	—	—	—	—	—
Public finance	1,439	81	81	—	163	163	—
Structured finance:							
U.S. RMBS	461	(3)	(2)	1	(3)	(9)	2
Other structured finance	32	(1)	(2)	—	(22)	(21)	—
Structured finance	493	(4)	(4)	1	(25)	(30)	2
Total	\$ 1,932	\$ 77	\$ 77	\$ 1	\$ 138	\$ 133	\$ 2

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 December 31, 2020
(dollars in millions)

	GAAP
2021 Q1	\$ 5
2021 Q2	6
2021 Q3	6
2021 Q4	6
2022	26
2023	25
2024	24
2025	22
2021-2025	120
2026-2030	97
2031-2035	58
2036-2040	12
After 2040	1
Total expected present value of net expected loss to be expensed⁽²⁾	288
Future accretion	59
Total expected future loss and LAE	\$ 347

1) The present value of net expected loss to be paid is discounted using risk-free rates ranging from 0.00% to 1.72% 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, 2020		As of December 31, 2019	
	Net Par Outstanding	Avg. Internal Rating	Net Par Outstanding	Avg. Internal Rating
U.S. public finance:				
Tax backed	\$ 2,671	BB+	\$ 3,059	BBB-
Transportation	2,283	A-	2,393	A-
General obligation	1,928	BBB+	2,336	BBB+
Infrastructure finance	1,796	A+	1,994	A+
Municipal utilities	935	A-	1,443	BBB
Healthcare	358	BBB	662	BBB+
Investor-owned utilities	336	A-	344	A-
Higher education	210	A-	334	A-
Renewable energy	126	A-	130	BBB+
Housing revenue	104	BB	109	BBB-
Other public finance	581	A-	917	A-
Total U.S. public finance	11,328	BBB+	13,721	BBB+
Non-U.S. public finance:				
Regulated utilities	1,731	BBB+	1,918	BBB+
Infrastructure finance	1,405	BBB	1,622	BBB
Pooled infrastructure	724	AAA	708	AAA
Sovereign and sub-sovereign	289	A-	283	A-
Renewable energy	262	BBB+	255	BBB+
Total non-U.S. public finance	4,411	A-	4,786	A-
Total public finance	15,739	BBB+	18,507	BBB+
U.S. structured finance:				
Pooled corporate obligations	948	AA	1,081	AA-
RMBS	928	BBB-	1,158	BBB
Life insurance transactions	716	AA-	563	AA-
Consumer receivables	428	A+	534	A+
Other structured finance	439	BBB+	416	BBB
Total U.S. structured finance	3,459	A	3,752	A
Non-U.S. structured finance:				
RMBS	191	A+	210	AA-
Pooled corporate obligations	—	—	3	BBB+
Other structured finance	94	BBB	140	BBB
Total non-U.S. structured finance	285	A	353	A
Total structured finance	3,744	A	4,105	A
Total	\$ 19,483	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 December 31, 2020
(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	\$ 17	0.2 %	\$ 824	18.7 %	\$ 538	15.6 %	\$ 51	17.9 %	\$ 1,430	7.3 %
AA	2,599	22.9	201	4.6	1,429	41.3	9	3.2	4,238	21.8
A	3,719	32.8	408	9.2	610	17.6	136	47.7	4,873	25.0
BBB	3,673	32.4	2,859	64.8	389	11.2	89	31.2	7,010	36.0
BIG	1,320	11.7	119	2.7	493	14.3	—	—	1,932	9.9
Net Par Outstanding⁽¹⁾	\$ 11,328	100.0 %	\$ 4,411	100.0 %	\$ 3,459	100.0 %	\$ 285	100.0 %	\$ 19,483	100.0 %

1) As of December 31, 2020, excludes \$545 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	\$ 10,842	99.8 %
Non-affiliated reinsurers	26	0.2 %
Total	\$ 10,868	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 \$171 million posted by affiliated reinsurers as of December 31, 2020.

