

A photograph of a construction worker in a hard hat and safety harness walking across a steel beam of a bridge under construction. The sky is a pale, hazy blue.

Financial Supplement

Assured Guaranty Municipal Corp.

June 30, 2020



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This financial supplement should be read in conjunction with documents filed by Assured Guaranty Ltd. (AGL and, together with its subsidiaries, Assured Guaranty) with the Securities and Exchange Commission (SEC), including its Annual Report on Form 10-K for the year ended December 31, 2019 and its Quarterly Report on Form 10-Q for the quarterly periods ended March 31, 2020 and June 30, 2020. This financial supplement should also be read in conjunction with the Company's financial statements posted on agltd.com/investor-information. For the purposes of this financial supplement, all references to the "Company", or "Consolidated AGM" shall mean Assured Guaranty Municipal Corp. (AGM) and its consolidated entities (consisting primarily of Assured Guaranty (Europe) plc. (AGE UK), Assured Guaranty (Europe) SA, Municipal Assurance Holdings Inc., a company formed to own 100% of the common stock of Municipal Assurance Corp. (MAC), and variable interest entities. AGM is required to consolidate under accounting principles generally accepted in the United States). AGM owns 60.7% of the outstanding shares of Municipal Assurance Holdings Inc., and AGM's affiliate Assured Guaranty Corp. (AGC) owns the remaining 39.3%; AGM also owns 55% of AG Asset Strategies LLC (AGAS); AGM consolidates all of MAC and AGAS. AGM (excluding MAC and AGAS) shall mean Consolidated AGM excluding Municipal Assurance Holdings Inc., MAC and AGAS. Some amounts in this financial supplement may not add due to rounding.

Cautionary Statement Regarding Forward Looking Statements:

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

Assured Guaranty Municipal Corp.

Selected Financial Highlights (1 of 2)

(dollars in millions)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
GAAP Highlights				
Net income (loss) attributable to AGM	\$ 89	\$ 94	\$ 141	\$ 162
Gross written premiums (GWP)	141	50	180	83
Effective tax rate on net income	15.1 %	22.5 %	19.3 %	19.8 %
GAAP return on equity (ROE) ⁽¹⁾	8.5 %	9.1 %	6.6 %	7.9 %
Non-GAAP Highlights⁽²⁾				
Adjusted operating income ⁽²⁾	\$ 100	\$ 92	\$ 178	\$ 168
Present value of new business production (PVP) ⁽²⁾	87	52	129	87
Gross par written	5,839	3,909	8,857	6,101
Effective tax rate on adjusted operating income ⁽³⁾	15.8 %	21.0 %	18.1 %	19.2 %
Adjusted operating ROE ⁽¹⁾⁽²⁾	9.9 %	9.3 %	8.8 %	8.5 %
Effect of refundings and terminations on GAAP measures:				
Net earned premiums, pre-tax	\$ 21	\$ 9	\$ 30	\$ 26
Net income effect	15	5	22	17
Effect of refundings and terminations on non-GAAP measures:				
Operating net earned premiums and credit derivative revenues ⁽⁴⁾ , pre-tax	21	18	30	35
Adjusted operating income ⁽⁴⁾ effect	15	12	22	24

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. There was no material impact on prior period presented.

3) Represents the ratio of non-GAAP 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 Municipal Corp.

Selected Financial Highlights (2 of 2)

(dollars in millions)

	As of	
	June 30, 2020	December 31, 2019
Shareholder's equity attributable to AGM	\$ 4,265	\$ 4,250
Adjusted operating shareholder's equity ⁽¹⁾	4,088	4,061
Adjusted book value ⁽¹⁾	5,863	5,817
Gain (loss) related to the effect of consolidating FG VIEs (FG VIE consolidation) included in adjusted operating shareholder's equity	12	11
Gain (loss) related to FG VIE consolidation included in adjusted book value	3	—
Exposure		
Financial guaranty net debt service outstanding ⁽²⁾	\$ 238,847	\$ 244,433
Financial guaranty net par outstanding ⁽²⁾	150,869	152,673
Claims-paying resources (including MAC)⁽³⁾	6,526	6,509

- 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. There was no material impact on prior period presented.
- 2) Amounts include those of Municipal Assurance Corp. (MAC). Although Assured Guaranty Municipal owns approximately 60.7% of the outstanding shares of Municipal Assurance Holdings Inc. (MAC Holdings), a company formed to own 100% of the common stock of MAC, and Assured Guaranty Municipal's affiliate Assured Guaranty Corp. owns the remaining 39.3%, Assured Guaranty Municipal consolidates all of MAC.
- 3) See page 8 for additional detail on claims-paying resources.

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

	As of	
	June 30, 2020	December 31, 2019
Assets:		
Investment portfolio:		
Fixed-maturity securities, available-for-sale, at fair value	\$ 4,666	\$ 4,752
Short-term investments, at fair value	583	736
Surplus note from affiliate	300	300
Other invested assets	432	173
Total investment portfolio	5,981	5,961
Loans receivable from affiliate	163	163
Cash	102	87
Premiums receivable	1,019	1,019
Ceded unearned premium reserve	615	619
Reinsurance recoverable on unpaid losses	170	200
Salvage and subrogation recoverable	531	488
Financial guaranty variable interest entities' (FG VIEs') assets, at fair value	266	392
Other assets	240	202
Total assets	\$ 9,087	\$ 9,131
Liabilities and shareholders' equity:		
Liabilities:		
Unearned premium reserve	\$ 2,915	\$ 2,891
Loss and loss adjustment expense (LAE) reserve	609	631
Reinsurance balances payable, net	270	257
FG VIE liabilities with recourse, at fair value	281	321
FG VIE liabilities without recourse, at fair value	19	100
Other liabilities	338	298
Total liabilities	4,432	4,498
Shareholders' equity:		
Preferred stock	—	—
Common stock	15	15
Additional paid-in capital	702	702
Retained earnings	3,484	3,415
Accumulated other comprehensive income (loss)	64	118
Total shareholders' equity attributable to Assured Guaranty Municipal Corp.	4,265	4,250
Noncontrolling interests	390	383
Total shareholders' equity	4,655	4,633
Total liabilities and shareholders' equity	\$ 9,087	\$ 9,131

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Revenues:				
Net earned premiums	\$ 72	\$ 57	\$ 132	\$ 124
Net investment income	43	50	87	100
Net realized investment gains (losses)	1	5	(3)	(8)
Fair value gains (losses) on committed capital securities	(13)	9	10	4
Fair value gains (losses) on FG VIEs	1	26	(6)	30
Commutation gains (losses)	38	1	38	1
Foreign exchange gain (loss) on remeasurement	1	(12)	(50)	(3)
Other income (loss)	(5)	5	4	11
Total revenues	138	141	212	259
Expenses:				
Loss and LAE	17	(17)	(27)	(17)
Employee compensation and benefit expenses	16	20	41	43
Other expenses	11	11	26	21
Total expenses	44	14	40	47
Income (loss) before provision for income taxes and equity in net earnings of investees	94	127	172	212
Equity in net earnings of investees	26	—	17	1
Income (loss) before income taxes	120	127	189	213
Provision (benefit) for income taxes	18	28	36	42
Net income (loss)	102	99	153	171
Less: Noncontrolling interests	13	5	12	9
Net income (loss) attributable to Assured Guaranty Municipal Corp.	\$ 89	\$ 94	\$ 141	\$ 162

Assured Guaranty Municipal 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 June 30, 2020 and June 30, 2019

	Three Months Ended June 30, 2020		Three Months Ended June 30, 2019	
	Adjusted Operating Income Adjustments ⁽¹⁾	Effect of FG VIE Consolidation ⁽²⁾	Adjusted Operating Income Adjustments ⁽¹⁾	Effect of FG VIE Consolidation ⁽²⁾
Adjustments to revenues:				
Net earned premiums	\$ —	\$ (1)	\$ —	\$ (12)
Net investment income	—	(1)	—	(1)
Net realized investment gains (losses)	1	—	4	—
Fair value gains (losses) on committed capital securities	(13)	—	9	—
Fair value gains (losses) on FG VIEs	—	1	—	26
Foreign exchange gain (loss) on remeasurement	2	—	(11)	—
Other income (loss)	(4)	—	3	—
Total revenue adjustments	(14)	(1)	5	13
Adjustments to expenses:				
Loss expense	—	(1)	—	9
Total expense adjustments	—	(1)	—	9
Pre-tax adjustments	(14)	—	5	4
Tax effect of adjustments	(3)	—	3	1
Less: Noncontrolling interests	—	—	1	—
After-tax adjustments	\$ (11)	\$ —	\$ 1	\$ 3

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

	Six Months Ended June 30, 2020		Six Months Ended June 30, 2019	
	Adjusted Operating Income Adjustments (1)	Effect of FG VIE Consolidation (2)	Adjusted Operating Income Adjustments(1)	Effect of FG VIE Consolidation (2)
Adjustments to revenues:				
Net earned premiums	\$ —	\$ (2)	\$ —	\$ (14)
Net investment income	—	(2)	—	(2)
Net realized investment gains (losses)	(3)	—	(9)	—
Fair value gains (losses) on committed capital securities	10	—	4	—
Fair value gains (losses) on FG VIEs	—	(6)	—	30
Foreign exchange gain (loss) on remeasurement	(45)	—	(3)	—
Other income (loss)	(5)	—	1	—
Total revenue adjustments	(43)	(10)	(7)	14
Adjustments to expenses:				
Loss expense	—	(8)	—	9
Total expense adjustments	—	(8)	—	9
Pre-tax adjustments	(43)	(2)	(7)	5
Tax effect of adjustments	(6)	—	—	1
Less: Noncontrolling interests	—	—	1	—
After-tax adjustments	\$ (37)	\$ (2)	\$ (8)	\$ 4

