

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 mix of blue and orange, suggesting dawn or dusk. The image is partially obscured by a dark grey banner on the left and a green banner on the right.

Financial Supplement

Assured Guaranty Municipal Corp.

December 31, 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, 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 UK Limited (AGUK), Assured Guaranty (Europe) SA (AGE), Municipal Assurance Holdings Inc. (MAC Holdings), 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, now known as Assured Investment Management LLC (AssuredIM); (17) the possibility that acquisitions made by Assured Guaranty, including its acquisition of BlueMountain (BlueMountain Acquisition), do not result in the benefits anticipated or subject Assured Guaranty to unanticipated consequences; (18) difficulties with the execution of Assured Guaranty's business strategy; (19) loss of key personnel; (20) the effects of mergers, acquisitions and divestitures; (21) natural or man-made catastrophes or pandemics; (22) other risk factors identified in AGL's filings with the U.S. SEC; (23) other risks and uncertainties that have not been identified at this time; and (24) management's response to these factors. Assured Guaranty undertakes no obligation to update publicly or review any forward looking statement, whether as a result of new information, future developments or otherwise, except as required by law.

Assured Guaranty Municipal Corp.

Selected Financial Highlights (1 of 2)

(dollars in millions)

	Three Months Ended December 31,		Year Ended December 31,	
	2020	2019	2020	2019
GAAP Highlights				
Net income (loss) attributable to AGM	\$ 140	\$ 113	\$ 373	\$ 327
Gross written premiums (GWP)	114	409	417	558
Effective tax rate on net income	16.7 %	3.2 %	12.8 %	15.8 %
GAAP return on equity (ROE) ⁽¹⁾	12.8 %	10.7 %	8.6 %	7.9 %
Non-GAAP Highlights⁽²⁾				
Adjusted operating income ⁽²⁾	\$ 103	\$ 85	\$ 339	\$ 319
Present value of new business production (PVP) ⁽²⁾	120	315	366	464
Gross par written	6,342	11,804	22,632	22,354
Effective tax rate on adjusted operating income ⁽³⁾	17.9 %	1.6 %	13.0 %	15.3 %
Adjusted operating ROE ⁽¹⁾⁽²⁾	9.8 %	8.5 %	8.2 %	8.0 %
Effect of refundings and terminations on GAAP measures:				
Net earned premiums, pre-tax	22	\$ 24	65	\$ 67
Net income effect	16	17	48	46
Effect of refundings and terminations on non-GAAP measures:				
Operating net earned premiums and credit derivative revenues ⁽¹⁾ , pre-tax	22	24	65	67
Adjusted operating income ⁽¹⁾ effect	16	17	48	46

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	
	December 31, 2020	December 31, 2019
Shareholder's equity attributable to AGM	\$ 4,419	\$ 4,250
Adjusted operating shareholder's equity ⁽¹⁾	4,209	4,061
Adjusted book value ⁽¹⁾	6,009	5,817
Gain (loss) related to the effect of consolidating financial guaranty VIEs (FG VIE consolidation) included in adjusted operating shareholder's equity	7	11
Gain (loss) related to FG VIE consolidation included in adjusted book value	(2)	—
Exposure		
Financial guaranty net debt service outstanding ⁽²⁾	\$ 244,444	\$ 244,433
Financial guaranty net par outstanding ⁽²⁾	153,826	152,673
Claims-paying resources (including MAC) ⁽³⁾	6,625	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 MAC. Although Assured Guaranty Municipal owns approximately 60.7% of the outstanding shares of MAC Holdings, a company formed to own 100% of the common stock of MAC, and Assured Guaranty Municipal's affiliate AGC 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	
	December 31,	December 31,
	2020	2019
Assets:		
Investment portfolio:		
Fixed-maturity securities, available-for-sale, at fair value	\$ 4,966	\$ 4,752
Short-term investments, at fair value	424	736
AGC surplus note, held-to-maturity, at amortized cost	300	300
Other invested assets	442	173
Total investment portfolio	6,132	5,961
Loans receivable from affiliate	163	163
Cash	63	87
Premiums receivable	1,094	1,019
Ceded unearned premium reserve	658	619
Reinsurance recoverable on unpaid losses	154	200
Salvage and subrogation recoverable	637	488
Financial guaranty variable interest entities' (FG VIEs') assets, at fair value	257	392
Other assets	192	202
Total assets	\$ 9,350	\$ 9,131
Liabilities and shareholders' equity:		
Liabilities:		
Unearned premium reserve	\$ 2,981	\$ 2,891
Loss and loss adjustment expense (LAE) reserve	545	631
Reinsurance balances payable, net	349	257
FG VIE liabilities with recourse, at fair value	279	321
FG VIE liabilities without recourse, at fair value	16	100
Other liabilities	353	298
Total liabilities	4,523	4,498
Shareholders' equity:		
Preferred stock	—	—
Common stock	15	15
Additional paid-in capital	698	702
Retained earnings	3,521	3,415
Accumulated other comprehensive income	185	118
Total shareholders' equity attributable to Assured Guaranty Municipal Corp.	4,419	4,250
Noncontrolling interests	408	383
Total shareholders' equity	4,827	4,633
Total liabilities and shareholders' equity	\$ 9,350	\$ 9,131

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

	Three Months Ended December 31,		Year Ended December 31,	
	2020	2019	2020	2019
Revenues:				
Net earned premiums	\$ 72	\$ 71	\$ 271	\$ 259
Net investment income	40	46	167	191
Net realized investment gains (losses)	1	2	7	5
Fair value gains (losses) on FG VIEs	(3)	(1)	(10)	32
Commutation gains (losses)	(1)	9	37	10
Foreign exchange gain (loss) on remeasurement	49	41	31	21
Other income (loss)	6	(6)	18	2
Total revenues	164	162	521	520
Expenses:				
Loss and LAE	(28)	9	(19)	(17)
Employee compensation and benefit expenses	24	19	87	83
Other expenses	14	13	52	46
Total expenses	10	41	120	112
Income (loss) before provision for income taxes and equity in earnings of investees	154	121	401	408
Equity in earnings of investees	22	—	59	2
Income (loss) before income taxes	176	121	460	410
Provision (benefit) for income taxes	29	4	59	65
Net income (loss)	147	117	401	345
Less: Noncontrolling interests	7	4	28	18
Net income (loss) attributable to Assured Guaranty Municipal Corp.	\$ 140	\$ 113	\$ 373	\$ 327

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 December 31, 2020 and December 31, 2019

	Three Months Ended December 31, 2020		Three Months Ended December 31, 2019	
	Adjusted Operating Income Adjustments ⁽¹⁾	Effect of FG VIE Consolidation ⁽²⁾	Adjusted Operating Income Adjustments ⁽¹⁾	Effect of FG VIE Consolidation ⁽²⁾
Adjustments to revenues:				
Net earned premiums	\$ —	\$ (1)	\$ —	\$ (1)
Net investment income	—	(1)	—	(1)
Net realized investment gains (losses)	1	—	2	—
Fair value gains (losses) on committed capital securities (CCS)	(6)	—	(9)	—
Fair value gains (losses) on FG VIEs	—	(3)	—	(1)
Foreign exchange gain (loss) on remeasurement	46	—	37	—
Other income (loss)	2	—	—	—
Total revenue adjustments	43	(5)	30	(3)
Adjustments to expenses:				
Loss expense	—	2	—	4
Total expense adjustments	—	2	—	4
Pre-tax adjustments	43	(7)	30	(7)
Tax effect of adjustments	6	(1)	2	(2)
Less: Noncontrolling interests	—	—	—	—
After-tax adjustments	\$ 37	\$ (6)	\$ 28	\$ (5)

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

	Year Ended December 31, 2020		Year Ended December 31, 2019	
	Adjusted Operating Income Adjustments ⁽¹⁾	Effect of FG VIE Consolidation ⁽²⁾	Adjusted Operating Income Adjustments ⁽¹⁾	Effect of FG VIE Consolidation ⁽²⁾
Adjustments to revenues:				
Net earned premiums	\$ —	\$ (4)	\$ —	\$ (16)
Net investment income	—	(4)	—	(4)
Net realized investment gains (losses)	7	—	5	—
Fair value gains (losses) on CCS	(1)	—	(12)	—
Fair value gains (losses) on FG VIEs	—	(10)	—	32
Foreign exchange gain (loss) on remeasurement	34	—	18	—
Other income (loss)	(2)	—	2	—
Total revenue adjustments	38	(18)	13	12
Adjustments to expenses:				
Loss expense	—	(6)	—	16
Total expense adjustments	—	(6)	—	16
Pre-tax adjustments	38	(12)	13	(4)
Tax effect of adjustments	4	(2)	4	(1)
Less: Noncontrolling interests	—	—	1	—
After-tax adjustments	\$ 34	\$ (10)	\$ 8	\$ (3)