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

Assured Guaranty Corp.
Financial Guaranty Profile (3 of 3)
As of December 31, 2020
(dollars in millions)

Geographic Distribution of Financial Guaranty Portfolio

	Net Par Outstanding	% of Total
U.S.:		
U.S. public finance:		
California	\$ 3,142	16.1 %
Puerto Rico	1,117	5.7
Texas	1,084	5.6
New Jersey	990	5.1
New York	578	3.0
Illinois	549	2.8
Virginia	444	2.3
Florida	420	2.1
District of Columbia	339	1.7
Massachusetts	249	1.3
Other	2,416	12.4
Total U.S public finance	11,328	58.1
U.S. structured finance:	3,459	17.7
Total U.S.	14,787	75.8
Non-U.S.:		
United Kingdom	3,168	16.3
Australia	404	2.1
Mexico	161	0.8
New Zealand	154	0.8
Chile	152	0.8
Other	657	3.4
Total non-U.S.	4,696	24.2
Total net par outstanding	\$ 19,483	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 December 31, 2020
(dollars in millions)

Exposure to Puerto Rico

	Gross Par Outstanding	Net Par Outstanding	Gross Debt Service Outstanding	Net Debt Service Outstanding
Total	\$ 1,340	\$ 1,117	\$ 2,115	\$ 1,745

Exposure to Puerto Rico by Risk⁽¹⁾

	Net Par Outstanding	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 Municipal Finance Agency (MFA) ⁽³⁾	23	37
Puerto Rico Aqueduct and Sewer Authority (PRASA) and University of Puerto Rico (U of PR) ⁽³⁾	2	2
Total exposure to Puerto Rico	\$ 1,117	\$ 1,340

- 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, 2020
(dollars in millions)

Amortization Schedule of Net Par Outstanding of Puerto Rico

	2021 (Q1)	2021 (Q2)	2021 (Q3)	2021 (Q4)	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031- 2035	2036- 2040	2041- 2042	Total
Commonwealth Constitutionally Guaranteed																	
Commonwealth of Puerto Rico - General Obligation Bonds	\$ —	\$ —	\$ 15	\$ —	\$ 13	\$ 8	\$ 9	\$ 8	\$ 16	\$ 23	\$ 7	\$ 38	\$ 6	\$ 42	\$ —	\$ —	\$ 185
PBA	—	—	13	—	—	7	—	7	11	40	—	—	1	39	16	—	134
Public Corporations - Certain Revenues Potentially Subject to Clawback																	
PRHTA (Transportation revenue)	—	—	5	—	14	19	4	21	17	8	12	21	4	178	144	25	472
PRHTA (Highway revenue)	—	—	12	—	—	—	—	1	—	—	1	2	2	40	5	—	63
PRCCDA	—	—	—	—	—	—	—	—	—	19	—	—	—	104	29	—	152
PRIFA	—	—	—	—	—	1	—	—	—	—	—	—	—	—	10	4	15
Other Public Corporations																	
PREPA	—	—	1	—	1	1	2	1	19	17	17	1	3	8	—	—	71
MFA	—	—	7	—	7	4	—	—	2	1	1	1	—	—	—	—	23
PRASA and U of PR	—	—	—	—	—	—	1	—	—	—	—	—	—	1	—	—	2
Total	\$ —	\$ —	\$ 53	\$ —	\$ 35	\$ 40	\$ 16	\$ 38	\$ 65	\$ 108	\$ 38	\$ 63	\$ 16	\$ 412	\$ 204	\$ 29	\$1,117

Assured Guaranty Corp.
Exposure to Puerto Rico (3 of 3)
As of December 31, 2020
(dollars in millions)

Amortization Schedule of Net Debt Service Outstanding of Puerto Rico

	2021 (Q1)	2021 (Q2)	2021 (Q3)	2021 (Q4)	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031- 2035	2036- 2040	2041- 2042	Total
Commonwealth Constitutionally Guaranteed																	
Commonwealth of Puerto Rico - General Obligation Bonds	\$ 5	\$ —	\$ 19	\$ —	\$ 22	\$ 16	\$ 17	\$ 15	\$ 23	\$ 29	\$ 12	\$ 42	\$ 8	\$ 50	\$ —	\$ —	\$ 258
PBA	3	—	16	—	6	13	6	13	17	45	3	4	3	49	17	—	195
Public Corporations - Certain Revenues Potentially Subject to Clawback																	
PRHTA (Transportation revenue)	12	—	18	—	38	43	27	44	38	28	32	40	23	260	169	26	798
PRHTA (Highway revenue)	2	—	13	—	3	3	3	3	3	3	3	4	4	47	5	—	96
PRCCDA	3	—	4	—	7	7	7	7	6	26	6	6	6	128	31	—	244
PRIFA	—	—	1	—	1	2	1	—	1	1	1	1	1	2	13	4	29
Other Public Corporations																	
PREPA	2	—	3	—	4	5	4	5	22	19	18	2	3	9	—	—	96
MFA	1	—	8	—	8	3	1	1	2	1	1	1	—	—	—	—	27
PRASA and U of PR	—	—	—	—	—	—	1	—	—	—	—	—	1	—	—	—	2
Total	\$ 28	\$ —	\$ 82	\$ —	\$ 89	\$ 92	\$ 67	\$ 88	\$ 112	\$ 152	\$ 76	\$ 100	\$ 49	\$ 545	\$ 235	\$ 30	\$1,745