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

Adjusted Operating Income Reconciliation:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Consolidated net income (loss) attributable to AGM	\$ 89	\$ 94	\$ 141	\$ 162
Less pre-tax adjustments:				
Realized gains (losses) on investments	1	4	(3)	(9)
Non-credit impairment unrealized fair value gains (losses) on credit derivatives ⁽¹⁾	(4)	2	(5)	1
Fair value gains (losses) on committed capital securities (CCS)	(13)	9	10	4
Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves	2	(10)	(45)	(2)
Total pre-tax adjustments	(14)	5	(43)	(6)
Less tax effect on pre-tax adjustments	3	(3)	6	—
Adjusted operating income	<u>\$ 100</u>	<u>\$ 92</u>	<u>\$ 178</u>	<u>\$ 168</u>

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

ROE Reconciliation and Calculation

	As of					
	June 30, 2020	March 31, 2020	December 31, 2019	June 30, 2019	March 31, 2019	December 31, 2018
Shareholder's equity attributable to AGM	\$ 4,265	\$ 4,089	\$ 4,250	\$ 4,192	\$ 4,076	\$ 3,988
Adjusted operating shareholders' equity	4,088	3,988	4,061	3,988	3,925	3,903
Gain (loss) related to FG VIE consolidation included in adjusted operating shareholders' equity	12	17	11	18	11	10
	Three Months Ended June 30,		Six Months Ended June 30,			
	2020	2019	2020	2019		
Net income (loss) attributable to AGM	\$ 89	\$ 94	\$ 141	\$ 162		
Adjusted operating income	100	92	178	168		
Average shareholder's equity attributable to AGM	\$ 4,177	\$ 4,134	\$ 4,258	\$ 4,090		
Average adjusted operating shareholders' equity	4,038	3,957	4,075	3,946		
Gain (loss) related to FG VIE consolidation included in average adjusted operating shareholders' equity	15	15	12	14		
GAAP ROE⁽¹⁾	8.5 %	9.1 %	6.6 %	7.9 %		
Adjusted operating ROE ⁽¹⁾	9.9 %	9.3 %	8.8 %	8.5 %		

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

	As of					
	June 30, 2020	March 31, 2020	December 31, 2019	June 30, 2019	March 31, 2019	December 31, 2018
Reconciliation of shareholder's equity to non-GAAP adjusted book value ⁽¹⁾:						
Consolidated shareholder's equity attributable to AGM	\$ 4,265	\$ 4,089	\$ 4,250	\$ 4,192	\$ 4,076	\$ 3,988
Less pre-tax reconciling items:						
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(5)	(1)	—	(1)	(3)	(2)
Fair value gains (losses) on CCS	35	48	25	41	31	37
Unrealized gain (loss) on investment portfolio excluding foreign exchange effect	191	82	209	215	158	72
Less taxes	(44)	(28)	(45)	(51)	(35)	(22)
Adjusted operating shareholders' equity	4,088	3,988	4,061	3,988	3,925	3,903
Pre-tax reconciling items:						
Less: Deferred acquisition costs	(65)	(61)	(67)	(94)	(96)	(98)
Plus: Net present value of estimated net future credit derivative revenue	5	5	5	6	6	7
Plus: Net unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed	2,167	2,122	2,140	1,740	1,735	1,751
Plus taxes	(462)	(451)	(456)	(379)	(378)	(381)
Adjusted book value	\$ 5,863	\$ 5,725	\$ 5,817	\$ 5,449	\$ 5,384	\$ 5,378
Gain (loss) related to FG VIE consolidation included in adjusted operating shareholder's equity (net of tax benefit (provision) of \$(4), \$(4), \$(3), \$(4), \$(3), \$(3))	\$ 12	\$ 17	\$ 11	\$ 18	\$ 11	\$ 10
Gain (loss) related to FG VIE consolidation included in adjusted book value (net of tax benefit (provision) of \$(2), \$(1), \$0, \$(1), \$(3), \$(2))	\$ 3	\$ 7	\$ —	\$ 4	\$ (11)	\$ (6)

(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 June 30, 2020 is 3%. The prior periods have been recast to present the net present value of net future revenues discounted at 3% instead of 6%. There was no material impact on prior periods presented.

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

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

	As of	
	June 30, 2020	December 31, 2019
Claims-paying resources		
Policyholders' surplus	\$ 2,667	\$ 2,691
Contingency reserve ⁽¹⁾	1,018	986
Qualified statutory capital	3,685	3,677
Unearned premium reserve and net deferred ceding commission income ⁽¹⁾	2,048	2,027
Loss and LAE reserves ⁽¹⁾	202	196
Total policyholders' surplus and reserves	5,935	5,900
Present value of installment premium ⁽¹⁾⁽⁶⁾	391	409
CCS	200	200
Total claims-paying resources (including proportionate MAC ownership for AGM)	6,526	6,509
Adjustment for MAC ⁽²⁾	359	370
Total claims-paying resources (excluding proportionate MAC ownership for AGM)	\$ 6,167	\$ 6,139
Statutory net par outstanding ⁽³⁾	\$ 130,392	\$ 129,562
Equity method adjustment ⁽²⁾	9,832	11,017
Adjusted statutory net par outstanding⁽¹⁾	\$ 140,224	\$ 140,579
Net debt service outstanding ⁽³⁾	\$ 210,173	\$ 212,011
Equity method adjustment ⁽²⁾	14,482	16,273
Adjusted net debt service outstanding⁽¹⁾	\$ 224,655	\$ 228,284
Ratios:		
Adjusted net par outstanding to qualified statutory capital	38 :1	38 :1
Capital ratio ⁽⁴⁾	61 :1	62 :1
Financial resources ratio ⁽⁵⁾	34 :1	35 :1
Adjusted statutory net par outstanding to claims-paying resources (including MAC adjustment for AGM)	21 :1	22 :1

1) The numbers shown for AGM have been adjusted to include (i) its 100% share of its United Kingdom (U.K.) and French insurance subsidiaries and (ii) its indirect share of MAC. 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. Amounts include financial guaranty insurance and credit derivatives.

2) Represents adjustment for AGM'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 AGM).

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

Assured Guaranty Municipal Corp.

New Business Production (1 of 5)

(dollars in millions)

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

	Three Months Ended June 30, 2020					Three Months Ended June 30, 2019				
	Public Finance		Structured Finance		Total	Public Finance		Structured Finance		Total
	U.S.	Non - U.S.	U.S.	Non - U.S.		U.S.	Non - U.S.	U.S.	Non - U.S.	
Total GWP	\$ 60	\$ 81	\$ —	\$ —	\$ 141	\$ 43	\$ 12	\$ (5)	\$ —	\$ 50
Less: Installment GWP and other GAAP adjustments ⁽²⁾	—	81	—	—	81	—	12	(5)	—	7
Upfront GWP	60	—	—	—	60	43	—	—	—	43
Plus: Installment premium PVP	—	27	—	—	27	—	9	—	—	9
Total PVP	<u>\$ 60</u>	<u>\$ 27</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 87</u>	<u>\$ 43</u>	<u>\$ 9</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 52</u>
Gross par written	\$ 5,283	\$ 556	\$ —	\$ —	\$ 5,839	\$ 3,610	\$ 299	\$ —	\$ —	\$ 3,909

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

	Six Months Ended June 30, 2020					Six Months Ended June 30, 2019				
	Public Finance		Structured Finance		Total	Public Finance		Structured Finance		Total
	U.S.	Non - U.S.	U.S.	Non - U.S.		U.S.	Non - U.S.	U.S.	Non - U.S.	
Total GWP	\$ 89	\$ 91	\$ —	\$ —	\$ 180	\$ 74	\$ 14	\$ (5)	\$ —	\$ 83
Less: Installment GWP and other GAAP adjustments ⁽²⁾	—	91	—	—	91	(1)	14	(5)	—	8
Upfront GWP	89	—	—	—	89	75	—	—	—	75
Plus: Installment premium PVP	—	40	—	—	40	—	12	—	—	12
Total PVP	<u>\$ 89</u>	<u>\$ 40</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 129</u>	<u>\$ 75</u>	<u>\$ 12</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 87</u>
Gross par written	\$ 7,923	\$ 934	\$ —	\$ —	\$ 8,857	\$ 5,626	\$ 475	\$ —	\$ —	\$ 6,101

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 June 30, 2020 is 3%. Prior period has been recast to present PVP discounted at 3% instead of 6%. There was no material impact on prior period presented.

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

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

Assured Guaranty Municipal Corp.