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

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

Adjusted Operating Income Reconciliation

	Three Months Ended December 31,		Year Ended December 31,	
	2020	2019	2020	2019
Consolidated net income (loss) attributable to AGM	\$ 140	\$ 113	\$ 373	\$ 327
Less pre-tax adjustments:				
Realized gains (losses) on investments	2	2	7	3
Non-credit impairment unrealized fair value gains (losses) on credit derivatives ⁽¹⁾	1	—	(2)	2
Fair value gains (losses) on CCS	(6)	(9)	(1)	(12)
Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves	46	37	34	18
Total pre-tax adjustments	43	30	38	11
Less tax effect on pre-tax adjustments	(6)	(2)	(4)	(3)
Adjusted operating income	<u>\$ 103</u>	<u>\$ 85</u>	<u>\$ 339</u>	<u>\$ 319</u>

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

ROE Reconciliation and Calculation

	As of				
	December 31, 2020	September 30, 2020	December 31, 2019	September 30, 2019	December 31, 2018
Shareholder's equity attributable to AGM	\$ 4,419	\$ 4,317	\$ 4,250	\$ 4,131	\$ 3,988
Adjusted operating shareholders' equity	4,209	4,124	4,061	3,915	3,903
Gain (loss) related to FG VIE consolidation included in adjusted operating shareholders' equity	7	7	11	17	10
	Three Months Ended December 31,		Year Ended December 31,		
	2020	2019	2020	2019	
Net income (loss) attributable to AGM	\$ 140	\$ 113	\$ 373	\$ 327	
Adjusted operating income	103	85	339	319	
Average shareholder's equity attributable to AGM	\$ 4,368	\$ 4,191	\$ 4,335	\$ 4,119	
Average adjusted operating shareholders' equity	4,167	3,988	4,135	3,982	
Gain (loss) related to FG VIE consolidation included in average adjusted operating shareholders' equity	7	14	9	11	
GAAP ROE ⁽¹⁾	12.8 %	10.7 %	8.6 %	7.9 %	
Adjusted operating ROE ⁽¹⁾	9.8 %	8.5 %	8.2 %	8.0 %	

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				
	December 31,	September 30,	December 31,	September 30,	December 31,
	2020	2020	2019	2019	2018
Reconciliation of shareholder's equity to non-GAAP adjusted book value ⁽¹⁾:					
Consolidated shareholder's equity attributable to AGM	\$ 4,419	\$ 4,317	\$ 4,250	\$ 4,131	\$ 3,988
Less pre-tax reconciling items:					
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(2)	(3)	—	—	(2)
Fair value gains (losses) on CCS	24	30	25	34	37
Unrealized gain (loss) on investment portfolio excluding foreign exchange effect	238	212	209	234	72
Less taxes	(50)	(46)	(45)	(52)	(22)
Adjusted operating shareholders' equity	4,209	4,124	4,061	3,915	3,903
Pre-tax reconciling items:					
Less: Deferred acquisition costs	(71)	(64)	(67)	(95)	(98)
Plus: Net present value of estimated net future credit derivative revenue	4	5	5	5	7
Plus: Net unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed	2,200	2,212	2,140	1,724	1,751
Plus taxes	(475)	(471)	(456)	(375)	(381)
Adjusted book value	<u>\$ 6,009</u>	<u>\$ 5,934</u>	<u>\$ 5,817</u>	<u>\$ 5,364</u>	<u>\$ 5,378</u>
Gain (loss) related to FG VIE consolidation included in adjusted operating shareholder's equity (net of tax benefit (provision) of \$(2), \$(2), \$(3), \$(4) and \$(3))	\$ 7	\$ 7	\$ 11	\$ 17	\$ 10
Gain (loss) related to FG VIE consolidation included in adjusted book value (net of tax benefit (provision) of \$1, \$1, \$0, \$(1) and \$2)	(2)	(2)	—	6	(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 December 31, 2020 is 3%. The prior periods have been recast to present the net present value of net future revenues discounted at 3% instead of 6%. 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	
	December 31, 2020	December 31, 2019
Claims-paying resources		
Policyholders' surplus	\$ 2,864	\$ 2,691
Contingency reserve ⁽¹⁾	940	986
Qualified statutory capital	3,804	3,677
Unearned premium reserve and net deferred ceding commission income ⁽¹⁾	2,112	2,027
Loss and LAE reserves ⁽¹⁾	64	196
Total policyholders' surplus and reserves	5,980	5,900
Present value of installment premium ⁽¹⁾⁽⁶⁾	445	409
CCS	200	200
Total claims-paying resources (including proportionate MAC ownership for AGM)	6,625	6,509
Adjustment for MAC ⁽²⁾	363	370
Total claims-paying resources (excluding proportionate MAC ownership for AGM)	\$ 6,262	\$ 6,139
Statutory net par outstanding ⁽³⁾	\$ 136,115	\$ 129,562
Equity method adjustment ⁽²⁾	8,386	11,017
Adjusted statutory net par outstanding ⁽¹⁾	\$ 144,501	\$ 140,579
Net debt service outstanding ⁽³⁾	\$ 219,534	\$ 212,011
Equity method adjustment ⁽²⁾	12,432	16,273
Adjusted net debt service outstanding ⁽¹⁾	\$ 231,966	\$ 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⁾	35 :1	35 :1
Adjusted statutory net par outstanding to claims-paying resources (including MAC adjustment for AGM)	22 :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 MAC Holdings, which owns 100% of the outstanding common stock of MAC. Amounts include financial guaranty insurance and credit derivatives. On February 24, 2021, AGM and AGC received the last regulatory approval required to execute a multi-step transaction to merge MAC with and into AGM, with AGM as the surviving company. The steps leading up to the merger of MAC with and into AGM, with AGM as the surviving company, are expected to be effective April 1, 2021, and include (i) the reassumption by AGM and AGC of their respective remaining cessions to MAC, (ii) distributing MAC's earned surplus to AGM and AGC in accordance with their respective 60.7% and 39.3% direct ownership interests in MAC Holdings, and (iii) AGM's purchase of AGC's 39.3% interest in MAC Holdings.
- 2) Represents adjustment for 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 the first quarter of 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 December 31, 2020 and December 31, 2019⁽¹⁾

	Three Months Ended December 31, 2020					Three Months Ended December 31, 2019				
	Public Finance		Structured Finance		Total	Public Finance		Structured Finance		Total
	U.S.	Non - U.S.	U.S.	Non - U.S.		U.S.	Non - U.S.	U.S.	Non - U.S.	
Total GWP	\$ 115	\$ (1)	\$ —	\$ —	\$ 114	\$ 70	\$ 339	\$ —	\$ —	\$ 409
Less: Installment GWP and other GAAP adjustments ⁽²⁾	36	(2)	—	—	34	—	339	—	—	339
Upfront GWP	79	1	—	—	80	70	—	—	—	70
Plus: Installment premium PVP	31	9	—	—	40	—	245	—	—	245
Total PVP	<u>\$ 110</u>	<u>\$ 10</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 120</u>	<u>\$ 70</u>	<u>\$ 245</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 315</u>
Gross par written	\$ 6,342	\$ —	\$ —	\$ —	\$ 6,342	\$ 5,976	\$ 5,828	\$ —	\$ —	\$ 11,804

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

	Year Ended December 31, 2020					Year Ended December 31, 2019				
	Public Finance		Structured Finance		Total	Public Finance		Structured Finance		Total
	U.S.	Non - U.S.	U.S.	Non - U.S.		U.S.	Non - U.S.	U.S.	Non - U.S.	
Total GWP	\$ 297	\$ 119	\$ 1	\$ —	\$ 417	\$ 190	\$ 373	\$ (5)	\$ —	\$ 558
Less: Installment GWP and other GAAP adjustments ⁽²⁾	36	118	1	—	155	(1)	373	(5)	—	367
Upfront GWP	261	1	—	—	262	191	—	—	—	191
Plus: Installment premium PVP	31	73	—	—	104	—	273	—	—	273
Total PVP	<u>\$ 292</u>	<u>\$ 74</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 366</u>	<u>\$ 191</u>	<u>\$ 273</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 464</u>
Gross par written	\$ 21,197	\$ 1,435	\$ —	\$ —	\$ 22,632	\$ 15,813	\$ 6,541	\$ —	\$ —	\$ 22,354

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

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

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

Assured Guaranty Municipal Corp.