Assured Guaranty Corp.
Direct Pooled Corporate Obligations Profile
As of December 31, 2020
(dollars in millions)

Distribution of Direct Pooled Corporate Obligations by Ratings

	<u>Net Par Outstanding</u>	<u>% of Total</u>	<u>Avg. Initial Credit Enhancement</u>	<u>Avg. Current Credit Enhancement</u>
Ratings:				
AAA	\$ 255	27.1 %	47.2%	69.6%
AA	450	47.9	40.1	49.3
A	218	23.2	40.3	42.9
BBB	17	1.8	49.3	50.6
Total exposures	\$ 940	100.0 %	42.2%	53.3%

Distribution of Direct Pooled Corporate Obligations by Asset Class

	<u>Net Par Outstanding</u>	<u>% of Total</u>	<u>Avg. Initial Credit Enhancement</u>	<u>Avg. Current Credit Enhancement</u>	<u>Number of Transactions</u>	<u>Avg. Rating</u>
Asset class:						
Trust preferred						
Banks and insurance	497	52.9	44.4	59.6	14	AA+
U.S. mortgage and real estate investment trusts	73	7.8	47.3	63.5	3	A
Collateralized loan obligations	370	39.3	38.3	42.8	3	A+
Total exposures	\$ 940	100.0 %	42.2 %	53.3 %	20	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 December 31, 2020

(dollars in millions)

Distribution of U.S. RMBS by Rating and Type of Exposure ⁽¹⁾

Ratings:	Prime First Lien	Alt-A First Lien	Option ARMs	Subprime First Lien	Second Lien	Total Net Par Outstanding
AAA	\$ 4	\$ 47	\$ 9	\$ 186	\$ —	\$ 246
AA	19	63	—	16	1	99
A	—	21	—	22	14	57
BBB	4	—	1	—	60	65
BIG	19	72	5	321	44	461
Total exposures	\$ 46	\$ 203	\$ 15	\$ 545	\$ 119	\$ 928

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	\$ 14	\$ 1	\$ —	\$ 78	\$ 15	\$ 108
2005	26	54	9	94	24	207
2006	6	1	—	139	12	158
2007	—	147	6	234	68	455
Total exposures	\$ 46	\$ 203	\$ 15	\$ 545	\$ 119	\$ 928

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, 2020
(dollars in millions)