New Business Production (2 of 5)

(dollars in millions)

Reconciliation of GWP to PVP for the Three Months Ended June 30, 2020 ⁽¹⁾

		Three Months Ended				
		June 30, 2020				
		Public Finance		Structured Finance		
		U.S.	Non - U.S.	U.S.	Non - U.S.	Total
AGM (Excluding MAC)						
Total GWP		\$ 60	\$ 81	\$ —	\$ —	\$ 141
Less: Installment GWP and other GAAP adjustments ⁽²⁾		—	81	—	—	81
Upfront GWP		60	—	—	—	60
Plus: Installment premium PVP		—	27	—	—	27
Total PVP		<u>\$ 60</u>	<u>\$ 27</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 87</u>
Gross par written		\$ 5,206	\$ 556	\$ —	\$ —	\$ 5,762
MAC						
Total GWP		\$ —	\$ —	\$ —	\$ —	\$ —
Less: Installment GWP and other GAAP adjustments ⁽³⁾		—	—	—	—	—
Upfront GWP		—	—	—	—	—
Plus: Installment premium PVP		—	—	—	—	—
Total PVP		<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Gross par written		\$ 77	\$ —	\$ —	\$ —	\$ 77
Consolidated AGM						
Total GWP		\$ 60	\$ 81	\$ —	\$ —	\$ 141
Less: Installment GWP and other GAAP adjustments ⁽²⁾		—	81	—	—	81
Upfront GWP		60	—	—	—	60
Plus: Installment premium PVP		—	27	—	—	27
Total PVP		<u>\$ 60</u>	<u>\$ 27</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 87</u>
Gross par written		\$ 5,283	\$ 556	\$ —	\$ —	\$ 5,839

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 June 30, 2020 is 3%.

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.

3) Includes present value of GWP adjustments on existing installment policies due to changes in assumptions.

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

Assured Guaranty Municipal Corp.

New Business Production (3 of 5)

(dollars in millions)

Reconciliation of GWP to PVP for the Three Months Ended June 30, 2019 ⁽¹⁾

		Three Months Ended				
		June 30, 2019				
		Public Finance		Structured Finance		
		U.S.	Non - U.S.	U.S.	Non - U.S.	Total
AGM (Excluding MAC)						
Total GWP		\$ 42	\$ 12	\$ (5)	\$ —	\$ 49
Less: Installment GWP and other GAAP adjustments ⁽²⁾		—	12	(5)	—	7
Upfront GAAP		42	—	—	—	42
Plus: Installment premium PVP		—	9	—	—	9
Total PVP		<u>\$ 42</u>	<u>\$ 9</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 51</u>
Gross par written		\$ 3,415	\$ 299	\$ —	\$ —	\$ 3,714
MAC						
Total GWP		\$ 1	\$ —	\$ —	\$ —	\$ 1
Less: Installment GWP and other GAAP adjustments ⁽³⁾		—	—	—	—	—
Upfront GAAP		1	—	—	—	1
Plus: Installment premium PVP		—	—	—	—	—
Total PVP		<u>\$ 1</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1</u>
Gross par written		\$ 195	\$ —	\$ —	\$ —	\$ 195
Consolidated AGM						
Total GWP		\$ 43	\$ 12	\$ (5)	\$ —	\$ 50
Less: Installment GWP and other GAAP adjustments ⁽²⁾		—	12	(5)	—	7
Upfront GAAP		43	—	—	—	43
Plus: Installment premium PVP		—	9	—	—	9
Total PVP		<u>\$ 43</u>	<u>\$ 9</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 52</u>
Gross par written		\$ 3,610	\$ 299	\$ —	\$ —	\$ 3,909

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 June 30, 2020 is 3%. Prior period has been recast to present PVP discounted at 3% instead of 6%. There was no material impact on prior period presented.

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

3) Includes present value of GWP adjustments on existing installment policies due to changes in assumptions.

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

Assured Guaranty Municipal Corp.

New Business Production (4 of 5)

(dollars in millions)

Reconciliation of GWP to PVP for the Six Months Ended June 30, 2020 ⁽¹⁾

		Six Months Ended				
		June 30, 2020				
		Public Finance		Structured Finance		
		U.S.	Non - U.S.	U.S.	Non - U.S.	Total
AGM (Excluding MAC)						
Total GWP		\$ 88	\$ 91	\$ —	\$ —	\$ 179
Less: Installment GWP and other GAAP adjustments ⁽²⁾		—	91	—	—	91
Upfront GAAP		88	—	—	—	88
Plus: Installment premium PVP		—	40	—	—	40
Total PVP		<u>\$ 88</u>	<u>\$ 40</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 128</u>
Gross par written		\$ 7,749	\$ 934	\$ —	\$ —	\$ 8,683
MAC						
Total GWP		\$ 1	\$ —	\$ —	\$ —	\$ 1
Less: Installment GWP and other GAAP adjustments ⁽³⁾		—	—	—	—	—
Upfront GAAP		1	—	—	—	1
Plus: Installment premium PVP		—	—	—	—	—
Total PVP		<u>\$ 1</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1</u>
Gross par written		\$ 174	\$ —	\$ —	\$ —	\$ 174
Consolidated AGM						
Total GWP		\$ 89	\$ 91	\$ —	\$ —	\$ 180
Less: Installment GWP and other GAAP adjustments ⁽²⁾		—	91	—	—	91
Upfront GAAP		89	—	—	—	89
Plus: Installment premium PVP		—	40	—	—	40
Total PVP		<u>\$ 89</u>	<u>\$ 40</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 129</u>
Gross par written		\$ 7,923	\$ 934	\$ —	\$ —	\$ 8,857

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 June 30, 2020 is 3%. Prior period has been recast to present PVP discounted at 3% instead of 6%. There was no material impact on prior period presented.

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

3) Includes present value of GWP adjustments on existing installment policies due to changes in assumptions.

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

Assured Guaranty Municipal Corp.

New Business Production (5 of 5)

(dollars in millions)

Reconciliation of GWP to PVP for the Six Months Ended June 30, 2019 ⁽¹⁾

		Six Months Ended				
		June 30, 2019				
		Public Finance		Structured Finance		
		U.S.	Non - U.S.	U.S.	Non - U.S.	Total
AGM (Excluding MAC)						
Total GWP		\$ 73	\$ 14	\$ (5)	\$ —	\$ 82
Less: Installment GWP and other GAAP adjustments ⁽²⁾		(1)	14	(5)	—	8
Upfront GAAP		74	—	—	—	74
Plus: Installment premium PVP		—	12	—	—	12
Total PVP		\$ 74	\$ 12	\$ —	\$ —	\$ 86
Gross par written		\$ 5,347	\$ 475	\$ —	\$ —	\$ 5,822
MAC						
Total GWP		\$ 1	\$ —	\$ —	\$ —	\$ 1
Less: Installment GWP and other GAAP adjustments ⁽³⁾		—	—	—	—	—
Upfront GAAP		1	—	—	—	1
Plus: Installment premium PVP		—	—	—	—	—
Total PVP		\$ 1	\$ —	\$ —	\$ —	\$ 1
Gross par written		\$ 279	\$ —	\$ —	\$ —	\$ 279
Consolidated AGM						
Total GWP		\$ 74	\$ 14	\$ (5)	\$ —	\$ 83
Less: Installment GWP and other GAAP adjustments ⁽²⁾		(1)	14	(5)	—	8
Upfront GAAP		75	—	—	—	75
Plus: Installment premium PVP		—	12	—	—	12
Total PVP		\$ 75	\$ 12	\$ —	\$ —	\$ 87
Gross par written		\$ 5,626	\$ 475	\$ —	\$ —	\$ 6,101

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 June 30, 2020 is 3%. Prior period has been recast to present PVP discounted at 3% instead of 6%. There was no material impact on prior period presented.

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

3) Includes present value of GWP adjustments on existing installment policies due to changes in assumptions.

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

Assured Guaranty Municipal Corp.

Gross Par Written
(dollars in millions)

Gross Par Written by Asset Type

	Three Months Ended June 30, 2020		Six Months Ended June 30, 2020	
	Gross Par Written	Avg. Internal Rating	Gross Par Written	Avg. Internal Rating
Sector:				
U.S. public finance:				
General obligation	\$ 2,953	A-	\$ 4,023	A-
Municipal utilities	807	A-	1,054	A-
Healthcare	519	BBB+	956	BBB
Tax backed	588	A-	838	A-
Higher education	312	BBB+	565	BBB+
Transportation	104	BBB+	428	BBB+
Housing revenue	—	--	59	BBB-
Total U.S. public finance	5,283	A-	7,923	A-
Non-U.S. public finance:				
Renewable energy	342	BBB+	720	BBB+
Sovereign and sub-sovereign	214	A+	214	A+
Total non-U.S. public finance	556	A-	934	A-
Total public finance	5,839	A-	8,857	A-
U.S. structured finance:				
Total U.S. structured finance	—	--	—	--
Non-U.S. structured finance:				
Total non-U.S. structured finance	—	--	—	--
Total structured finance	—	--	—	--
Total gross par written	\$ 5,839	A-	\$ 8,857	A-

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

Assured Guaranty Municipal Corp.