New Business Production (2 of 5)

(dollars in millions)

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

	Three Months Ended December 31, 2020				
	Public Finance		Structured Finance		
	U.S.	Non - U.S.	U.S.	Non - U.S.	Total
AGM (Excluding MAC)					
Total GWP	\$ 115	\$ (1)	\$ —	\$ —	\$ 114
Less: Installment GWP and other GAAP adjustments ⁽²⁾	36	(2)	—	—	34
Upfront GWP	79	1	—	—	80
Plus: Installment premium PVP	31	9	—	—	40
Total PVP	\$ 110	\$ 10	\$ —	\$ —	\$ 120
Gross par written	\$ 6,299	\$ —	\$ —	\$ —	\$ 6,299
MAC					
Total GWP	\$ —	\$ —	\$ —	\$ —	\$ —
Less: Installment GWP and other GAAP adjustments ⁽³⁾	—	—	—	—	—
Upfront GWP	—	—	—	—	—
Plus: Installment premium PVP	—	—	—	—	—
Total PVP	\$ —	\$ —	\$ —	\$ —	\$ —
Gross par written	\$ 43	\$ —	\$ —	\$ —	\$ 43
Consolidated AGM					
Total GWP	\$ 115	\$ (1)	\$ —	\$ —	\$ 114
Less: Installment GWP and other GAAP adjustments ⁽²⁾	36	(2)	—	—	34
Upfront GWP	79	1	—	—	80
Plus: Installment premium PVP	31	9	—	—	40
Total PVP	\$ 110	\$ 10	\$ —	\$ —	\$ 120
Gross par written	\$ 6,342	\$ —	\$ —	\$ —	\$ 6,342

1) See Non-GAAP Financial Measures set forth at the end of this Financial Supplement for a description of the changes to the discount rates used in the calculation of non-GAAP financial measure. The discount rate used for PVP as of December 31, 2020 is 3%.

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 December 31, 2019⁽¹⁾

		Three Months Ended December 31, 2019				
		Public Finance		Structured Finance		
		U.S.	Non - U.S.	U.S.	Non - U.S.	Total
AGM (Excluding MAC)						
Total GWP		\$ 70	\$ 339	\$ —	\$ —	\$ 409
Less: Installment GWP and other GAAP adjustments ⁽²⁾		—	339	—	—	339
Upfront GWP		70	—	—	—	70
Plus: Installment premium PVP		—	245	—	—	245
Total PVP		\$ 70	\$ 245	\$ —	\$ —	\$ 315
Gross par written		\$ 5,859	\$ 5,828	\$ —	\$ —	\$ 11,687
MAC						
Total GWP		\$ —	\$ —	\$ —	\$ —	\$ —
Less: Installment GWP and other GAAP adjustments ⁽³⁾		—	—	—	—	—
Upfront GWP		—	—	—	—	—
Plus: Installment premium PVP		—	—	—	—	—
Total PVP		\$ —	\$ —	\$ —	\$ —	\$ —
Gross par written		\$ 117	\$ —	\$ —	\$ —	\$ 117
Consolidated AGM						
Total GWP		\$ 70	\$ 339	\$ —	\$ —	\$ 409
Less: Installment GWP and other GAAP adjustments ⁽²⁾		—	339	—	—	339
Upfront GWP		70	—	—	—	70
Plus: Installment premium PVP		—	245	—	—	245
Total PVP		\$ 70	\$ 245	\$ —	\$ —	\$ 315
Gross par written		\$ 5,976	\$ 5,828	\$ —	\$ —	\$ 11,804

- 1) See Non-GAAP Financial Measures set forth at the end of this Financial Supplement for a description of the changes to the discount rates used in the calculation of non-GAAP financial measure. The discount rate used for PVP as of December 31, 2020 is 3%. Prior period has been recast to present PVP discounted at 3% instead of 6%. There was no material impact on prior period presented.
- 2) Includes present value of new business on installment policies discounted at the prescribed GAAP discount rates, GWP adjustments on existing installment policies due to changes in assumptions, any cancellations of assumed reinsurance contracts, and other GAAP adjustments.
- 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 Year Ended December 31, 2020⁽¹⁾

	Year Ended				
	December 31, 2020				
	Public Finance		Structured Finance		
	U.S.	Non - U.S.	U.S.	Non - U.S.	Total
AGM (Excluding MAC)					
Total GWP	\$ 296	\$ 119	\$ 1	\$ —	\$ 416
Less: Installment GWP and other GAAP adjustments ⁽²⁾	36	118	1	—	155
Upfront GWP	260	1	—	—	261
Plus: Installment premium PVP	31	73	—	—	104
Total PVP	<u>\$ 291</u>	<u>\$ 74</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 365</u>
Gross par written	\$ 20,947	\$ 1,435	\$ —	\$ —	\$ 22,382
MAC					
Total GWP	\$ 1	\$ —	\$ —	\$ —	\$ 1
Less: Installment GWP and other GAAP adjustments ⁽³⁾	—	—	—	—	—
Upfront GWP	1	—	—	—	1
Plus: Installment premium PVP	—	—	—	—	—
Total PVP	<u>\$ 1</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1</u>
Gross par written	\$ 250	\$ —	\$ —	\$ —	\$ 250
Consolidated AGM					
Total GWP	\$ 297	\$ 119	\$ 1	\$ —	\$ 417
Less: Installment GWP and other GAAP adjustments ⁽²⁾	36	118	1	—	155
Upfront GWP	261	1	—	—	262
Plus: Installment premium PVP	31	73	—	—	104
Total PVP	<u>\$ 292</u>	<u>\$ 74</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 366</u>
Gross par written	\$ 21,197	\$ 1,435	\$ —	\$ —	\$ 22,632

1) See Non-GAAP Financial Measures set forth at the end of this Financial Supplement for a description of the changes to the discount rates used in the calculation of non-GAAP financial measure. The discount rate used for PVP as of December 31, 2020 is 3%.

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 Year Ended December 31, 2019⁽¹⁾

	Year Ended				
	December 31, 2019				
	Public Finance		Structured Finance		
	U.S.	Non - U.S.	U.S.	Non - U.S.	Total
AGM (Excluding MAC)					
Total GWP	\$ 188	\$ 373	\$ (5)	\$ —	\$ 556
Less: Installment GWP and other GAAP adjustments ⁽²⁾	(1)	373	(5)	—	367
Upfront GWP	189	—	—	—	189
Plus: Installment premium PVP	—	273	—	—	273
Total PVP	<u>\$ 189</u>	<u>\$ 273</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 462</u>
Gross par written	\$ 15,248	\$ 6,541	\$ —	\$ —	\$ 21,789
MAC					
Total GWP	\$ 2	\$ —	\$ —	\$ —	\$ 2
Less: Installment GWP and other GAAP adjustments ⁽³⁾	—	—	—	—	—
Upfront GWP	2	—	—	—	2
Plus: Installment premium PVP	—	—	—	—	—
Total PVP	<u>\$ 2</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2</u>
Gross par written	\$ 565	\$ —	\$ —	\$ —	\$ 565
Consolidated AGM					
Total GWP	\$ 190	\$ 373	\$ (5)	\$ —	\$ 558
Less: Installment GWP and other GAAP adjustments ⁽²⁾	(1)	373	(5)	—	367
Upfront GWP	191	—	—	—	191
Plus: Installment premium PVP	—	273	—	—	273
Total PVP	<u>\$ 191</u>	<u>\$ 273</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 464</u>
Gross par written	\$ 15,813	\$ 6,541	\$ —	\$ —	\$ 22,354