Distribution of Credit Derivative Net Par Outstanding by Rating

Rating	Net Par Outstanding	% of Total
AAA	\$ 1,036	31.3 %
AA	1,318	39.8
A	360	10.8
BBB	498	15.0
BIG	102	3.1
Total credit derivative net par outstanding	\$ 3,314	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	\$ 1,106	AA
Non-U.S. public finance	1,187	AA
Total public finance	2,293	AA
U.S. structured finance:		
Pooled corporate obligations	509	AA
RMBS	296	A
Consumer receivables	79	A+
Total U.S. structured finance	884	AA-
Non-U.S. structured finance:		
RMBS	137	A
Total non-U.S. structured finance	137	A
Total structured finance	1,021	AA-
Total credit derivative net par outstanding	\$ 3,314	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	
	December 31, 2020	December 31, 2019
U.S. public finance:		
Tax backed	\$ 737	\$ 762
General obligation	363	461
Municipal utilities	87	374
Housing revenue	60	17
Higher education	33	36
Healthcare	26	30
Transportation	14	14
Renewable energy	—	2
Infrastructure finance	—	2
Total U.S. public finance	1,320	1,698
Non-U.S. public finance:		
Infrastructure finance	44	45
Sovereign and sub-sovereign	38	36
Renewable energy	37	40
Total non-U.S. public finance	119	121
Total public finance	1,439	1,819
U.S. structured finance:		
RMBS	461	520
Life insurance transactions	6	7
Consumer receivables	3	4
Other structured finance	23	7
Total U.S. structured finance	493	538
Non-U.S. structured finance:		
Total non-U.S. structured finance	—	—
Total structured finance	493	538
Total BIG net par outstanding	\$ 1,932	\$ 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	
	December 31, 2020	December 31, 2019
BIG Category 1		
U.S. public finance	\$ 217	\$ 200
Non-U.S. public finance	119	121
U.S. structured finance	96	87
Non-U.S. structured finance	—	—
Total BIG Category 1	432	408
BIG Category 2		
U.S. public finance	11	294
Non-U.S. public finance	—	—
U.S. structured finance	23	28
Non-U.S. structured finance	—	—
Total BIG Category 2	34	322
BIG Category 3		
U.S. public finance	1,092	1,204
Non-U.S. public finance	—	—
U.S. structured finance	374	423
Non-U.S. structured finance	—	—
Total BIG Category 3	1,466	1,627
BIG Total	\$ 1,932	\$ 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 December 31, 2020
(dollars in millions)

BIG Exposures with Revenue Sources Greater Than \$50 Million

Name or description	Net Par Outstanding	Internal Rating (1)
U.S. public finance:		
Puerto Rico Highways & Transportation Authority	\$ 535	CCC
Puerto Rico, General Obligation, Appropriations and Guarantees of the Commonwealth	334	CCC
Puerto Rico Convention Center District Authority	152	CCC
Puerto Rico Electric Power Authority	71	CCC
Subtotal U.S. public finance	\$ 1,092	
Non-U.S. public finance:		
Subtotal non-U.S. public finance	—	
U.S. structured finance		
RMBS:		
Option One Mortgage Loan Trust 2007-HL1	107	CCC
Argent Securities Inc. 2005-W4	93	CCC
Subtotal RMBS	200	
Non-RMBS:		
Subtotal non-RMBS	—	
Subtotal U.S. structured finance	200	
Total	\$ 1,292	

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, 2020
(dollars in millions)

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

Credit Name	Net Par Outstanding	Internal Rating (1)
San Diego Family Housing, LLC	\$ 938	AA
New Jersey (State of)	920	BBB
North Texas Tollway Authority	695	A
Puerto Rico Highways & Transportation Authority	535	CCC
LCOR Alexandria LLC	420	A-
Alameda Corridor Transportation Authority, California	389	BBB+
Metro Washington Airports Authority (Dulles Toll Road)	339	BBB+
Puerto Rico, General Obligation, Appropriations and Guarantees of the Commonwealth	334	CCC
California (State of)	212	AA-
Dallas (City of) Civic Center Convention Complex, Texas	203	A+
San Joaquin Hills Transportation, California	197	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 (City of), New York	134	AA
New York Metropolitan Transportation Authority	133	BBB+
Navy Midwest Family Housing LLC	125	AA-
Southern California Logistic Airport, California	109	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+
Denver (City & County) Airport System, Colorado	101	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-
Aurora Military Housing I & II (Elmendorf Air Force Base), LLC	76	AA
North Oaks Health System	74	BBB-
Massachusetts State College Building Authority	74	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	65	A-
Mets Queens Ballpark	60	BBB-
San Bernardino County, California	60	A+
Natural Gas Acquisition Corporation of Clarksville, Tennessee	60	A
Yankee Stadium LLC New York City Industrial Development Authority	58	BBB
Maine (State of)	57	A
Fairfield Water, California	55	AA-
ACTS Retirement Life Communities, Pennsylvania	54	BBB+
Chicago Public Schools, Illinois	54	BBB-
BMC Special Care Facilities Financing Authority, Alabama	51	BBB+
Jets Stadium Development, LLC	49	BBB
Oregon School Boards Association, Oregon	49	AA-
New York (State of)	48	AA-
Carolina Power & Light Company (First Mortgage), North Carolina	47	A-
Total top 50 U.S. public finance exposures	\$ 8,492	