Investment Portfolio and Cash (1 of 2)

As of June 30, 2020

(dollars in millions)

	Carrying Value			
	AGM (Excluding MAC and AGAS)	MAC (Excluding AGAS)	AGAS	Consolidated AGM
Fixed-maturity securities:				
Obligations of state and political subdivisions ⁽¹⁾⁽²⁾	\$ 1,927	\$ 370	\$ —	\$ 2,297
U.S. government securities	43	22	—	65
Corporate securities ⁽²⁾	1,204	116	—	1,320
Mortgage-backed securities (MBS):				
Residential MBS (RMBS) ⁽²⁾	303	5	—	308
Commercial MBS (CMBS)	189	14	—	203
Asset-backed securities ⁽²⁾	306	27	—	333
Non-U.S. government securities	140	—	—	140
Total fixed-maturity securities	4,112	554	—	4,666
Short-term investments and cash	513	23	149	685
Surplus note from affiliate	300	—	—	300
Other invested assets	95	—	337	432
Total	\$ 5,020	\$ 577	\$ 486	\$ 6,083

	Fair Value (AGM Excluding MAC and AGAS)	% of Portfolio
Ratings⁽³⁾:		
U.S. government securities	\$ 43	1.1 %
AAA/Aaa	804	19.6
AA/Aa	1,556	37.8
A/A	1,039	25.3
BBB	371	9.0
Below investment grade (BIG) ⁽⁴⁾	293	7.1
Not rated	6	0.1
Total fixed-maturity securities, available-for-sale	\$ 4,112	100.0 %

1) Reflects obligations of state and local political subdivisions that have been insured by other financial guarantors. The underlying ratings of these bonds average A+, 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).

2) Includes securities purchased or obtained as part of loss mitigation or other risk management strategies.

3) Ratings are the lower of the Moody's or S&P classifications except for bonds purchased for loss mitigation (loss mitigation bonds) or other risk management strategies which use internal ratings.

4) Includes BIG securities that were purchased or obtained as part of loss mitigation or other risk management strategies of \$544 million in par with carrying value of \$292 million.

Assured Guaranty Municipal Corp.

Investment Portfolio and Cash (2 of 2)

As of June 30, 2020

(dollars in millions)

	Amortized Cost	Allowance for Credit Losses	Pre-Tax Book Yield	After-Tax Book Yield	Fair Value	Annualized Investment Income ⁽¹⁾
Fixed-maturity securities:						
Obligations of state and political subdivisions ⁽²⁾⁽³⁾	\$ 2,133	\$ —	3.51 %	3.27 %	\$ 2,297	\$ 75
U.S. government securities	60	—	2.33	1.97	65	1
Corporate securities ⁽³⁾	1,345	(38)	2.68	2.30	1,320	36
Mortgage-backed securities (MBS):						
Residential MBS (RMBS) ⁽³⁾	348	(19)	5.90	4.67	308	21
Commercial MBS (CMBS)	192	—	3.46	2.73	203	7
Asset-backed securities ⁽³⁾	338	—	3.09	2.58	333	10
Non-U.S. government securities	148	—	1.23	1.23	140	2
Total fixed-maturity securities	4,564	(57)	3.33	2.93	4,666	152
Short-term investments	584	—	0.13	0.12	583	1
Cash ⁽⁴⁾	102	—	—	—	102	—
Total	\$ 5,250	(57)	2.96 %	2.61 %	\$ 5,351	\$ 153

Ratings ⁽⁵⁾:

	Fair Value	% of Portfolio
U.S. government securities	\$ 65	1.4 %
AAA/Aaa	879	18.8
AA/Aa	1,835	39.4
A/A	1,121	24.0
BBB	467	10.0
Below investment grade (BIG) ⁽⁶⁾	293	6.3
Not rated	6	0.1
Total fixed-maturity securities, available-for-sale	\$ 4,666	100.0 %

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

3.9

Average ratings of fixed-maturity securities and short-term investments

AA-

- 1) Represents annualized investment income based on amortized cost and pre-tax book yields.
- 2) Reflects obligations of state and local political subdivisions that have been insured by other financial guarantors. The underlying ratings of these bonds average A+, after giving effect to the lower of the rating assigned by S&P or Moody's.
- 3) Includes securities purchased or obtained as part of loss mitigation or other risk management strategies.
- 4) Cash is not included in the yield calculation.
- 5) Ratings are the lower of the Moody's or S&P classifications except for bonds purchased for loss mitigation (loss mitigation bonds) 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 \$544 million in par with carrying value of \$292 million.

Assured Guaranty Municipal Corp.
Estimated Net Exposure Amortization⁽¹⁾ and Estimated Future Net Premium
and Credit Derivative Revenues
(dollars in millions)

	Financial Guaranty Insurance ⁽²⁾					Future Credit Derivative Revenues ⁽³⁾
	Estimated Net Debt Service Amortization	Estimated Ending Net Debt Service Outstanding	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 June 30)		\$ 238,847				
2020 Q3	\$ 5,127	233,720	\$ 50	\$ 3	\$ 1	\$ —
2020 Q4	3,839	229,881	49	3	1	—
2021	14,464	215,417	183	11	4	1
2022	13,345	202,072	170	10	3	1
2023	11,644	190,428	156	10	3	1
2024	12,210	178,218	143	9	3	—
2020-2024	60,629	178,218	751	46	15	3
2025-2029	54,860	123,358	555	38	11	2
2030-2034	44,764	78,594	390	25	10	—
2035-2039	31,218	47,376	250	17	6	—
After 2039	47,376	—	367	36	—	—
Total	\$ 238,847		\$ 2,313	\$ 162	\$ 42	\$ 5

1) Represents the future expected amortization of current debt service outstanding (principal and interest), assuming no advance refundings, as of June 30, 2020. Actual amortization differs from expected maturities because borrowers may have the right to call or prepay guaranteed obligations, terminations and because of management's assumptions on structured finance amortization.

2) See page 20, “Net Expected Loss to be Expensed.”

3) Represents a non-GAAP financial measure. Please refer to the explanation of Non-GAAP Financial Measures set forth at the end of this Financial Supplement.

Assured Guaranty Municipal 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 June 30, 2020

	Net Expected Loss to be Paid (Recovered) as of March 31, 2020	Economic Loss Development (Benefit) During 2Q-20	(Paid) Recovered Losses During 2Q-20	Net Expected Loss to be Paid (Recovered) as of June 30, 2020
Public Finance:				
U.S. public finance ⁽²⁾	\$ 100	\$ 13	\$ 23	\$ 136
Non-U.S. public finance	20	3	—	23
Public Finance	<u>120</u>	<u>16</u>	<u>23</u>	<u>159</u>
Structured Finance:				
U.S. RMBS ⁽³⁾	16	6	17	39
Other structured finance	8	1	(1)	8
Structured Finance	<u>24</u>	<u>7</u>	<u>16</u>	<u>47</u>
Total	<u>\$ 144</u>	<u>\$ 23</u>	<u>\$ 39</u>	<u>\$ 206</u>

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

	Net Expected Loss to be Paid (Recovered) as of December 31, 2019	Economic Loss Development (Benefit) During 2020	(Paid) Recovered Losses During 2020	Net Expected Loss to be Paid (Recovered) as of June 30, 2020
Public Finance:				
U.S. public finance (2)	\$ 143	\$ 12	\$ (19)	\$ 136
Non-U.S. public finance	19	4	—	23
Public Finance	<u>162</u>	<u>16</u>	<u>(19)</u>	<u>159</u>
Structured Finance:				
U.S. RMBS (3)	45	(37)	31	39
Other structured finance	8	1	(1)	8
Structured Finance	<u>53</u>	<u>(36)</u>	<u>30</u>	<u>47</u>
Total	<u>\$ 215</u>	<u>\$ (20)</u>	<u>\$ 11</u>	<u>\$ 206</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 \$390 million as of June 30, 2020 and \$336 million as of December 31, 2019 for estimated future recoveries of claims already paid.
- 3) Includes future net representations and warranties (R&W) payable of \$105 million as of June 30, 2020 and \$65 million as of December 31, 2019.

Assured Guaranty Municipal Corp.

Loss Measures
As of June 30, 2020
(dollars in millions)

	Total Net Par Outstanding for BIG Transactions	Three Months Ended June 30, 2020			Six Months Ended June 30, 2020		
		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	\$ 2,634	\$ 12	\$ 12	\$ —	\$ 11	\$ 11	\$ —
Non-U.S public finance	649	—	—	—	—	—	—
Public finance	3,283	12	12	—	11	11	—
Structured finance:							
U.S. RMBS	959	5	5	(1)	(38)	(38)	(8)
Other structured finance	63	—	—	—	—	—	—
Structured finance	1,022	5	5	(1)	(38)	(38)	(8)
Total	\$ 4,305	\$ 17	\$ 17	\$ (1)	\$ (27)	\$ (27)	\$ (8)

- Adjusted operating income includes financial guaranty insurance and credit derivatives.
- The "Effect of FG VIE Consolidation" column represents amounts included in the 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 Municipal Corp.

Net Expected Loss to be Expensed⁽¹⁾

As of June 30, 2020

(dollars in millions)

	GAAP
2020 Q3	\$ 3
2020 Q4	3
2021	10
2022	11
2023	9
2024	11
2020-2024	47
2025-2029	38
2030-2034	17
2035-2039	6
After 2039	3
Total expected PV of net expected loss to be expensed⁽²⁾	111
Future accretion	(6)
Total expected future loss and LAE	\$ 105

1) The present value of net expected loss to be paid is discounted using risk-free rates ranging from 0.00% to 1.47% for U.S. dollar denominated obligations.