- 1) See Non-GAAP Financial Measures set forth at the end of this Financial Supplement for a description of the changes to the discount rates used in the calculation of non-GAAP financial measure. The discount rate used for PVP as of December 31, 2020 is 3%. Prior period has been recast to present PVP discounted at 3% instead of 6%. There was no material impact on prior period presented.
- 2) Includes present value of new business on installment policies discounted at the prescribed GAAP discount rates, GWP adjustments on existing installment policies due to changes in assumptions, any cancellations of assumed reinsurance contracts, and other GAAP adjustments.
- 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 December 31, 2020		Year Ended December 31, 2020	
	Gross Par Written	Avg. Internal Rating	Gross Par Written	Avg. Internal Rating
Sector:				
U.S. public finance:				
General obligation	\$ 2,178	A-	\$ 8,779	A-
Municipal utilities	1,242	A-	3,421	A-
Tax backed	1,414	A-	3,147	A-
Healthcare	388	A	2,816	BBB+
Higher education	53	A-	1,479	BBB+
Infrastructure finance	787	BBB	787	BBB
Transportation	154	A-	583	A-
Housing revenue	—	—	59	BBB-
Other public finance	126	A+	126	A+
Total U.S. public finance	<u>6,342</u>	A-	<u>21,197</u>	A-
Non-U.S. public finance:				
Renewable energy	—	—	1,103	BBB
Sovereign and sub-sovereign	—	—	214	A+
Infrastructure finance	—	—	118	BBB+
Total non-U.S. public finance	<u>—</u>	—	<u>1,435</u>	BBB+
Total public finance	<u>6,342</u>	A-	<u>22,632</u>	A-
U.S. structured finance:				
Total U.S. structured finance	<u>—</u>	—	<u>—</u>	—
Non-U.S. structured finance:				
Total non-U.S. structured finance	<u>—</u>	—	<u>—</u>	—
Total structured finance	<u>—</u>	—	<u>—</u>	—
Total gross par written	<u>\$ 6,342</u>	A-	<u>\$ 22,632</u>	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 December 31, 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⁾	\$ 1,900	\$ 338	\$ —	\$ 2,238
U.S. government securities	61	20	—	81
Corporate securities ⁽²⁾	1,366	138	—	1,504
Mortgage-backed securities:				
Residential mortgage-backed securities (RMBS) ⁽²⁾	284	4	—	288
Commercial mortgage-backed securities (CMBS)	177	12	—	189
Asset-backed securities (ABS) ⁽²⁾	—			
Collateralized loan obligations	412	23	—	435
Other ABS ⁽²⁾	57	1	—	58
Non-U.S. government securities	173	—	—	173
Total fixed-maturity securities	4,430	536	—	4,966
Short-term investments and cash	244	47	196	487
AGC surplus note	300	—	—	300
Other invested assets	97	—	345	442
Total	\$ 5,071	\$ 583	\$ 541	\$ 6,195

	Fair Value	
	(AGM Excluding MAC and AGAS)	% of Portfolio
Ratings⁽³⁾:		
U.S. government securities	\$ 61	1.4 %
AAA/Aaa	847	19.1 %
AA/Aa	1,511	34.1 %
A/A	1,234	27.9 %
BBB	469	10.5 %
Below investment grade (BIG) ⁽⁴⁾	301	6.8 %
Not rated	7	0.2 %
Total fixed-maturity securities, available-for-sale	\$ 4,430	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 \$528 million in par with carrying value of \$300 million.

Assured Guaranty Municipal Corp.

Investment Portfolio and Cash (2 of 2)

As of December 31, 2020

(dollars in millions)

Fixed-Maturity, Short-Term Investments and Cash	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⁾	\$ 2,058	\$ —	3.47 %	3.22 %	\$ 2,238	\$ 72
U.S. government securities	78	—	1.92	1.62	81	1
Corporate securities ⁽³⁾	1,454	(42)	2.52	2.16	1,504	37
Mortgage-backed securities:						
RMBS ⁽³⁾	316	(18)	5.16	4.08	288	16
CMBS	177	—	3.48	2.75	189	6
Asset-backed securities ⁽³⁾						
Collateralized loan obligations	435	—	2.54	2.00	435	11
Other ABS ⁽³⁾	55	—	4.64	4.37	58	3
Non-U.S. government securities	167	—	1.10	1.09	173	2
Total fixed-maturity securities	4,740	(60)	3.11	2.74	4,966	148
Short-term investments	424	—	0.04	0.04	424	—
Cash ⁽⁴⁾	63	—	—	—	63	—
Total	\$ 5,227	\$ (60)	2.86 %	2.51 %	\$ 5,453	\$ 148

Ratings ⁽⁵⁾:

	Fair Value	% of Portfolio
U.S. government securities	\$ 81	1.6 %
AAA/Aaa	920	18.5
AA/Aa	1,749	35.3
A/A	1,326	26.7
BBB	582	11.7
BIG ⁽⁶⁾	301	6.1
Not rated	7	0.1
Total fixed-maturity securities, available-for-sale	\$ 4,966	100.0 %

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

4.0

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

A+

- 1) Represents annualized investment income based on amortized cost and pre-tax book yields.
- 2) 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 \$528 million in par with carrying value of \$300 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⁾					
	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	Future Credit Derivative Revenues ⁽³⁾
2020 (as of December 31)		\$ 244,444				
2021 Q1	\$ 3,823	240,621	\$ 46	\$ 3	\$ 1	\$ —
2021 Q2	3,235	237,386	46	3	1	—
2021 Q3	4,346	233,040	46	3	1	—
2021 Q4	3,603	229,437	45	3	1	—
2022	13,562	215,875	170	12	3	1
2023	11,893	203,982	158	11	3	1
2024	12,371	191,611	147	11	3	1
2025	12,426	179,185	134	10	2	—
2021-2025	65,259	179,185	792	56	15	3
2026-2030	54,813	124,372	547	39	11	1
2031-2035	44,143	80,229	384	26	10	—
2036-2040	30,271	49,958	246	18	4	—
After 2040	49,958	—	367	36	—	—
Total	\$ 244,444		\$ 2,336	\$ 175	\$ 40	\$ 4

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

2) See page 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.
Roll forward of Net Expected Loss and LAE to be Paid
(dollars in millions)

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

	Net Expected Loss to be Paid (Recovered) as of September 30, 2020	Economic Loss Development (Benefit) During 4Q-20	(Paid) Recovered Losses During 4Q-20	Net Expected Loss to be Paid (Recovered) as of December 31, 2020
Public Finance:				
U.S. public finance ⁽²⁾	\$ 27	\$ (31)	\$ (4)	\$ (8)
Non-U.S. public finance	26	3	—	29
Public Finance	<u>53</u>	<u>(28)</u>	<u>(4)</u>	<u>21</u>
Structured Finance:				
U.S. RMBS ⁽³⁾	54	(3)	15	66
Other structured finance	8	(1)	—	7
Structured Finance	<u>62</u>	<u>(4)</u>	<u>15</u>	<u>73</u>
Total	\$ 115	\$ (32)	\$ 11	\$ 94

Roll forward of Net Expected Loss and LAE to be Paid⁽¹⁾ for the Year Ended December 31, 2020

	Net Expected Loss to be Paid (Recovered) as of December 31, 2019	Economic Loss Development (Benefit) During 2020	(Paid) Recovered Losses During 2020	Net Expected Loss to be Paid (Recovered) as of December 31, 2020
Public Finance:				
U.S. public finance (2)	\$ 143	\$ 6	\$ (157)	\$ (8)
Non-U.S. public finance	19	10	—	29
Public Finance	<u>162</u>	<u>16</u>	<u>(157)</u>	<u>21</u>
Structured Finance:				
U.S. RMBS ⁽³⁾	45	(37)	58	66
Other structured finance	8	—	(1)	7
Structured Finance	<u>53</u>	<u>(37)</u>	<u>57</u>	<u>73</u>
Total	\$ 215	\$ (21)	\$ (100)	\$ 94

- 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 \$492 million as of December 31, 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 \$83 million as of December 31, 2020 and \$65 million as of December 31, 2019.

Assured Guaranty Municipal Corp.