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, 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	\$ 290	A+
Fortress Credit Opportunities VII CLO Limited	167	AA-
Private US Insurance Securitization	157	AA-
Private US Insurance Securitization	150	AA
Private US Insurance Securitization	150	AA-
ABPCI Direct Lending Fund CLO I Ltd	135	A
Private US Insurance Securitization	118	AA-
Private US Insurance Securitization	117	AA
SLM Student Loan Trust 2006-C	111	AA-
Option One Mortgage Loan Trust 2007-HL1	107	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-
ALESCO Preferred Funding XIII, Ltd.	68	AAA
CWALT Alternative Loan Trust 2007-HY9	68	A
Brightwood Fund III Static 2018-1, LLC	67	AA
Soundview Home Equity Loan Trust 2006-OPT1	67	AAA
OwnIt Mortgage Loan ABS Certificates 2006-3	62	AAA
Private Balloon Note Guarantee	59	BBB
Structured Asset Investment Loan Trust 2006-1	55	AAA
Preferred Term Securities XXIII	54	AA
CAPCO - Excess SIPC Excess of Loss Reinsurance	54	BBB
Alesco Preferred Funding XVI, Ltd.	47	A
ALESCO Preferred Funding XII, Ltd.	46	AAA
IMPAC CMB Trust Series 2007-A	41	AAA
Total top 25 U.S. structured finance exposures	\$ 2,444	

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, 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	\$ 349	BBB
International Infrastructure Pool	United Kingdom	241	AAA
International Infrastructure Pool	United Kingdom	241	AAA
International Infrastructure Pool	United Kingdom	241	AAA
Thames Water Utility Finance PLC	United Kingdom	197	BBB
National Grid Gas PLC	United Kingdom	193	BBB+
Comision Federal De Electricidad (CFE) El Cajon Project	Mexico	161	BBB-
Sydney Airport Finance Company	Australia	157	BBB+
Mighty River Power, New Zealand	New Zealand	154	BBB+
Dali Capital PLC-Northumbrian Water	United Kingdom	143	BBB+
Private International Residential Mortgage Transaction	United Kingdom	137	A
Wessex Water Services Finance Plc	United Kingdom	132	AA
Regione Lazio	Italy	131	BBB-
M77 - Glasgow Southern Orbital PFI Road Project	United Kingdom	119	BBB-
Channel Link Enterprises Finance PLC	France, United Kingdom	114	BBB
Anglian Water Services Financing PLC	United Kingdom	107	A-
Verbund, Lease and Sublease of Hydro-Electric Equipment	Austria	99	AAA
National Grid Company PLC	United Kingdom	93	BBB+
Ancora (OAHS) Pty Ltd.	Australia	92	BBB
United Utilities Water PLC	United Kingdom	89	BBB+
Yorkshire Water Services Finance Plc	United Kingdom	89	A-
Southern Gas Networks PLC	United Kingdom	87	BBB
Envestra Limited	Australia	83	A-
Sociedad Concesionaria Autopista Vespucio Sur S.A., Chile	Chile	83	BBB
Private Other Structured Finance Transaction	Guatemala	78	BBB-
Quebec Province	Canada	71	AA-
Southern Water Services Limited	United Kingdom	68	BBB
Dwr Cymru Financing Limited (Welsh Water Plc)	United Kingdom	67	A-
Sociedad Concesionaria Autopista del Bosque S.A., Chile	Chile	56	BBB-
BBi (DBCT) Finance Pty Limited	Australia	55	BBB
Societe des Autoroutes du Nord et de l'Est de France S.A.	France	53	BBB+
Electricity North West Ltd	United Kingdom	49	BBB+
Capital Hospitals (Issuer) PLC	United Kingdom	49	BBB-
Valencia Fair	Spain	38	BB+
Breeze Finance S.A.	Germany	37	B-
Severn Trent Water Utilities Finance Plc	United Kingdom	36	BBB+
Newcastle Hospitals PFI Project	United Kingdom	35	BB+
ALBA 2005-1 PLC	United Kingdom	35	AAA
Southern Electric Power Distribution Plc	United Kingdom	27	BBB+
Derby Healthcare PLC	United Kingdom	24	BBB
Western Power Distribution (South Wales) PLC	United Kingdom	23	BBB+
Western Power Distribution (South West) PLC	United Kingdom	21	BBB+
Verdun Participations 2 S.A.S.	France	21	BBB-
NewHospitals (St Helens & Knowsley) Finance PLC	United Kingdom	17	BBB+
MPC Funding Limited	Australia	17	BBB+
Scotland Gas Networks plc	United Kingdom	16	BBB
Northern Counties Housing Association Limited	United Kingdom	16	A
South Tees	United Kingdom	15	BBB+
Private Commercial Receivable Transaction	Refer to Note 1	14	AAA
The Hospital Company (QAH Portsmouth) Limited	United Kingdom	11	BBB
Total top 50 non-U.S. exposures		\$ 4,481	