2) Excludes \$29 million related to FG VIEs, which are eliminated in consolidation.

Assured Guaranty Municipal Corp.

Financial Guaranty Profile (1 of 4)

As of June 30, 2020

(dollars in millions)

Net Par Outstanding by Asset Type

	AGM (excluding MAC)	MAC				Consolidated AGM
		Assumed from Assured Guaranty Municipal	Assumed from AGC	Direct	Total MAC	
U.S. public finance:						
General obligation	\$ 37,722	\$ 6,420	\$ 1,723	\$ 3,506	\$ 11,649	\$ 49,371
Tax backed	20,789	1,827	241	144	2,212	23,001
Municipal utilities	15,288	1,663	387	360	2,410	17,698
Transportation	8,974	481	216	40	737	9,711
Healthcare	5,652	—	—	—	—	5,652
Higher education	3,187	235	119	5	359	3,546
Infrastructure finance	1,586	—	—	—	—	1,586
Housing revenue	918	27	—	—	27	945
Renewable energy	17	—	—	—	—	17
Other public finance	393	4	3	—	7	400
Total U.S. public finance	94,526	10,657	2,689	4,055	17,401	111,927
Non-U.S. public finance:						
Infrastructure finance	12,742	—	—	—	—	12,742
Regulated utilities	11,795	—	—	—	—	11,795
Sovereign and sub-sovereign	9,641	—	—	—	—	9,641
Renewable energy	1,544	—	—	—	—	1,544
Total non-U.S. public finance	35,722	—	—	—	—	35,722
Total public finance	130,248	10,657	2,689	4,055	17,401	147,649
U.S. structured finance:						
RMBS	1,954	—	—	—	—	1,954
Financial products	808	—	—	—	—	808
Other structured finance	123	—	—	—	—	123
Total U.S. structured finance	2,885	—	—	—	—	2,885
Non-U.S. structured finance:						
RMBS	193	—	—	—	—	193
Other structured finance	142	—	—	—	—	142
Total non-U.S. structured finance	335	—	—	—	—	335
Total structured finance	3,220	—	—	—	—	3,220
Total	\$ 133,468	\$ 10,657	\$ 2,689	\$ 4,055	\$ 17,401	\$ 150,869

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

Assured Guaranty Municipal Corp.

Financial Guaranty Profile (2 of 4)

(dollars in millions)

Net Par Outstanding and Average Rating by Asset Type

	As of June 30, 2020		As of December 31, 2019	
	Net Par Outstanding	Avg. Internal Rating	Net Par Outstanding	Avg. Internal Rating
U.S. public finance:				
General obligation	\$ 49,371	A-	\$ 49,027	A-
Tax backed	23,001	A-	24,019	A-
Municipal utilities	17,698	A-	17,588	A-
Transportation	9,711	BBB+	9,966	BBB+
Healthcare	5,652	BBB+	5,030	A-
Higher education	3,546	A-	3,564	A-
Infrastructure finance	1,586	BBB	1,564	BBB
Housing revenue	945	BBB+	971	BBB+
Renewable energy	17	A	17	A
Other public finance	400	A-	419	A-
Total U.S. public finance	111,927	A-	112,165	A-
Non-U.S. public finance:				
Infrastructure finance	12,742	BBB	13,520	BBB
Regulated utilities	11,795	BBB+	12,485	BBB+
Sovereign and sub-sovereign	9,641	A+	9,940	A+
Renewable energy	1,544	A	977	A+
Total non-U.S. public finance	35,722	A-	36,922	A-
Total public finance	147,649	A-	149,087	A-
U.S. structured finance:				
RMBS	1,954	BBB-	2,086	BBB-
Financial products	808	AA-	1,019	AA-
Other structured finance	123	A-	137	A-
Total U.S. structured finance	2,885	BBB	3,242	BBB+
Non-U.S. structured finance:				
RMBS	193	BBB+	201	BBB+
Other structured finance	142	AA-	143	AA
Total non-U.S. structured finance	335	A	344	A
Total structured finance	3,220	BBB+	3,586	BBB+
Total	\$ 150,869	A-	\$ 152,673	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 Municipal Corp.

Financial Guaranty Profile (3 of 4)

As of June 30, 2020

(dollars in millions)

Distribution by Ratings of Financial Guaranty Portfolio

	Public Finance - U.S.		Public Finance - Non-U.S.		Structured Finance - U.S.		Structured Finance - Non-U.S.		Total	
Ratings:	Net Par Outstanding	%	Net Par Outstanding	%	Net Par Outstanding	%	Net Par Outstanding	%	Net Par Outstanding	%
AAA	\$ 265	0.2 %	\$ 948	2.7 %	\$ 517	17.9 %	\$ 99	29.6 %	\$ 1,829	1.2 %
AA	11,012	9.8	4,229	11.8	1,010	35.0	21	6.3	16,272	10.8
A	61,461	54.9	8,692	24.3	97	3.4	47	14.0	70,297	46.6
BBB	36,555	32.7	21,204	59.4	278	9.6	129	38.5	58,166	38.5
BIG	2,634	2.4	649	1.8	983	34.1	39	11.6	4,305	2.9
Net Par Outstanding⁽¹⁾	\$ 111,927	100.0 %	\$ 35,722	100.0 %	\$ 2,885	100.0 %	\$ 335	100.0 %	\$ 150,869	100.0 %

1) As of June 30, 2020, excludes \$547 million of net par attributable to loss mitigation strategies, including loss mitigation securities held in the investment portfolio which are primarily BIG.

Distribution by Ratings of U.S. Public Finance Portfolio

	MAC					
Ratings:	AGM (excluding MAC)	Assumed from AGM	Assumed from AGC	Direct	Total MAC	Consolidated AGM
AAA	\$ 107	\$ 158	\$ —	\$ —	\$ 158	\$ 265
AA	7,731	2,673	568	40	3,281	11,012
A	51,080	5,831	1,688	2,862	10,381	61,461
BBB	33,123	1,897	385	1,150	3,432	36,555
BIG	2,485	98	48	3	149	2,634
Net Par Outstanding	\$ 94,526	\$ 10,657	\$ 2,689	\$ 4,055	\$ 17,401	\$ 111,927

Ceded Par Outstanding

	Ceded Par Outstanding ⁽¹⁾⁽²⁾	% of Total
Affiliated reinsurers	\$ 51,032	99.3 %
Non-affiliated reinsurers	385	0.7 %
Total	\$ 51,417	100.0 %

1) Of the total ceded par to unrated or BIG rated reinsurers, \$79 million is rated BIG.

2) The total collateral posted by all affiliated and non-affiliated reinsurers required to post or which had agreed to post collateral is approximately \$913 million. The collateral excludes amounts posted by AGM for the benefit of AGE UK.

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 Municipal Corp.

Financial Guaranty Profile (4 of 4)

As of June 30, 2020

(dollars in millions)

Geographic Distribution of Financial Guaranty Portfolio

	Net Par Outstanding	% of Total
U.S.:		
U.S. public finance		
California	\$ 21,609	14.3 %
Pennsylvania	11,067	7.3
New York	10,201	6.8
Texas	8,985	6.0
Illinois	8,527	5.7
New Jersey	6,562	4.3
Florida	4,720	3.1
Michigan	3,759	2.5
Louisiana	2,706	1.8
Colorado	2,675	1.8
Other	31,116	20.6
Total U.S. public finance	111,927	74.2
U.S. structured finance	2,885	1.9
Total U.S.	114,812	76.1
Non-U.S.:		
United Kingdom	25,799	17.1
France	2,510	1.7
Canada	2,118	1.4
Australia	1,118	0.7
Spain	1,062	0.7
Other	3,450	2.3
Total non-U.S.	36,057	23.9
Total net par outstanding	\$ 150,869	100.0 %

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

Assured Guaranty Municipal Corp.
Expected Amortization of Net Par Outstanding (1 of 2)
(dollars in millions)

Structured Finance

	Estimated Net Par Amortization				Estimated Ending Net Par Outstanding
	U.S. RMBS	Financial Products	Other Structured Finance	Total	
2020 (as of June 30)					\$ 3,220
2020 Q3	\$ 76	\$ (10)	\$ 27	\$ 93	3,127
2020 Q4	73	(7)	8	74	3,053
2021	265	2	30	297	2,756
2022	225	16	31	272	2,484
2023	232	10	40	282	2,202
2024	204	14	36	254	1,948
2020-2024	1,075	25	172	1,272	1,948
2025-2029	495	161	147	803	1,145
2030-2034	118	541	88	747	398
2035-2039	264	79	51	394	4
After 2039	2	2	—	4	—
Total structured finance	\$ 1,954	\$ 808	\$ 458	\$ 3,220	

Public Finance

	Estimated Net Par Amortization	Estimated Ending Net Par Outstanding
2020 (as of June 30)		\$ 147,649
2020 Q3	\$ 3,448	144,201
2020 Q4	2,183	142,018
2021	7,919	134,099
2022	7,155	126,944
2023	5,752	121,192
2024	6,609	114,583
2020-2024	33,066	114,583
2025-2029	31,804	82,779
2030-2034	28,706	54,073
2035-2039	21,162	32,911
After 2039	32,911	—
Total public finance	\$ 147,649	