Loss Measures

As of December 31, 2020

(dollars in millions)

		Three Months Ended December 31, 2020			Year Ended December 31, 2020		
	Total Net Par Outstanding for BIG Transactions	GAAP Loss and LAE ⁽¹⁾	Loss and LAE Included in Adjusted Operating Income ⁽²⁾	Effect of FG VIE Consolidation ⁽³⁾	GAAP Loss and LAE ⁽¹⁾	Loss and LAE Included in Adjusted Operating Income ⁽²⁾	Effect of FG VIE Consolidation ⁽³⁾
Public finance:							
U.S. public finance	\$ 2,754	\$ (32)	\$ (32)	\$ —	\$ 6	\$ 6	\$ —
Non-U.S public finance	674	2	2	—	4	4	—
Public finance	3,428	(30)	(30)	—	10	10	—
Structured finance:							
U.S. RMBS	931	2	2	2	(30)	(30)	(6)
Other structured finance	22	—	—	—	1	1	—
Structured finance	953	2	2	2	(29)	(29)	(6)
Total	\$ 4,381	\$ (28)	\$ (28)	\$ 2	\$ (19)	\$ (19)	\$ (6)

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

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

3) The "Effect of FG VIE Consolidation" column represents amounts included in the 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 December 31, 2020

(dollars in millions)

	GAAP
2021 Q1	\$ 3
2021 Q2	3
2021 Q3	3
2021 Q4	3
2022	10
2023	9
2024	11
2025	11
2021-2025	53
2026-2030	31
2031-2035	15
2036-2040	4
After 2040	2
Total expected PV of net expected loss to be expensed⁽²⁾	105
Future accretion	2
Total expected future loss and LAE	\$ 107

1) The present value of net expected loss to be paid is discounted using risk-free rates ranging from 0.00% to 1.72% for U.S. dollar denominated obligations.

2) Excludes \$28 million related to FG VIEs, which are eliminated in consolidation.

Assured Guaranty Municipal Corp.

Financial Guaranty Profile (1 of 4)

As of December 31, 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	\$ 39,378	\$ 5,211	\$ 1,426	\$ 3,435	\$ 10,072	\$ 49,450
Tax backed	21,050	1,407	184	141	1,732	22,782
Municipal utilities	15,907	1,193	293	354	1,840	17,747
Transportation	8,685	342	205	40	587	9,272
Healthcare	6,705	—	—	—	—	6,705
Higher education	3,777	85	103	5	193	3,970
Infrastructure finance	2,183	—	—	—	—	2,183
Housing revenue	791	24	—	—	24	815
Renewable energy	17	—	—	—	—	17
Other public finance	426	4	3	—	7	433
Total U.S. public finance	98,919	8,266	2,214	3,975	14,455	113,374
Non-U.S. public finance:						
Infrastructure finance	13,004	—	—	—	—	13,004
Regulated utilities	12,383	—	—	—	—	12,383
Sovereign and sub-sovereign	10,161	—	—	—	—	10,161
Renewable energy	1,904	—	—	—	—	1,904
Total non-U.S. public finance	37,452	—	—	—	—	37,452
Total public finance	136,371	8,266	2,214	3,975	14,455	150,826
U.S. structured finance:						
RMBS	1,834	—	—	—	—	1,834
Financial products	820	—	—	—	—	820
Other structured finance	98	—	—	—	—	98
Total U.S. structured finance	2,752	—	—	—	—	2,752
Non-U.S. structured finance:						
RMBS	152	—	—	—	—	152
Other structured finance	96	—	—	—	—	96
Total non-U.S. structured finance	248	—	—	—	—	248
Total structured finance	3,000	—	—	—	—	3,000
Total	\$ 139,371	\$ 8,266	\$ 2,214	\$ 3,975	\$ 14,455	\$ 153,826

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 December 31, 2020		As of December 31, 2019	
	Net Par Outstanding	Avg. Internal Rating	Net Par Outstanding	Avg. Internal Rating
U.S. public finance:				
General obligation	\$ 49,450	A-	\$ 49,027	A-
Tax backed	22,782	A-	24,019	A-
Municipal utilities	17,747	A-	17,588	A-
Transportation	9,272	BBB+	9,966	BBB+
Healthcare	6,705	BBB+	5,030	A-
Higher education	3,970	A-	3,564	A-
Infrastructure finance	2,183	BBB	1,564	BBB
Housing revenue	815	BBB	971	BBB+
Renewable energy	17	A	17	A
Other public finance	433	A-	419	A-
Total U.S. public finance	113,374	A-	112,165	A-
Non-U.S. public finance:				
Infrastructure finance	13,004	BBB	13,520	BBB
Regulated utilities	12,383	BBB+	12,485	BBB+
Sovereign and sub-sovereign	10,161	A+	9,940	A+
Renewable energy	1,904	A-	977	A+
Total non-U.S. public finance	37,452	BBB+	36,922	A-
Total public finance	150,826	A-	149,087	A-
U.S. structured finance:				
RMBS	1,834	BBB-	2,086	BBB-
Financial products	820	AA-	1,019	AA-
Other structured finance	98	A	137	A-
Total U.S. structured finance	2,752	BBB+	3,242	BBB+
Non-U.S. structured finance:				
RMBS	152	BBB+	201	BBB+
Other structured finance	96	AAA	143	AA
Total non-U.S. structured finance	248	A+	344	A
Total structured finance	3,000	BBB+	3,586	BBB+
Total	\$ 153,826	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 December 31, 2020

(dollars in millions)

Distribution by Ratings of Financial Guaranty Portfolio

Ratings:	Public Finance - U.S.		Public Finance - Non-U.S.		Structured Finance - U.S.		Structured Finance - Non-U.S.		Total	
	Net Par Outstanding	%	Net Par Outstanding	%	Net Par Outstanding	%	Net Par Outstanding	%	Net Par Outstanding	%
AAA	\$ 248	0.2 %	\$ 971	2.6 %	\$ 487	17.7 %	\$ 99	39.9 %	\$ 1,805	1.2 %
AA	10,226	9.0	4,025	10.7	1,014	36.9	23	9.3	15,288	9.9 %
A	60,859	53.7	9,808	26.2	85	3.1	—	—	70,752	46.0 %
BBB	39,287	34.7	21,974	58.7	213	7.7	126	50.8	61,600	40.0 %
BIG	2,754	2.4	674	1.8	953	34.6	—	—	4,381	2.9 %
Net Par Outstanding⁽¹⁾	\$ 113,374	100.0 %	\$ 37,452	100.0 %	\$ 2,752	100.0 %	\$ 248	100.0 %	\$ 153,826	100.0 %

- 1) As of December 31, 2020, excludes \$524 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

	AGM (excluding MAC)	MAC				Consolidated AGM
		Assumed from AGM	Assumed from AGC	Direct	Total MAC	
Ratings:						
AAA	\$ 101	\$ 147	\$ —	\$ —	\$ 147	\$ 248
AA	7,353	2,325	505	43	2,873	10,226
A	52,516	4,161	1,380	2,802	8,343	60,859
BBB	36,326	1,564	270	1,127	2,961	39,287
BIG	2,623	69	59	3	131	2,754
Net Par Outstanding	\$ 98,919	\$ 8,266	\$ 2,214	\$ 3,975	\$ 14,455	\$ 113,374

Ceded Par Outstanding

	Ceded Par Outstanding ⁽¹⁾⁽²⁾	% of Total
Affiliated reinsurers	\$ 52,383	99.3 %
Non-affiliated reinsurers	388	0.7 %
Total	\$ 52,771	100.0 %

- 1) Of the total ceded par to BIG rated reinsurers, \$74 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 \$857 million. The collateral excludes amounts posted by AGM for the benefit of AGUK and AGE.