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 Year Ended December 31,				
	2020	2019	2018	2017	2016
Claims-Paying Resources⁽¹⁾					
Policyholders' surplus	\$ 1,717	\$ 1,775	\$ 1,793	\$ 2,073	\$ 1,896
Contingency reserve	617	621	629	642	772
Qualified statutory capital	2,334	2,396	2,422	2,715	2,668
Unearned premium reserve and net deferred ceding commission income	363	431	484	354	498
Loss and LAE reserves	13	151	236	135	140
Total policyholders' surplus and reserves	2,710	2,978	3,142	3,204	3,306
Present value of installment premium ⁽³⁾	190	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)	3,100	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)	\$ 2,865	\$ 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	16 :1	19:1	22:1	20:1	28:1
Financial resources ratio	12 :1	14:1	14:1	14:1	19:1
Adjusted statutory net par outstanding to claims-paying resources (including MAC adjustment for AGC)	8 :1	9:1	10:1	10:1	13:1
Other Financial Information (Statutory Basis)⁽²⁾					
Net debt service outstanding (end of period)	\$ 38,015	\$ 45,707	\$ 53,213	\$ 53,437	\$ 75,532
Gross debt service outstanding (end of period)	50,843	60,496	70,087	67,865	97,249
Net par outstanding (end of period)	25,378	30,070	35,546	35,743	50,965
Gross par outstanding (end of period)	34,274	40,158	47,202	45,664	65,503
Ceded to Assured Guaranty affiliates	8,871	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.	508	1,703	1,191	56	105
Structured finance - non-U.S.	—	—	230	—	30
Total gross debt service written	\$ 508	\$ 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, 2020.

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

The Company discloses both (a) financial measures determined in accordance with GAAP and (b) 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.

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.

GAAP requires the Company to consolidate:

- certain FG VIEs, which the Company does not own and where its exposure is limited to its obligation under the financial guaranty insurance contract, and
- certain investment vehicles for which the Company is deemed the primary beneficiary.

The Company provides the effect of VIE consolidation that is embedded in each non-GAAP financial measure, as applicable. The Company believes this information may also be useful to analysts and investors evaluating Assured Guaranty's financial results. In the case of both the consolidated FG VIEs and the CIVs, the economic effect of each of the consolidated FG VIEs and CIVs is reflected primarily in the results of 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 for and in its calculation of certain components of management compensation. 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.

Management believes that many investors, analysts and financial news reporters use adjusted operating shareholders' equity and/or adjusted book value, each further adjusted to remove the effect of VIE consolidation, as the principal financial measures 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 adjusted operating shareholders' equity, further adjusted to remove the effect of VIE consolidation to evaluate the Company's capital adequacy.

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.

In 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 Company sets its discount rate for the year as 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 operating results of the Company. Adjusted operating income is defined as net income (loss) attributable to AGL, as reported under GAAP, adjusted for the following:

- 1) Elimination of realized gains (losses) on the Company's investments, except for gains and losses on securities classified as trading. The timing of realized gains and losses, which depends largely on market credit cycles, can vary considerably across periods. The timing of sales is largely subject to the Company's discretion and influenced by market opportunities, as well as the Company's tax and capital profile.
- 2) Elimination of non-credit-impairment unrealized fair value gains (losses) on credit derivatives that are recognized in net income, which is the amount of unrealized fair value gains (losses) in excess of the present value of the expected estimated economic credit losses, and non-economic payments. Such fair value adjustments are heavily affected by, and in part fluctuate with, changes in market interest rates, the Company's credit spreads, and other market factors and are not expected to result in an economic gain or loss.
- 3) Elimination of fair value gains (losses) on the Company's CCS that are recognized in net income. Such amounts are affected by changes in market interest rates, the Company's credit spreads, price indications on the Company's publicly traded debt, and other market factors and are not expected to result in an economic gain or loss.

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 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 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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