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

Assured Guaranty Municipal Corp.
Expected Amortization of Net Par Outstanding (2 of 2)
(dollars in millions)

Public Finance:

Estimated Ending Net Par Outstanding

	AGM (excluding MAC)	MAC				Consolidated AGM
		Assumed from Assured Guaranty Municipal	Assumed from AGC	Direct	Total MAC	
2020 (as of June 30)	\$ 130,248	\$ 10,657	\$ 2,689	\$ 4,055	\$ 17,401	\$ 147,649
2020 Q3	127,888	9,757	2,568	3,988	16,313	144,201
2020 Q4	126,224	9,399	2,457	3,938	15,794	142,018
2021	119,778	8,352	2,284	3,685	14,321	134,099
2022	113,853	7,494	2,174	3,423	13,091	126,944
2023	109,072	6,841	2,103	3,176	12,120	121,192
2024	103,370	6,240	2,045	2,928	11,213	114,583
2029	75,890	3,571	1,576	1,742	6,889	82,779
2034	50,555	1,785	936	797	3,518	54,073
2039	31,317	910	430	254	1,594	32,911

Public Finance:

Estimated Net Par Amortization

	AGM (excluding MAC)	MAC				Consolidated AGM
		Assumed from Assured Guaranty Municipal	Assumed from AGC	Direct	Total MAC	
2020 Q3	\$ 2,360	\$ 900	\$ 121	\$ 67	\$ 1,088	\$ 3,448
2020 Q4	1,664	358	111	50	519	2,183
2021	6,446	1,047	173	253	1,473	7,919
2022	5,925	858	110	262	1,230	7,155
2023	4,781	653	71	247	971	5,752
2024	5,702	601	58	248	907	6,609
2020-2024	26,878	4,417	644	1,127	6,188	33,066
2025-2029	27,480	2,669	469	1,186	4,324	31,804
2030-2034	25,335	1,786	640	945	3,371	28,706
2035-2039	19,238	875	506	543	1,924	21,162
After 2039	31,317	910	430	254	1,594	32,911

Assured Guaranty Municipal Corp.

Exposure to Puerto Rico (1 of 3)

As of June 30, 2020

(dollars in millions)

Exposure to Puerto Rico

	Gross Par Outstanding	Net Par Outstanding	Gross Debt Service Outstanding	Net Debt Service Outstanding
Total	\$ 2,787	\$ 1,982	\$ 4,019	\$ 2,854

Exposure to Puerto Rico by Risk⁽¹⁾

	Net Par Outstanding	Gross Par Outstanding
Commonwealth Constitutionally Guaranteed		
Commonwealth of Puerto Rico - General Obligation Bonds	\$ 610	\$ 986
Commonwealth of Puerto Rico - General Obligation Bonds (Second-to-pay policy on affiliate exposure) ⁽²⁾⁽⁴⁾	1	1
Commonwealth of Puerto Rico - General Obligation Bonds total ⁽³⁾	611	987
Puerto Rico Public Buildings Authority (PBA) ⁽³⁾	—	56
PBA (Second-to-pay policies on affiliate exposure) ⁽²⁾⁽⁴⁾	7	7
PBA total	7	63
Public Corporations - Certain Revenues Potentially Subject to Clawback		
Puerto Rico Highways and Transportation Authority (PRHTA) (Transportation revenue)	175	233
PRHTA (Transportation revenue) (Second-to-pay policies on affiliate exposure) ⁽²⁾⁽⁴⁾	79	79
PRHTA (Transportation revenue) total ⁽³⁾	254	312
PRHTA (Highways revenue) ⁽³⁾	406	487
Other Public Corporations		
Puerto Rico Electric Power Authority (PREPA) ⁽³⁾	528	699
Puerto Rico Municipal Finance Agency (MFA) ⁽⁴⁾	176	239
Total exposure to Puerto Rico	\$ 1,982	\$ 2,787

- 1) The general obligation bonds of Puerto Rico and various obligations of its related authorities and public corporations total \$2.0 billion net par as of June 30, 2020. Of that amount, \$1.9 billion is rated BIG, while the remainder is rated AA since it relates to second-to-pay policies on obligations insured by an affiliate of the Company. In Second Quarter 2020, the Company reassumed \$118 million in net par of Puerto Rico exposures from its largest remaining legacy financial guaranty reinsurer.
- 2) Represents exposure as to which AGM guarantees payment of principal and interest when due in the event that both the obligor and the AGM affiliate that issued a primary insurance policy fail to pay.
- 3) 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.
- 4) As of the date of this filing, the Company has not paid claims on these credits.

Assured Guaranty Municipal Corp.

Exposure to Puerto Rico (2 of 3)

As of June 30, 2020

(dollars in millions)

Amortization Schedule of Net Par Outstanding of Puerto Rico

	2020 (3Q)	2020 (4Q)	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030- 2034	2035- 2037	Total
Commonwealth Constitutionally Guaranteed														
Commonwealth of Puerto Rico - General Obligation Bonds (Primary policies)	\$ 36	\$ —	\$ —	\$ 12	\$ 3	\$ 38	\$ 35	\$ 10	\$ 39	\$ 19	\$ 12	\$ 253	\$ 153	\$ 610
Commonwealth of Puerto Rico - General Obligation Bonds (Second-to-pay policy) ⁽¹⁾	1	—	—	—	—	—	—	—	—	—	—	—	—	1
PBA (Second-to-pay policies) ⁽¹⁾	5	—	—	—	1	—	1	—	—	—	—	—	—	7
Public Corporations - Certain Revenues Potentially Subject to Clawback														
PRHTA (Transportation revenue) (Primary policies)	10	—	11	12	12	—	4	4	17	18	21	52	14	175
PRHTA (Transportation revenue) (Second-to-pay policies) ⁽¹⁾	—	—	—	—	—	—	17	12	—	—	20	19	11	79
PRHTA (Highways revenue)	7	—	18	37	30	32	33	1	—	9	11	141	87	406
Other Public Corporations														
PREPA	38	—	21	22	69	66	53	58	59	29	30	83	—	528
MFA	25	—	24	25	14	14	14	28	12	10	6	4	—	176
Total	\$122	\$ —	\$ 74	\$108	\$129	\$150	\$157	\$113	\$127	\$ 85	\$100	\$ 552	\$ 265	\$1,982

- 1) Represents exposure in which AGM guarantees payment of principal and interest when due in the event that both the obligor and the AGM affiliate that issued a primary insurance policy fail to pay.

Assured Guaranty Municipal Corp.

Exposure to Puerto Rico (3 of 3)

As of June 30, 2020

(dollars in millions)

Amortization Schedule of Net Debt Service Outstanding of Puerto Rico

	2020 (3Q)	2020 (4Q)	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030- 2034	2035- 2037	Total
Commonwealth Constitutionally Guaranteed														
Commonwealth of Puerto Rico - General Obligation Bonds (Primary policies)	\$ 52	\$ —	\$ 30	\$ 42	\$ 33	\$ 68	\$ 62	\$ 35	\$ 64	\$ 42	\$ 35	\$ 340	\$ 170	\$ 973
Commonwealth of Puerto Rico - General Obligation Bonds (Second-to-pay policy) ⁽¹⁾	1	—	—	—	—	—	—	—	—	—	—	—	—	1
PBA (Second-to-pay policies) ⁽¹⁾	6	—	—	—	1	—	1	—	—	—	—	—	—	8
Public Corporations - Certain Revenues Potentially Subject to Clawback														
PRHTA (Transportation revenue) (Primary policies)	14	—	19	20	19	7	11	10	23	23	25	60	16	247
PRHTA (Transportation revenue) (Second-to-pay policies) ⁽¹⁾	2	—	4	4	4	4	22	16	3	3	23	26	12	123
PRHTA (Highways revenue)	18	—	39	57	48	48	48	14	13	22	23	191	94	615
Other Public Corporations														
PREPA	48	2	43	44	89	83	67	69	68	35	35	90	—	673
MFA	30	—	32	31	19	18	17	32	13	11	6	5	—	214
Total	\$171	\$ 2	\$167	\$198	\$213	\$228	\$228	\$176	\$184	\$136	\$147	\$ 712	\$ 292	\$2,854

- 1) Represents exposure in which AGM guarantees payment of principal and interest when due in the event that both the obligor and the AGM affiliate that issued a primary insurance policy fail to pay.

Assured Guaranty Municipal Corp.