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 December 31, 2020

(dollars in millions)

Geographic Distribution of Financial Guaranty Portfolio

	Net Par Outstanding	% of Total
U.S.:		
U.S. public finance		
California	\$ 21,922	14.3 %
Pennsylvania	11,226	7.3
New York	10,861	7.1
Texas	9,485	6.2
Illinois	9,205	5.9
New Jersey	6,629	4.3
Florida	4,435	2.9
Michigan	3,710	2.4
Louisiana	3,241	2.1
Alabama	2,513	1.6
Other	30,147	19.6
Total U.S public finance	113,374	73.7
U.S. structured finance	2,752	1.8
Total U.S.	116,126	75.5
Non-U.S.:		
United Kingdom	27,707	18.0
Canada	2,023	1.3
France	1,830	1.2
Spain	1,444	0.9
Australia	1,231	0.8
Other	3,465	2.3
Total non-U.S.	37,700	24.5
Total net par outstanding	\$ 153,826	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 December 31)					\$ 3,000
2021 Q1	\$ 70	\$ 25	\$ 6	\$ 101	2,899
2021 Q2	65	4	7	76	2,823
2021 Q3	61	(16)	6	51	2,772
2021 Q4	60	(10)	6	56	2,716
2022	223	16	24	263	2,453
2023	206	10	23	239	2,214
2024	205	13	23	241	1,973
2025	186	28	68	282	1,691
2021-2025	1,076	70	163	1,309	1,691
2026-2030	410	416	83	909	782
2031-2035	115	292	96	503	279
2036-2040	231	41	4	276	3
After 2040	2	1	—	3	—
Total structured finance	\$ 1,834	\$ 820	\$ 346	\$ 3,000	

Public Finance

	Estimated Net Par Amortization	Estimated Ending Net Par Outstanding
2020 (as of December 31)		\$ 150,826
2021 Q1	\$ 2,042	148,784
2021 Q2	1,655	147,129
2021 Q3	2,702	144,427
2021 Q4	2,016	142,411
2022	7,179	135,232
2023	5,837	129,395
2024	6,569	122,826
2025	6,889	115,937
2021-2025	34,889	115,937
2026-2030	32,000	83,937
2031-2035	28,651	55,286
2036-2040	20,325	34,961
After 2040	34,961	—
Total public finance	\$ 150,826	

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 December 31)	\$ 136,371	\$ 8,266	\$ 2,214	\$ 3,975	\$ 14,455	\$ 150,826
2021 Q1	134,614	8,072	2,166	3,932	14,170	148,784
2021 Q2	133,238	7,902	2,142	3,847	13,891	147,129
2021 Q3	131,053	7,512	2,090	3,772	13,374	144,427
2021 Q4	129,402	7,235	2,054	3,720	13,009	142,411
2022	123,387	6,421	1,970	3,454	11,845	135,232
2023	118,417	5,852	1,925	3,201	10,978	129,395
2024	112,652	5,338	1,888	2,948	10,174	122,826
2025	106,551	4,847	1,833	2,706	9,386	115,937
2030	78,281	2,719	1,384	1,553	5,656	83,937
2035	52,448	1,362	802	674	2,838	55,286
2040	33,640	754	356	211	1,321	34,961

Public Finance:

Estimated Net Par Amortization

	AGM (excluding MAC)	MAC				Consolidated AGM
		Assumed from Assured Guaranty Municipal	Assumed from AGC	Direct	Total MAC	
2021 Q1	\$ 1,757	\$ 194	\$ 48	\$ 43	\$ 285	\$ 2,042
2021 Q2	1,376	170	24	85	279	1,655
2021 Q3	2,185	390	52	75	517	2,702
2021 Q4	1,651	277	36	52	365	2,016
2022	6,015	814	84	266	1,164	7,179
2023	4,970	568	46	253	867	5,837
2024	5,765	514	36	254	804	6,569
2025	6,101	491	55	242	788	6,889
2021-2025	29,820	3,418	381	1,270	5,069	34,889
2026-2030	28,270	2,127	450	1,153	3,730	32,000
2031-2035	25,833	1,357	582	879	2,818	28,651
2036-2040	18,808	609	445	463	1,517	20,325
After 2040	33,640	754	356	211	1,321	34,961

Assured Guaranty Municipal Corp.

Exposure to Puerto Rico (1 of 3)

As of December 31, 2020

(dollars in millions)

Exposure to Puerto Rico

	Gross Par Outstanding	Net Par Outstanding	Gross Debt Service Outstanding	Net Debt Service Outstanding
Total	\$ 2,611	\$ 1,859	\$ 3,772	\$ 2,682

Exposure to Puerto Rico by Risk⁽¹⁾

	Net Par Outstanding	Gross Par Outstanding
Commonwealth Constitutionally Guaranteed		
Commonwealth of Puerto Rico - General Obligation Bonds ⁽²⁾	\$ 574	\$ 938
Puerto Rico Public Buildings Authority (PBA) ⁽²⁾	—	55
PBA (Second-to-pay policies on affiliate exposure) ⁽³⁾⁽⁴⁾	2	2
PBA total	2	57
Public Corporations - Certain Revenues Potentially Subject to Clawback		
Puerto Rico Highways and Transportation Authority (PRHTA) (Transportation revenue)	165	219
PRHTA (Transportation revenue) (Second-to-pay policies on affiliate exposure) ⁽³⁾⁽⁴⁾	79	79
PRHTA (Transportation revenue) total ⁽²⁾	244	298
PRHTA (Highways revenue) ⁽²⁾	399	465
Other Public Corporations		
Puerto Rico Electric Power Authority (PREPA) ⁽²⁾	489	648
Puerto Rico Municipal Finance Agency (MFA) ⁽⁴⁾	151	205
Total exposure to Puerto Rico	\$ 1,859	\$ 2,611

- 1) The general obligation bonds of Puerto Rico and various obligations of its related authorities and public corporations total \$1.9 billion net par as of December 31, 2020. Of that amount, \$1.8 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.
- 2) As of the date of this filing, the seven-member financial oversight board established by the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) has certified a filing under Title III of PROMESA for these exposures.
- 3) 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.
- 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 December 31, 2020

(dollars in millions)

Amortization Schedule of Net Par Outstanding of Puerto Rico

	2021 (Q1)	2021 (Q2)	2021 (Q3)	2021 (Q4)	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031- 2035	2036- 2037	Total
Commonwealth Constitutionally Guaranteed																
Commonwealth of Puerto Rico - General Obligation Bonds (Primary policies)	\$ —	\$ —	\$ —	\$ —	\$ 12	\$ 3	\$ 38	\$ 35	\$ 10	\$ 39	\$ 19	\$ 12	\$ 40	\$ 279	\$ 87	\$ 574
PBA (Second-to-pay policies) ⁽¹⁾	—	—	—	—	—	1	—	1	—	—	—	—	—	—	—	2
Public Corporations - Certain Revenues Potentially Subject to Clawback																
PRHTA (Transportation revenue) (Primary policies)	—	—	11	—	12	12	—	4	4	17	18	22	22	33	10	165
PRHTA (Transportation revenue) (Second-to-pay policies) ⁽¹⁾	—	—	—	—	—	—	—	17	12	—	—	20	—	19	11	79
PRHTA (Highways revenue)	—	—	18	—	37	30	32	33	1	—	9	10	13	171	45	399
Other Public Corporations																
PREPA	—	—	21	—	22	69	66	53	58	58	29	30	24	59	—	489
MFA	—	—	24	—	25	14	14	14	28	12	10	6	4	—	—	151
Total	\$ —	\$ —	\$ 74	\$ —	\$108	\$129	\$150	\$157	\$113	\$126	\$ 85	\$100	\$103	\$ 561	\$ 153	\$1,859

- 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 December 31, 2020

(dollars in millions)

Amortization Schedule of Net Debt Service Outstanding of Puerto Rico

	2021 (Q1)	2021 (Q2)	2021 (Q3)	2021 (Q4)	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031- 2035	2036- 2037	Total
Commonwealth Constitutionally Guaranteed																
Commonwealth of Puerto Rico - General Obligation Bonds (Primary policies)	\$ 15	\$ —	\$ 15	\$ —	\$ 42	\$ 33	\$ 68	\$ 62	\$ 35	\$ 64	\$ 42	\$ 35	\$ 61	\$ 353	\$ 96	\$ 921
PBA (Second-to-pay policies) ⁽¹⁾	—	—	—	—	—	1	—	2	—	—	—	—	—	—	—	3
Public Corporations - Certain Revenues Potentially Subject to Clawback																
PRHTA (Transportation revenue) (Primary policies)	4	—	15	—	19	19	7	11	11	23	23	26	26	38	11	233
PRHTA (Transportation revenue) (Second-to-pay policies) ⁽¹⁾	2	—	2	—	5	4	4	21	15	3	3	23	1	26	12	121
PRHTA (Highways revenue)	11	—	28	—	57	48	48	48	14	13	22	23	25	213	47	597
Other Public Corporations																
PREPA	9	2	30	2	44	89	83	67	69	68	35	35	28	62	—	623
MFA	4	—	28	—	31	19	18	17	32	13	11	6	5	—	—	184
Total	\$ 45	\$ 2	\$ 118	\$ 2	\$ 198	\$ 213	\$ 228	\$ 228	\$ 176	\$ 184	\$ 136	\$ 148	\$ 146	\$ 692	\$ 166	\$ 2,682