U.S. RMBS Profile

As of June 30, 2020

(dollars in millions)

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

Ratings:	Prime First Lien	Alt-A First Lien	Option ARMs	Subprime First Lien	Second Lien	Total Net Par Outstanding
AAA	\$ —	\$ 55	\$ —	\$ 409	\$ —	\$ 464
AA	—	16	10	165	12	203
A	—	—	—	1	95	96
BBB	—	8	—	6	218	232
BIG	23	212	14	621	89	959
Total exposures	\$ 23	\$ 291	\$ 24	\$ 1,202	\$ 414	\$ 1,954

Distribution of U.S. RMBS by Year Insured and Type of Exposure

Year insured:	Prime First Lien	Alt-A First Lien	Option ARMs	Subprime First Lien	Second Lien	Total Net Par Outstanding
2004 and prior	\$ —	\$ 15	\$ —	\$ 411	\$ 15	\$ 441
2005	—	123	7	117	57	304
2006	23	38	—	—	168	229
2007	—	115	17	639	174	945
2008	—	—	—	35	—	35
Total exposures	\$ 23	\$ 291	\$ 24	\$ 1,202	\$ 414	\$ 1,954

1) Assured Guaranty Municipal 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 Municipal Corp.
Credit Derivative Net Par Outstanding Profile
As of June 30, 2020
(dollars in millions)

Distribution of Credit Derivative Net Par Outstanding by Rating

Rating:	Net Par Outstanding	% of Total
AA	\$ 153	15.3 %
A	334	33.3
BBB	515	51.4
Total credit derivative net par outstanding	\$ 1,002	100.0 %

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

	Net Par Outstanding	Average Rating
Public finance		
U.S. public finance	\$ 809	A
Non-U.S. public finance	173	BBB
Total public finance	982	A-
Structured finance		
U.S. structured finance	20	BBB
Non-U.S. structured finance	—	--
Total structured finance	20	BBB
Total credit derivative net par outstanding	\$ 1,002	A-

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

Assured Guaranty Municipal Corp.

Below Investment Grade Exposures (1 of 3)

(dollars in millions)

BIG Exposures by Asset Exposure Type

	As of	
	June 30, 2020	December 31, 2019
U.S. public finance:		
General obligation	\$ 868	\$ 982
Tax backed	857	743
Municipal utilities	699	697
Higher education	76	101
Transportation	73	73
Healthcare	2	2
Other public finance	59	58
Total U.S. public finance	2,634	2,656
Non-U.S. public finance:		
Sovereign and sub-sovereign	347	332
Infrastructure finance	302	339
Total non-U.S. public finance	649	671
Total public finance	3,283	3,327
U.S. structured finance:		
RMBS	959	993
Other structured finance	24	26
Total U.S. structured finance	983	1,019
Non-U.S. structured finance:		
RMBS	—	—
Other structured finance	39	40
Total non-U.S. structured finance	39	40
Total structured finance	1,022	1,059
Total BIG net par outstanding	\$ 4,305	\$ 4,386

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 Municipal Corp.
Below Investment Grade Exposures (2 of 3)
(dollars in millions)

Net Par Outstanding by BIG Category⁽¹⁾

	As of	
	June 30, 2020	December 31, 2019
BIG Category 1		
U.S. public finance	\$ 814	\$ 931
Non-U.S. public finance	612	636
U.S. structured finance	101	65
Non-U.S. structured finance	39	40
Total BIG Category 1	1,566	1,672
BIG Category 2		
U.S. public finance	43	43
Non-U.S. public finance	—	—
U.S. structured finance	—	40
Non-U.S. structured finance	—	—
Total BIG Category 2	43	83
BIG Category 3		
U.S. public finance	1,777	1,682
Non-U.S. public finance	37	35
U.S. structured finance	882	914
Non-U.S. structured finance	—	—
Total BIG Category 3	2,696	2,631
BIG Total	\$ 4,305	\$ 4,386

- 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 Municipal Corp.

Below Investment Grade Exposures (3 of 3)

As of June 30, 2020

(dollars in millions)

Public Finance BIG Exposures with Revenue Sources Greater Than \$50 Million

Name or description	BIG Net Par Outstanding	Internal Rating(1)
U.S. public finance:		
Puerto Rico, General Obligation, Appropriations and Guarantees of the Commonwealth	\$ 610	CCC
Puerto Rico Highways & Transportation Authority	581	CCC
Puerto Rico Electric Power Authority	528	CCC
Puerto Rico Municipal Finance Agency	176	CCC
Jackson Water & Sewer System, Mississippi	111	BB
Virgin Islands Public Finance Authority (Gross Receipts)	99	BB
Harrisburg Parking System, Pennsylvania	60	BB
Stockton City, California	58	B
Coatesville Area School District, Pennsylvania	53	BB
Total U.S. public finance	2,276	
Non-U.S. public finance:		
Valencia Fair	247	BB+
Road Management Services PLC (A13 Highway)	170	B+
M6 Duna Autopalya Koncesszios Zrt.	94	BB+
Total non-U.S. public finance	511	
Total	\$ 2,787	

Structured Finance BIG Exposures Greater Than \$50 Million

Name or description	Net Par Outstanding	Internal Rating(1)	60+ Day Delinquencies
U.S. structured finance:			
RMBS:			
Option One 2007-FXD2	\$ 167	CCC	17.9%
Soundview 2007-WMC1	152	CCC	31.9
Nomura Asset Accept. Corp. 2007-1	98	CCC	21.9
New Century 2005-A	79	CCC	17.6
MABS 2007-NCW	59	BB	20.2
ACE 2007-SL1	51	CCC	1.8
Total RMBS	606		
Subtotal U.S. structured finance	606		
Non-U.S. structured finance:			
Subtotal Non-U.S. structured finance	—		
Total	\$ 606		

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 Municipal Corp.

Largest Exposures by Sector (1 of 3)

As of June 30, 2020

(dollars in millions)

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

Credit Name	Net Par Outstanding	Internal Rating(1)
New Jersey (State of)	\$ 2,066	BBB
Pennsylvania (Commonwealth of)	1,476	A-
Illinois (State of)	1,338	BBB
New York Metropolitan Transportation Authority	1,247	A-
CommonSpirit Health, Colorado	886	A-
Foothill/Eastern Transportation Corridor Agency, California	824	BBB
Great Lakes Water Authority (Sewerage), Michigan	800	A-
Massachusetts (Commonwealth of) Water Resources	713	AA
Massachusetts (Commonwealth of)	712	AA-
Philadelphia School District, Pennsylvania	679	A-
Long Island Power Authority	669	BBB+
Puerto Rico Highways & Transportation Authority	660	B-
New York (City of), New York	642	AA-
Port Authority of New York and New Jersey	640	BBB-
ProMedica Healthcare Obligated Group, Ohio	629	BBB
Montefiore Medical Center, New York	619	BBB-
Puerto Rico, General Obligation, Appropriations and Guarantees of the Commonwealth	618	CCC
California (State of)	616	AA-
Pennsylvania Turnpike Commission	606	A-
Jefferson County Alabama Sewer	603	BBB
Metropolitan Pier and Exposition Authority, Illinois	579	BBB-
Suffolk County, New York	535	BBB
Puerto Rico Electric Power Authority	528	CCC
Metro Washington Airports Authority (Dulles Toll Road)	525	BBB
Chicago Public Schools, Illinois	511	BBB-
Oglethorpe Power Corporation, Georgia	500	BBB
Sacramento County, California	474	A-
Arizona (State of)	470	A+
Regional Transportation Authority (Sales Tax), Illinois	470	AA
Clark County School District, Nevada	462	BBB+
Pittsburgh Water & Sewer, Pennsylvania	461	A-
Nassau County, New York	458	A-
Garden State Preservation Trust, New Jersey Open Space & Farmland	444	BBB+
Philadelphia (City of), Pennsylvania	415	BBB+
North Carolina Turnpike Authority	410	BBB-
New Jersey Turnpike Authority	408	A-
Chicago (City of), Illinois	390	BBB
Connecticut (State of)	390	A-
New York State Thruway Authority	380	A-
Harris County - Houston Sports Authority, Texas	362	A-
Wisconsin (State of)	351	A+
Great Lakes Water Authority (Water), Michigan	351	A-
Kansas (State of)	344	A+
Jets Stadium Development, LLC	341	BBB
Pennsylvania Turnpike Commission Registration Fee	339	BBB
Miami-Dade County Aviation Authority (Miami International Airport), Florida	324	A
DASNY School Districts Series 2020A	322	A+
Louisville Arena Authority Inc.	321	BBB-
Alameda Corridor Transportation Authority, California	320	BBB+
Anaheim (City of), California	315	BBB+
Total top 50 U.S. public finance exposures	\$ 29,543	

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 Municipal Corp.

Largest Exposures by Sector (2 of 3)

As of June 30, 2020

(dollars in millions)

25 Largest U.S. Structured Finance Exposures

Credit Name	Net Par Outstanding	Internal Rating(1)
Option One 2007-FXD2	\$ 167	CCC
Soundview 2007-WMC1	152	CCC
CWABS 2007-4	112	A+
Nomura Asset Accept. Corp. 2007-1	98	CCC
Countrywide HELOC 2006-I	89	A
New Century 2005-A	79	CCC
Countrywide 2007-13	78	AA
MABS 2007-NCW	59	BB
ACE 2007-SL1	51	CCC
Countrywide HELOC 2006-F	49	BBB
Countrywide HELOC 2007-B	48	BBB
Countrywide HELOC 2007-A	48	BBB
ACE 2007-D1	48	CCC
Augusta Funding Limited	47	AAA
Long Beach 2004-1	43	AAA
Countrywide Home Loans (CWABS) 2004-1	41	AAA
ABFC 2005-AQ1	40	AAA
Mid-State Trust X	39	AAA
Wells Fargo Home Equity 2004-2	39	AAA
Countrywide HELOC 2005-D	38	BBB-
Soundview Home Loan Trust 2008-1	35	CCC
Renaissance (Delta) 2005-4	32	BB
Terwin Mortgage Trust 2005-16HE	31	CCC
Renaissance (Delta) 2004-2	28	AAA
Long Beach 2004-3N	27	AAA
Total top 25 U.S. structured finance exposures	\$ 1,518	

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 Municipal Corp.