- 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 December 31, 2020

(dollars in millions)

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

Ratings:	Prime First Lien	Alt-A First Lien	Option ARMs	Subprime First Lien	Second Lien	Total Net Par Outstanding
AAA	\$ —	\$ 53	\$ —	\$ 381	\$ —	\$ 434
AA	—	15	9	158	12	194
A	—	—	—	—	85	85
BBB	—	6	—	8	176	190
BIG	21	198	14	595	103	931
Total exposures	\$ 21	\$ 272	\$ 23	\$ 1,142	\$ 376	\$ 1,834

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

Year insured:	Prime First Lien	Alt-A First Lien	Option ARMs	Subprime First Lien	Second Lien	Total Net Par Outstanding
2004 and prior	\$ —	\$ 14	\$ —	\$ 386	\$ 13	\$ 413
2005	—	116	7	109	50	282
2006	21	34	—	—	153	208
2007	—	108	16	614	160	898
2008	—	—	—	33	—	33
Total exposures	\$ 21	\$ 272	\$ 23	\$ 1,142	\$ 376	\$ 1,834

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 December 31, 2020
(dollars in millions)

Distribution of Credit Derivative Net Par Outstanding by Rating

Rating:	Net Par Outstanding	% of Total
AA	\$ 136	15.5 %
A	263	29.9
BBB	480	54.6
Total credit derivative net par outstanding	\$ 879	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	\$ 688	A
Non-U.S. public finance	191	BBB
Total public finance	879	A-
Total credit derivative net par outstanding	\$ 879	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	
	December 31, 2020	December 31, 2019
U.S. public finance:		
Tax backed	\$ 1,051	\$ 743
General obligation	791	982
Municipal utilities	696	697
Higher education	74	101
Transportation	74	73
Housing revenue	9	—
Healthcare	2	2
Other public finance	57	58
Total U.S. public finance	2,754	2,656
Non-U.S. public finance:		
Sovereign and sub-sovereign	367	332
Infrastructure finance	307	339
Total non-U.S. public finance	674	671
Total public finance	3,428	3,327
U.S. structured finance:		
RMBS	931	993
Other structured finance	22	26
Total U.S. structured finance	953	1,019
Non-U.S. structured finance:		
Other structured finance	—	40
Total non-U.S. structured finance	—	40
Total structured finance	953	1,059
Total BIG net par outstanding	\$ 4,381	\$ 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	
	December 31, 2020	December 31, 2019
BIG Category 1		
U.S. public finance	\$ 1,028	\$ 931
Non-U.S. public finance	634	636
U.S. structured finance	107	65
Non-U.S. structured finance	—	40
Total BIG Category 1	1,769	1,672
BIG Category 2		
U.S. public finance	42	43
Non-U.S. public finance	—	—
U.S. structured finance	—	40
Non-U.S. structured finance	—	—
Total BIG Category 2	42	83
BIG Category 3		
U.S. public finance	1,684	1,682
Non-U.S. public finance	40	35
U.S. structured finance	846	914
Non-U.S. structured finance	—	—
Total BIG Category 3	2,570	2,631
BIG Total	\$ 4,381	\$ 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 December 31, 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	\$ 574	CCC
Puerto Rico Highways & Transportation Authority	564	CCC
Puerto Rico Electric Power Authority	489	CCC
Illinois Sports Facilities Authority	216	BB+
Puerto Rico Municipal Finance Agency	151	CCC
Jackson Water & Sewer System, Mississippi	107	BB
Virgin Islands Public Finance Authority (Gross Receipts)	98	BB
Harrisburg Parking System, Pennsylvania	61	B
Stockton City, California	56	B
Total U.S. public finance	2,316	
Non-U.S. public finance:		
Valencia Fair	265	BB+
Road Management Services PLC (A13 Highway)	179	B+
M6 Duna Autopalya Koncesszios Zrt.	88	BB+
Total non-U.S. public finance	532	
Total	\$ 2,848	

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	\$ 157	CCC	26.0%
Soundview 2007-WMC1	150	CCC	39.3
Nomura Asset Accept. Corp. 2007-1	92	CCC	28.0
New Century 2005-A	75	CCC	22.0
MABS 2007-NCW	56	BB	28.8
ACE 2007-SL1	50	CCC	2.9
Total RMBS	580		
Subtotal U.S. structured finance	580		
Non-U.S. structured finance:	—		
Subtotal Non-U.S. structured finance	—		
Total	\$ 580		

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 December 31, 2020

(dollars in millions)

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

Credit Name	Net Par Outstanding	Internal Rating (1)
New Jersey (State of)	\$ 1,990	BBB
Pennsylvania (Commonwealth of)	1,436	A-
Illinois (State of)	1,314	BBB-
New York Metropolitan Transportation Authority	1,228	A-
CommonSpirit Health, IL	835	A-
Foothill/Eastern Transportation Corridor Agency, California	832	BBB
Great Lakes Water Authority (Sewerage), Michigan	761	A-
Suffolk County, New York	684	BBB
Philadelphia School District, Pennsylvania	679	A-
Massachusetts (Commonwealth of) Water Resources	666	AA
Long Island Power Authority	648	A-
Puerto Rico Highways & Transportation Authority	643	B-
Port Authority of New York and New Jersey	641	BBB-
ProMedica Healthcare Obligated Group, Ohio	629	BBB
Montefiore Medical Center, New York	619	BBB-
Jefferson County Alabama Sewer	611	BBB
California (State of)	609	AA-
Massachusetts (Commonwealth of)	609	AA-
Wisconsin (State of)	604	A
Pennsylvania Turnpike Commission	600	A-
New York (City of), New York	578	AA-
Puerto Rico, General Obligation, Appropriations and Guarantees of the Commonwealth	576	CCC
Yankee Stadium LLC New York City Industrial Development Authority	562	BBB
Metro Washington Airports Authority (Dulles Toll Road)	526	BBB
Pittsburgh Water & Sewer, Pennsylvania	521	A-
Chicago Public Schools, Illinois	510	BBB-
Oglethorpe Power Corporation, Georgia	500	BBB
Puerto Rico Electric Power Authority	489	CCC
Metropolitan Pier and Exposition Authority, Illinois	470	BBB-
Regional Transportation Authority (Sales Tax), Illinois	470	AA
Clark County School District, Nevada	462	BBB+
Sacramento County, California	454	A-
Kansas City, Missouri	442	A
Nassau County, New York	437	A-
Hayward Unified School District, California	436	A
Garden State Preservation Trust, New Jersey Open Space & Farmland	420	BBB+
North Carolina Turnpike Authority	411	BBB-
New Jersey Turnpike Authority	403	A-
Philadelphia (City of), Pennsylvania	402	BBB+
Chicago (City of), Illinois	390	BBB-
New York State Thruway Authority	380	A-
Connecticut (State of)	380	A-
Kansas (State of)	344	A+
Harris County - Houston Sports Authority, Texas	343	BBB
Jets Stadium Development, LLC	341	BBB
Pennsylvania Turnpike Commission Registration Fee	330	BBB
Miami-Dade County Aviation Authority (Miami International Airport), Florida	329	A-
DASNY School Districts Series 2020A	328	A+
Alameda Corridor Transportation Authority, California	323	BBB+
Louisville Arena Authority Inc.	321	BBB-
Total top 50 U.S. public finance exposures	\$ 29,516	

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 December 31, 2020

(dollars in millions)

25 Largest U.S. Structured Finance Exposures

Credit Name	Net Par Outstanding	Internal Rating (1)
Option One 2007-FXD2	\$ 157	CCC
Soundview 2007-WMC1	150	CCC
CWABS 2007-4	110	A+
Nomura Asset Accept. Corp. 2007-1	92	CCC
Countrywide HELOC 2006-I	80	A
New Century 2005-A	75	CCC
Countrywide 2007-13	72	AA
MABS 2007-NCW	56	BB
ACE 2007-SL1	50	CCC
Augusta Funding Limited	47	AAA
ACE 2007-D1	46	CCC
Countrywide HELOC 2006-F	44	BBB
Countrywide HELOC 2007-A	43	BBB
Countrywide HELOC 2007-B	42	BBB
Countrywide Home Loans (CWABS) 2004-1	41	AAA
Long Beach 2004-1	40	AAA
ABFC 2005-AQ1	40	AAA
Mid-State Trust X	36	AAA
Wells Fargo Home Equity 2004-2	35	AAA
Countrywide HELOC 2005-D	34	BBB-
Soundview Home Loan Trust 2008-1	33	CCC
Renaissance (Delta) 2005-4	32	BB
Terwin Mortgage Trust 2005-16HE	28	CCC
Renaissance (Delta) 2004-2	26	AAA
Long Beach 2004-3N	25	AAA
Total top 25 U.S. structured finance exposures	\$ 1,434	