Largest Exposures by Sector (3 of 3)

As of June 30, 2020

(dollars in millions)

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

Credit Name	Country	Net Par Outstanding	Internal Rating
Southern Water Services Limited	United Kingdom	\$ 2,391	BBB
Quebec Province	Canada	1,692	A+
Dwr Cymru Financing Limited (Welsh Water Plc)	United Kingdom	1,435	A-
Anglian Water Services Financing PLC	United Kingdom	1,305	A-
Societe des Autoroutes du Nord et de l'Est de France S.A.	France	1,287	BBB+
British Broadcasting Corporation (BBC)	United Kingdom	1,184	A+
Thames Water Utility Finance PLC	United Kingdom	1,106	BBB
Channel Link Enterprises Finance PLC	United Kingdom, France	1,008	BBB
Verbund, Lease and Sublease of Hydro-Electric Equipment	Austria	927	AAA
Aspire Defence Finance plc	United Kingdom	800	BBB+
Southern Gas Networks PLC	United Kingdom	744	BBB
National Grid Gas PLC	United Kingdom	724	BBB+
Capital Hospitals (Issuer) PLC	United Kingdom	619	BBB-
Verdun Participations 2 S.A.S.	France	608	BBB-
Coventry & Rugby Hospital Company (Walsgrave Hospital) Plc	United Kingdom	505	BBB-
Campania Region - Healthcare receivable	Italy	469	BB+
Derby Healthcare PLC	United Kingdom	459	BBB
Sydney Airport Finance Company	Australia	452	BBB+
North Staffordshire PFI, 32-year EIB Index-Linked Facility	United Kingdom	441	BBB-
National Grid Company PLC	United Kingdom	401	BBB+
Central Nottinghamshire Hospitals PLC	United Kingdom	400	BBB
Envestra Limited	Australia	386	A-
NATS (En Route) PLC	United Kingdom	364	A
NewHospitals (St Helens & Knowsley) Finance PLC	United Kingdom	337	BBB+
Japan Expressway Holding and Debt Repayment Agency	Japan	329	A+
Private International Sub-Sovereign Transaction	United Kingdom	305	AA-
Yorkshire Water Services Finance Plc	United Kingdom	304	A-
The Hospital Company (QAH Portsmouth) Limited	United Kingdom	299	BBB
Q Energy Phase II	Spain	298	BBB+
Wessex Water Services Finance plc	United Kingdom	296	BBB+
South East Water	United Kingdom	286	BBB
Q Energy Phase III	Spain	272	BBB+
Private International Sub-Sovereign Transaction	United Kingdom	269	AA
Severn Trent Water Utilities Finance Plc	United Kingdom	252	BBB+
Valencia Fair	Spain	247	BB+
Sarawak Capital Incorporated	Malaysia	245	BBB+
Octagon Healthcare Funding PLC	United Kingdom	237	BBB
Private International Sub-Sovereign Transaction	United Kingdom	233	AA-
Republic of Poland	Poland	228	A-
Scotland Gas Networks plc	United Kingdom	222	BBB
Plenary Health North Bay Finco Inc.	Canada	221	BBB
MPC Funding Limited	Australia	221	BBB+
Integrated Accommodation Services PLC	United Kingdom	217	BBB+
Western Power Distribution (South Wales) PLC	United Kingdom	207	BBB+
Western Power Distribution (South West) PLC	United Kingdom	207	BBB+
Bakethin Finance Plc	United Kingdom	202	A-
Leeds Hospital - St. James's Oncology Financing plc	United Kingdom	188	BBB
DirectRoute (Limerick) Holdings Ltd	Ireland	182	BBB-
University of York (Civitas Living LLP), UK	United Kingdom	174	BBB
Keele Residential Funding PLC	United Kingdom	170	BBB+
Total top 50 non-U.S. exposures		\$ 26,355	

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

Assured Guaranty Municipal Corp.
Summary of Statutory Financial and Statistical Data
(dollars in millions)

	As of and for Six Months Ended June 30,	As of and for Year Ended December 31,			
	2020	2019	2018	2017	2016
Claims-Paying Resources⁽¹⁾					
Policyholders' surplus	\$ 2,667	\$ 2,691	\$ 2,533	\$ 2,254	\$ 2,321
Contingency reserve	1,018	986	1,034	1,108	1,236
Qualified statutory capital	3,685	3,677	3,567	3,362	3,557
Unearned premium reserve and net deferred ceding commission income	2,048	2,027	1,873	1,926	1,573
Loss and LAE reserves	202	196	518	634	410
Total policyholders' surplus and reserves	5,935	5,900	5,958	5,922	5,540
Present value of installment premium ⁽³⁾	391	409	238	235	248
CCS	200	200	200	200	200
Excess of loss reinsurance facility	—	—	180	180	360
Total claims-paying resources (including proportionate MAC ownership for AGM)	6,526	6,509	6,576	6,537	6,348
Adjustment for MAC	359	370	434	451	657
Total claims-paying resources (excluding proportionate MAC ownership for AGM)	\$ 6,167	\$ 6,139	\$ 6,142	\$ 6,086	\$ 5,691
Ratios:					
Net par outstanding to qualified statutory capital	38 :1	38:1	36:1	41:1	39:1
Capital ratio	61 :1	62:1	57:1	65:1	60:1
Financial resources ratio	34 :1	35:1	31:1	33:1	34:1
Adjusted statutory net par outstanding to claims-paying resources (including MAC adjustment for AGM)	21:1	22:1	20:1	21:1	22:1
Other Financial Information (Statutory Basis)⁽²⁾					
Net debt service outstanding (end of period)	\$ 224,655	\$ 228,284	\$ 204,297	\$ 218,788	\$ 213,198
Gross debt service outstanding (end of period)	302,127	308,725	291,926	311,805	310,057
Net par outstanding (end of period)	140,224	140,579	129,893	138,775	139,420
Gross par outstanding (end of period)	190,328	192,018	185,515	197,164	200,061
Ceded to Assured Guaranty affiliates	49,719	50,665	53,733	54,628	60,641
Ceded par to other companies	385	774	1,889	3,762	9,170
Gross debt service written:					
Public finance	\$ 13,803	\$ 45,642	\$ 21,854	\$ 29,785	\$ 26,269
Structured finance	—	—	—	—	—
Total gross debt service written	\$ 13,803	\$ 45,642	\$ 21,854	\$ 29,785	\$ 26,269

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

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

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

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

Glossary

Net Par Outstanding and Internal Ratings

Net Par Outstanding is insured par exposure, net of reinsurance cessions. Unless otherwise indicated, GAAP net par outstanding amounts exclude amounts as a result of loss mitigation strategies, including securities the Company has purchased for loss mitigation purposes that are held in the investment portfolio.

Internal Rating utilizes the Company's ratings scale, which is similar to that used by the nationally recognized statistical rating organizations; however, the ratings in the tables may not be the same as ratings assigned by any such rating agency.

Statutory Net Par and Net Debt Service Outstanding Under statutory accounting, net par and net debt service outstanding would be reduced both when an outstanding issue is legally defeased (i.e., an issuer has legally discharged its obligations with respect to a municipal security by satisfying conditions set forth in defeasance provisions contained in transaction documents and is no longer responsible for the payment of debt service with respect to such obligations) and when such issue is economically defeased (i.e., transaction documents for a municipal security do not contain defeasance provisions but the issuer establishes an escrow account with U.S. government securities in amounts sufficient to pay the refunded bonds when due; the refunded bonds are not considered paid and continue to be outstanding under the transaction documents and the issuer remains responsible to pay debt service when due to the extent monies on deposit in the escrow account are insufficient for such purpose).

Performance Indicators

The performance information described below is obtained from third parties and/or provided by the trustee and may be subject to revision as updated or additional information is obtained:

60+ Day Delinquencies are defined as loans that are greater than 60 days delinquent and all loans that are in foreclosure, bankruptcy or real estate owned divided by current collateral balance.

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

Sectors

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

Public Finance:

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

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

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

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

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

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

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

Glossary (continued)

Sectors (continued)

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.

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

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.

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:

Residential Mortgage-Backed Securities 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.

Financial Products Business is the guaranteed investment contracts (GICs) portion of a line of business previously conducted by Assured Guaranty Municipal Holdings Inc. (AGMH) that Assured Guaranty did not acquire when it purchased AGMH in 2009 from Dexia SA and that is being run off. That line of business consisted of AGMH's GICs business, its medium term notes business and the equity payment agreements associated with AGMH's leveraged lease business. Assured Guaranty is indemnified by Dexia SA and certain of its affiliates against loss from the former Financial Products Business.

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

Non-GAAP Financial Measures

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

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

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

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

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

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

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

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

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

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

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

Non-GAAP Financial Measures (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Non-GAAP Financial Measures (continued)

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

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

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

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

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

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



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