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 December 31, 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	\$ 2,641	BBB
Quebec Province	Canada	1,650	A+
Dwr Cymru Financing Limited (Welsh Water Plc)	United Kingdom	1,588	A-
Anglian Water Services Financing PLC	United Kingdom	1,446	A-
British Broadcasting Corporation (BBC)	United Kingdom	1,281	A+
Thames Water Utility Finance PLC	United Kingdom	1,228	BBB
Channel Link Enterprises Finance PLC	France, United Kingdom	1,102	BBB
Verbund, Lease and Sublease of Hydro-Electric Equipment	Austria	951	AAA
Aspire Defence Finance plc	United Kingdom	870	BBB+
Southern Gas Networks PLC	United Kingdom	825	BBB
Capital Hospitals (Issuer) PLC	United Kingdom	676	BBB-
Verdun Participations 2 S.A.S.	France	654	BBB-
Coventry & Rugby Hospital Company (Walsgrave Hospital) Plc	United Kingdom	550	BBB-
Societe des Autoroutes du Nord et de l'Est de France S.A.	France	510	BBB+
Sydney Airport Finance Company	Australia	504	BBB+
Derby Healthcare PLC	United Kingdom	502	BBB
Campania Region - Healthcare receivable	Italy	500	BB+
North Staffordshire PFI, 32-year EIB Index-Linked Facility	United Kingdom	480	BBB-
Central Nottinghamshire Hospitals PLC	United Kingdom	434	BBB
Envestra Limited	Australia	431	A-
NATS (En Route) PLC	United Kingdom	373	A-
NewHospitals (St Helens & Knowsley) Finance PLC	United Kingdom	369	BBB+
National Grid Gas PLC	United Kingdom	360	BBB+
Japan Expressway Holding and Debt Repayment Agency	Japan	344	A+
Private International Sub-Sovereign Transaction	United Kingdom	336	AA-
Yorkshire Water Services Finance Plc	United Kingdom	336	A-
Wessex Water Services Finance Plc	United Kingdom	327	BBB+
The Hospital Company (QAH Portsmouth) Limited	United Kingdom	325	BBB
South East Water	United Kingdom	317	BBB
Hypersol Solar Inversiones, S.A.U.	Spain	316	BBB
Q Energy - Phase II	Spain	316	BBB+
Private International Sub-Sovereign Transaction	United Kingdom	296	A
Q Energy - Phase III	Spain	290	BBB+
Severn Trent Water Utilities Finance Plc	United Kingdom	282	BBB+
Valencia Fair	Spain	265	BB+
Octagon Healthcare Funding PLC	United Kingdom	259	BBB
Private International Sub-Sovereign Transaction	United Kingdom	256	AA-
Scotland Gas Networks plc	United Kingdom	246	BBB
MPC Funding Limited	Australia	239	BBB+
Republic of Poland	Poland	238	A-
Plenary Health North Bay Finco Inc.	Canada	232	BBB
Western Power Distribution (South West) PLC	United Kingdom	230	BBB+
Western Power Distribution (South Wales) PLC	United Kingdom	229	BBB+
Integrated Accommodation Services PLC	United Kingdom	226	BBB+
National Grid Company PLC	United Kingdom	223	BBB+
Bakethin Finance Plc	United Kingdom	221	A-
Sarawak Capital Incorporated	Malaysia	210	BBB+
Leeds Hospital - St. James's Oncology Financing plc	United Kingdom	202	BBB
University of York (Civitas Living LLP), UK	United Kingdom	193	BBB
DirectRoute (Limerick) Holdings Ltd	Ireland	191	BBB-
Total top 50 non-U.S. exposures		\$ 27,070	

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)

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Claims-Paying Resources⁽¹⁾					
Policyholders' surplus	\$ 2,864	\$ 2,691	\$ 2,533	\$ 2,254	\$ 2,321
Contingency reserve	940	986	1,034	1,108	1,236
Qualified statutory capital	3,804	3,677	3,567	3,362	3,557
Unearned premium reserve and net deferred ceding commission income	2,112	2,027	1,873	1,926	1,573
Loss and LAE reserves	64	196	518	634	410
Total policyholders' surplus and reserves	5,980	5,900	5,958	5,922	5,540
Present value of installment premium ⁽³⁾	445	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)	6,625	6,509	6,576	6,537	6,348
Adjustment for MAC	363	370	434	451	657
Total claims-paying resources (excluding proportionate MAC ownership for AGM)	\$ 6,262	\$ 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	35 :1	35:1	31:1	33:1	34:1
Adjusted statutory net par outstanding to claims-paying resources (including MAC adjustment for AGM)	22 :1	22:1	20:1	21:1	22:1
Other Financial Information (Statutory Basis)⁽²⁾					
Net debt service outstanding (end of period)	\$ 231,966	\$ 228,284	\$ 204,297	\$ 218,788	\$ 213,198
Gross debt service outstanding (end of period)	310,948	308,725	291,926	311,805	310,057
Net par outstanding (end of period)	144,501	140,579	129,893	138,775	139,420
Gross par outstanding (end of period)	195,657	192,018	185,515	197,164	200,061
Ceded to Assured Guaranty affiliates	50,768	50,665	53,733	54,628	60,641
Ceded par to other companies	388	774	1,889	3,762	9,170
Gross debt service written:					
Public finance	\$ 35,457	\$ 45,642	\$ 21,854	\$ 29,785	\$ 26,269
Structured finance	—	—	—	—	—
Total gross debt service written	\$ 35,457	\$ 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 the first quarter of 2020. Prior periods have been updated to reflect the change.

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

Glossary

Net Par Outstanding and Internal Ratings

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

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

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

Performance Indicators

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

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, 2020.

Public Finance:

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

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

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

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

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

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

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

Glossary (continued)

Sectors (continued)

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

The Company discloses both (a) financial measures determined in accordance with GAAP and (b) financial measures not determined in accordance with GAAP (non-GAAP financial measures). Financial measures identified as non-GAAP should not be considered substitutes for GAAP financial measures. The primary limitation of non-GAAP financial measures is the potential lack of comparability to financial measures of other companies, whose definitions of non-GAAP financial measures may differ from those of the Company.

The Company believes its presentation of non-GAAP financial measures provides information that is necessary for analysts to calculate their estimates of Assured Guaranty's financial results in their research reports on Assured Guaranty and for investors, analysts and the financial news media to evaluate Assured Guaranty's financial results.

GAAP requires the Company to consolidate:

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

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

Management and the Board of Directors use non-GAAP financial measures further adjusted to remove the effect of VIE consolidation (which the Company refers to as its core financial measures), as well as GAAP financial measures and other factors, to evaluate the Company's results of operations, financial condition and progress towards long-term goals. The Company uses core financial measures in its decision-making process for and in its calculation of certain components of management compensation. The core financial measures that the Company uses to help determine compensation are: (1) adjusted operating income, further adjusted to remove the effect of VIE consolidation, (2) adjusted operating shareholders' equity, further adjusted to remove the effect of VIE consolidation, (3) growth in adjusted book value per share, further adjusted to remove the effect of VIE consolidation, and (4) PVP.

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

Adjusted operating income, further adjusted for the effect of VIE consolidation enables investors and analysts to evaluate the Company's financial results in comparison with the consensus analyst estimates distributed publicly by financial databases.

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

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

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

Non-GAAP Financial Measures (continued)

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

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

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

Adjusted operating shareholders' equity is defined as shareholders' equity attributable to AGL, as reported under GAAP, adjusted for the following:

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

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

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

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

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

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

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

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

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

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

Non-GAAP Financial Measures (continued)

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

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

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

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

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

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



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